IndusInd Bank (INDBA)

CMP: ₹1004 | Target ₹ 1050 (5%) | Target Period: 12 months | HOLD

July 23, 2026

Result Update

Operational recovery on track…

About the stock: IndusInd Bank is a Hinduja group promoted newer age private sector bank and is the fifth largest private bank in India. The bank has full product suite with strong moat in vehicle and micro finance business.

- Advances mix – Retail : 50%, SME : 13%, Wholesale : 37%

Q1FY27 performance: IndusInd Bank reported an improvement in sequential performance, with business growth returning as advances grew 3.3% QoQ (down 2.2% YoY) to ₹3.26 lakh crore, led by wholesale banking, while deposits increased 3.7% QoQ (up 4.4% YoY) to ₹4.15 lakh crore, supported by healthy retail deposit mobilisation. NII rose 1% YoY (7.2% QoQ) to ₹4,685 crore, aided by a ₹284 crore one-off interest recovery on income-tax refund, while reported NIM expanded 18 bps QoQ to 3.57% (normalized NIM at 3.35%, down 4 bps QoQ). PPOP increased 8% YoY (20.8% QoQ) to ₹2,774 crore, supported by operating leverage and lower operating expenses. Asset quality continued to improve, with GNPA/NNPA at 3.25%/0.95% (improving 18 bps/5 bps QoQ), while provisions declined 21.3% YoY (6.6% QoQ) to ₹1,384 crore on lower net slippages. Consequently, PAT improved sharply to ₹1,037 crore (71.7% YoY; 74.5% QoQ).

Investment Rationale:

- **Business growth revives; calibrated wholesale expansion to support normalization:** The bank appears to have crossed the balance-sheet repair phase, with advances growing 3.3% QoQ to ₹3.26 lakh crore after five quarters of decline, led by 10.8% QoQ expansion in the wholesale portfolio, while deposits increased 3.7% QoQ to ₹4.15 lakh crore driven by healthy retail deposit mobilisation. Management indicated that wholesale growth is being pursued selectively, focusing on relationships with superior risk-adjusted returns, fee income and CASA opportunities, while retail businesses are expected to gain traction over the coming quarters. However, vehicle finance (31% of total advances) disbursements remained subdued (down 4% YoY / -14% QoQ), primarily due to continued calibration in the two-wheeler segment, and recovery in this franchise remains a key monitorable for sustaining broader retail growth.
- **Profitability recovery underway; execution on RoA roadmap remains key:** Sequential profitability improved meaningfully, with PPOP rising 20.8% QoQ to ₹2,774 crore, provisions declining 6.6% QoQ to ₹1,384 crore and PAT increasing 74.5% QoQ to ₹1,037 crore, while GNPA/NNPA improved to 3.25%/0.95%. Asset quality trend also remained encouraging, with overall slippages moderating, led by a sharp improvement in MFI portfolio, although vehicle finance witnessed a seasonal uptick in stress, particularly in two-wheeler segment. Although normalized NIM moderated to 3.35% due to a higher wholesale mix, management expects margins to gradually recover as growth shifts towards higher-yielding retail, SME and rural segments, supported by improving fee income, operating leverage and lower credit cost. The bank reiterated its guidance of credit growth being in-line with the industry and an exit RoA of ~1% in FY27, with management expecting ~60% of the improvement to be driven by stronger PPOP and 40% by lower credit cost.

Rating and Target Price: We have witnessed early signs of operational recovery, with management overhaul largely complete, improving asset quality, lower credit costs and resumption of business growth. However, sustained execution on retail growth, vehicle finance recovery and margin normalization remains critical for achieving the targeted RoA trajectory. We remain constructive on the long-term turnaround while awaiting greater consistency in core operating performance. Basis this, we revise our target price to ₹1050, valuing the bank at ~1.1x FY28E BV. Maintain our Hold rating amid recent uptick in stock price.

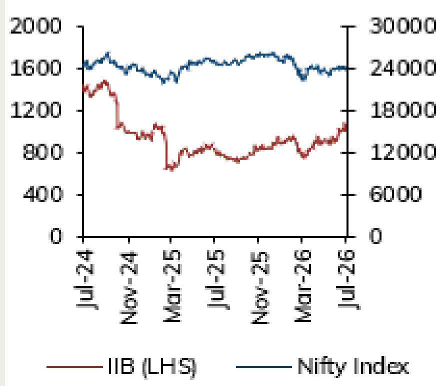
Particulars

Particulars	Amount
Market Capitalisation	₹ 78,186 crore
52 week H/L	₹ 1,078 / 711
Net worth	₹ 65,588 crore
Face Value	10
DII Holding (%)	41.9
FII Holding (%)	29.2

Shareholding pattern

(in %)	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	15.8	15.8	15.8	15.8
FII	34.0	31.6	28.6	29.2
DII	32.0	35.0	40.1	41.9
Others	18.2	17.6	15.5	13.1

Price Chart



Key risks

(i) Slower than expected business growth

(ii) Margin pressure persists led by change in mix

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ICICI Securities – Retail Equity Research

Key Financial Summary

₹ Crore	FY24	FY25	FY26	3 year CAGR (FY23-FY26)	FY27E	FY28E	2 year CAGR (FY26-28E)
NII	20,616	19,031	17,982	0.7%	19,082	21,725	9.9%
PPP	15,864	10,056	9,180	-14.0%	10,148	12,915	18.6%
PAT	8,977	1,970	889	-50.7%	3,751	5,843	156.4%
ABV	782	778	793		832	902	
P/E	13	40	88		21	13	
P/ABV	1.3	1.3	1.3		1.2	1.1	
RoA	1.9	0.4	0.2		0.7	0.9	
RoE	15.2	3.1	0.7		5.6	8.2	

Source: Company, ICICI Direct Research

Concall highlights and outlook

Performance and growth outlook

- Advances grew 3.3% QoQ (down 2.2% YoY) to ₹3.26 lakh crore, led by wholesale banking, while deposits increased 3.7% QoQ (up 4.4% YoY) to ₹4.15 lakh crore, supported by healthy retail deposit mobilisation.
- Wholesale loans increased 11% QoQ, while retail remained broadly stable and SME declined modestly, partly reflecting Q1 seasonality and portfolio migration.
- Management expects retail, SME, vehicle finance and microfinance growth to strengthen over the next three quarters as seasonal and execution-related constraints ease.
- Wholesale growth will remain selective and governed by RAROC, reciprocity, transaction banking potential, current-account balances and fee opportunities, rather than volume alone.
- Around 82% of the wholesale portfolio is rated A and above, providing comfort on credit quality.
- Average LCR improved to 127% from 118% QoQ, while the average CD ratio stood at 83%.
- The affluent and NRI franchise contributed around ₹85,000 crore of deposits, with the bank holding an estimated 3.6% share in NRI deposits.
- Corporate and SME fees increased 28% QoQ, supported by stronger business activity.
- Rural banking will be broadened beyond microfinance, with management targeting:
  - Core microfinