

**Asset quality stabilizes, profitability rebuild still in progress**

**CMP: INR 860**

**Rating: BUY**

**Target Price: INR 973**

**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
52 w H/L (INR)	969 / 710
Avg Yearly Vol (in 000')	4,980

**Shareholding Pattern %**

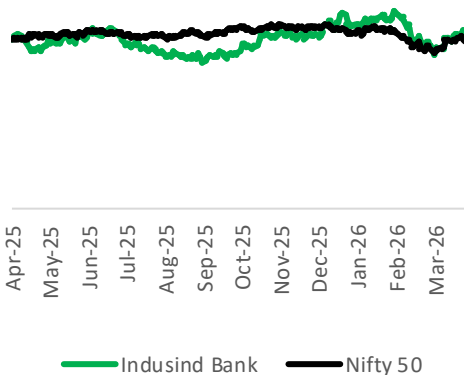
(As on Mar 2026)

Promoter	15.82
Public & Others	84.18

**Stock Performance (%)**

	3m	6m	12m
IndusInd Bank	-5.23	12.30	2.09
Nifty 50	-5.07	-7.35	-1.77

**IndusInd Bank Vs Nifty**



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IndusInd Bank reported a strong Q4FY26 performance, with NII in line with estimates and PAT higher than expected due to lower provisions, while asset quality improved with GNPA declining to 3.43% from 3.56% in Q3FY26. NII stood at INR 4,371.5 Mn vs estimate of INR 4,350.8 Mn, down 4.1% QoQ and up 43.41% YoY, while PPOP came in at INR 2,215.3 Mn vs INR 2,078.7 Mn estimate, down 4.0% QoQ. Provisions were INR 1,484.3 Mn vs INR 1,838.0 Mn estimate, down 28.9% QoQ, supporting PAT at INR 532.7 Mn vs INR 180.5 Mn estimate, up 230.6% QoQ. GNPA stood at 3.43% and NNPA at 1.00%, both slightly better than estimates, while deposits were INR 400,174 Mn (up 1.6% QoQ) and advances stood at INR 315,871 Mn (down 0.5% QoQ).

**Earnings recovery underway, but sustained improvement remains key:** IndusInd Bank's earnings show early signs of recovery, with PAT rising sharply to INR 594 crore in Q4FY26 from INR 128 crore in Q3, while operating profit remained stable at INR 2,295 crore, indicating that the improvement is largely driven by lower provisioning rather than strong revenue growth. NII stood at INR 4,371 crore and reported NIM was 3.39% compared to 3.52% in Q3, although normalized margins suggest a slight underlying improvement. Management has guided for ~1% ROA by FY27 exit versus 0.45% in Q4 FY26, supported by lower credit costs and better operating performance, a shift toward rebuilding profitability.

**Asset quality strengthening with broad-based improvement and easing stress levels:** Asset quality improved meaningfully, with GNPA declining to 3.43% from 3.56% and NNPA to 1.00% from 1.04%, while credit cost moderated to 1.89% from 2.62% in Q3 and gross slippages fell sharply to INR 1,825 crore from INR 2,560 crore. Importantly, the improvement is broad-based across segments such as vehicle finance and microfinance, with early stress indicators remaining stable as SMA1+2 stood at 0.17%, the restructured book at 0.06%, and net SRs at 0.08%, indicating that the bank is moving past peak stress and reducing the risk of further negative surprises.

**Valuation & View:** The FY27 outlook remains stable with gradual improvement across key metrics. Loan growth is guided at 13% to 14% in line with industry, with MFI seeing calibrated growth and large corporate degrowth largely completed, while the loan mix is expected to remain at 60:40 retail to wholesale with a shift toward mid-market and SME within wholesale. The bank targets ~1% exit ROA in FY27 from 45 bps, driven equally by credit cost normalization and operating profit improvement, supported by modest NIM expansion, higher fee income, and expense optimization. NIM should benefit from easing cost of funds and improving deposit mix, with repricing largely done. Asset quality is expected to remain stable with credit costs past peak, and NNPA reduction to 50–60 bps will be gradual. Fee income growth will be supported by transaction banking, capital markets, FX, insurance, and MF distribution. Deposit growth may remain a constraint, with the bank comfortable at 11% to 12%, while LCR is expected at 115% to 120%, and capital remains adequate with no capital raise planned. **We revised our estimates with cautious outlook and assigned BUY rating for a downgraded target price of INR 973 on 1.01x FY29E ABV.**

**Financial Performance**

Particulars (INR Bn)	FY24	FY25	FY26	FY27E	FY28E	FY29E
NII	206	190	180	189	219	256
PPOP	157	106	92	103	138	181
PAT	89	26	9	29	57	91
EPS (INR / Share)	149	44	12	37	73	116
BVPS (INR / Share)	1,045	1,072	838	868	919	1,001
NIM (%)	4.5%	3.8%	3.6%	3.7%	3.9%	4.2%
RoA (%)	1.7%	0.5%	0.2%	0.5%	0.9%	1.3%
RoE (%)	14.3%	4.1%	1.4%	4.3%	8.0%	11.6%
P/ABV (x)	1.8	1.8	2.3	2.2	2.0	1.9

## Q4FY26 - Quarterly Performance (Standalone)

(in INR Mn)

Income Statement (INR Mn)	Q4FY26	Q3FY26	Q4FY25	Q-o-Q	Y-o-Y
Interest Income	11,005	11,373	10,634	-3.2%	3.5%
Interest Expense	6,634	6,811	7,586	-2.6%	-12.5%
<b>Net Interest Income</b>	<b>4,371</b>	<b>4,562</b>	<b>3,048</b>	<b>-4.2%</b>	<b>43.4%</b>
Non Interest Income	1,706	1,707	709	0.0%	140.7%
Total Income	6,078	6,268	3,757	-3.0%	61.8%
Employee Costs	1,311	1,518	1,229	-13.6%	6.7%
Other Operating Expenses	2,552	2,444	3,001	4.4%	-15.0%
Operating Expenses	3,863	3,961	4,230	-2.5%	-8.7%
<b>Pre-Provision Profit</b>	<b>2,215</b>	<b>2,307</b>	<b>-473</b>	<b>NA</b>	<b>-568.8%</b>
Provisions	1,484	2,089	2,417	-28.9%	-38.6%
Profit Before Tax	731	218	-2,889	NA	-125.3%
Tax Expense	198	57	-653	NA	-130.4%
<b>Net Profit</b>	<b>533</b>	<b>161</b>	<b>-2,236</b>	<b>NA</b>	<b>-123.8%</b>
<b>Balance Sheet Analysis</b>					
Deposits	400,174	393,815	410,862	1.6%	-2.6%
CASA Deposits	124,933	119,104	134,789	4.9%	-7.3%
CASA (%)	31.2%	30.2%	33.0%	98bps	-178bps
Advances	315,871	317,536	345,019	-0.5%	-8.4%
Total Assets	543,419	525,595	554,107	3.4%	-1.9%
Capital Adequacy Ratio (%)	17.48%	16.94%	16.24%	54bps	124bps
<b>Spread Analysis</b>					
Yield on Avg Advances (%)	10.7%	11.0%	9.5%	-25bps	122bps
Yield on Avg Interest Earning Assets (%)	8.5%	8.8%	7.9%	-25bps	68bps
Cost of Funds (%)	5.14%	5.26%	5.6%	-12bps	-46bps
NIM (%)	3.39%	3.52%	2.25%	-13bps	114bps
<b>Asset Quality</b>					
Gross NPA	11,095	11,605	11,046	-4.4%	0.4%
Net NPA	3,169	3,304	3,287	-4.1%	-3.6%
GNPA (%)	3.43%	3.56%	3.13%	-13bps	30bps
NNPA (%)	1.00%	1.04%	0.95%	-4bps	5bps
PCR (%)	71.4%	71.5%	70.2%	-9bps	119bps
<b>Key Ratios</b>					
Cost to Income Ratio (%)	63.6%	63.2%	112.6%	35bps	-4903bps
C/D Ratio (%)	78.9%	80.6%	84.0%	-170bps	-504bps
RoA (%) (Annualised)	0.45%	0.10%	-1.74%	35bps	NA

Source: Arianth Research, Company Filings

**Key Concall Highlights****Asset Quality**

- GNPA at 3.43%, NNPA at 1%, PCR maintained around 71%.
- Annualized slippages improved sharply to 1.71% vs 2.65% QoQ; net slippages down 37% QoQ.
- SMA1+SMA2 stable at 17 bps; net SR at 8 bps (vs 9 bps); restructured book at 6 bps (vs 7 bps).
- 50% of net NPA is from vehicle finance and less than 25% from MFI, implying limited residual credit loss risk.

**Vehicle Finance**

- Loan book at INR 998.76 bn, up 2% QoQ; disbursements at INR 126 bn.
- Annualized gross/net slippages at 1.94%/1%, lowest in several quarters; full year net slippage at 1.84% vs 2.33% YoY.
- Improvement seen across all vehicle categories on both QoQ and YoY basis.
- Near term watchful given West Asia uncertainty, but medium term growth and profitability outlook remains intact.

**Micro Loans and Rural**

- MFI book at INR 167.82 bn, sequential decline moderated to 5% QoQ (mostly write off led).
- Gross slippages reduced to INR 5.04 bn vs INR 10.22 bn QoQ; 31 to 90 DPD book at 0.9% vs 2.4% QoQ.
- Disbursements at INR 54 bn, up 52% QoQ; 57% of portfolio covered under CGFMU credit guarantee.
- Merchant loan book at INR 80.42 bn (up 11% YoY); affordable housing at INR 28.39 bn (up 24% YoY); KCC at INR 43.85 bn.

**Consumer Banking**

- Total consumer banking assets at INR 310.75 bn, up 8% YoY.
- Home loans at INR 65.1 bn (up 45% YoY, 6% QoQ); gold loan book crossed INR 10 bn with monthly disbursements 3x in last six months; over 500 branches enabled.
- Personal loans at INR 103.58 bn (down 2% QoQ); credit cards at INR 97.51 bn (down 5% QoQ); card spends at INR 152.59 bn (up 4% YoY).
- Annualized net slippages improved to 4.22% vs 5.42% QoQ.

**SME and Wholesale Banking**

- SME book at INR 443.47 bn, up 1% QoQ; new leadership upgrading processes, risk frameworks and operating structures.
- Wholesale avg book down 6% QoQ on continued large corporate rationalization; A and above rated at 83%, weighted avg rating at 2.53.
- Wholesale FY26 gross/net slippages at 0.29%/0.24%, stable YoY.
- Transaction banking fees contributed 66% of overall wholesale and SME fee income.

**Liability Franchise**

- Net retail deposit addition of INR 68 bn during the quarter; all incremental deposits were retail in nature.
- Share of average retail deposits per LCR improved to 47.9% (vs 47.5% QoQ, 46.6% YoY).
- Cost of deposits at 6.07%, improved 2 bps QoQ; TD repricing journey largely done.
- Avg LCR at 118%; CD share in total deposits at 6.2%; borrowings share at 7.9%.

**Capital and Other Items**

- CET1 at 16.2%, CAR at 17.48%; capital accreted during quarter, no plans to raise capital over next year.
- AFS reserve at negative INR 0.5 bn; AFS book is small in context of overall investment portfolio.
- RBI FX NOP rule impact not material (in tens of crores).
- PSL targets fully met for FY26 including subcategories; INR 20 bn RIDF still pending from past year shortfall but no incremental RIDF expected next year.

**Strategic Initiatives and Leadership**

- Leadership transition largely completed with onboarding of Head Retail Banking, Head Global Markets, CRO and CIO; Jagdeep Mallareddi and Ganesh Sankaran approved as Whole Time EDs designate.
- AI Center of Excellence being set up; 10 high impact GenAI use cases identified across sales, conversational banking, underwriting and collections.
- Indus Compass (internal knowledge mgmt) has 3,000 daily users handling 15,000+ queries/day; over 9,000 employees completed AI training.
- Over 300 vehicle branches now co located/merged with branch banking; targeting 600 in next 6 to 9 months; deposit sourced from vehicle customers grew 35% YoY.

**Guidance**

- Loan growth: FY27 growth broadly in line with industry (expected 13% to 14%, subject to macro); MFI to see calibrated growth rather than book contraction; large corporate degrowth more or less done.
- Loan mix: Broadly 60:40 retail to wholesale to be maintained; within wholesale, money to be reallocated from very large corporates/conglomerates to mid market and SME; SME/wholesale composition will shift but absolute proportionality stable.
- ROA target: 1% exit ROA in FY27 (from current 45 bps); journey to be split equally between credit cost normalization and operating profit improvement; within OP, modest NIM improvement plus larger fee uptick and expense optimization (operating leverage as book grows).
- NIM: Cost of funds easing flowing through; deposit cost repricing largely done; further benefit to come from improving retail mix.
- Asset quality: Credit costs past peak subject to macro stability; net NPA target of 50 to 60 bps to be achieved gradually rather than via accelerated write offs.
- Net NPA reduction: Will be gradual; consistent with stated provisioning policy approach.
- Fee income: Multiple levers being activated including transaction banking, capital markets, FX franchise, insurance and MF distribution; visible improvement expected progressively.
- Deposits: Deposit growth could be a constraint on credit growth; bank ok with growing slightly below industry (11% to 12%) if industry grows 12% to 13%; getting back into growth mode is a clear board mandate.
- LCR: Internal operating range 115% to 120%; no significant release expected from new LCR norms.
- Capital: Adequate for next year of growth; no capital raise planned.

## Key Financials

Profit & Loss Statement (INR Bn)	FY24	FY25	FY26	FY27E	FY28E	FY29E
Interest Income	457	487	463	495	539	588
Interest Expense	251	296	283	307	319	332
<b>Net Interest Income</b>	<b>206</b>	<b>190</b>	<b>180</b>	<b>189</b>	<b>219</b>	<b>256</b>
Non interest income	94	77	72	81	92	105
Operating income	300	267	252	270	311	361
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
<b>PPOP</b>	<b>157</b>	<b>106</b>	<b>92</b>	<b>103</b>	<b>138</b>	<b>181</b>
Provisions	38	70	79	63	60	57
PBT	119	36	13	40	78	124
Tax Expense	30	10	3	11	21	33
<b>PAT</b>	<b>89</b>	<b>26</b>	<b>9</b>	<b>29</b>	<b>57</b>	<b>91</b>
<b>Diluted EPS (INR)</b>	<b>149</b>	<b>44</b>	<b>12</b>	<b>37</b>	<b>73</b>	<b>116</b>

Balance Sheet (INR Bn)	FY24	FY25	FY26	FY27E	FY28E	FY29E
<b>Source of Funds</b>						
Share capital	8	8	8	8	8	8
Reserves & Surplus	619	636	645	668	708	772
Networth	627	643	653	676	716	780
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
<b>Total Equity &amp; Liabilities</b>	<b>5,149</b>	<b>5,540</b>	<b>5,434</b>	<b>5,845</b>	<b>6,401</b>	<b>7,041</b>
Uses of Funds	0	0	0	0	0	1
Cash & bank balance	842	1,066	962	1,089	1,277	1,484
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
<b>Total Assets</b>	<b>5,149</b>	<b>5,540</b>	<b>5,434</b>	<b>5,845</b>	<b>6,401</b>	<b>7,041</b>

Source: Arihant Research, Company Filings.

Key Ratio	FY24	FY25	FY26	FY27E	FY28E	FY29E
<b>Growth Rates</b>						
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%	7.6%	9.5%	10.0%
NII (%)	17.2%	-7.7%	-5.5%	5.0%	16.2%	16.7%
Pre-provisioning profit (%)	9.7%	-32.4%	-13.6%	12.2%	34.1%	30.8%
PAT (%)	21.1%	-70.5%	-64.7%	211.7%	96.5%	58.4%
<b>B/S Ratios</b>						
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%	57.6%	57.1%	56.8%
Leverage - Total Assets to Equity	8.2	8.6	8.3	8.6	8.9	9.0
<b>Operating efficiency</b>						
Cost/income (%)	47.5%	60.2%	63.5%	61.7%	55.5%	49.8%
Opex/total assets (%)	2.9%	2.9%	3.0%	2.9%	2.8%	2.6%
Opex/total interest earning assets	3.2%	3.3%	3.3%	3.4%	3.2%	3.0%
<b>Profitability</b>						
NIM (%)	4.5%	3.8%	3.6%	3.7%	3.9%	4.2%
RoA (%)	1.7%	0.5%	0.2%	0.5%	0.9%	1.3%
RoE (%)	14.3%	4.1%	1.4%	4.3%	8.0%	11.6%
<b>Asset Quality</b>						
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%	1.9%	1.7%	1.5%
<b>Per Share Data / Valuation</b>						
EPS (INR)	149.1	44.0	12.0	37.3	73.4	116.2
BVPS (INR)	1,044.5	1,072.1	838.1	867.9	919.2	1,000.6
ABVPS (INR)	1,011.7	1,017.3	797.4	826.8	880.2	963.5
P/E (x)	5.8	19.5	71.8	23.0	11.7	7.4
P/BV (x)	0.8	0.8	1.0	1.0	0.9	0.9
<b>P/ABV (x)</b>	<b>0.9</b>	<b>0.8</b>	<b>1.1</b>	<b>1.0</b>	<b>1.0</b>	<b>0.9</b>

Source: Arian Research, Company Filings,

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BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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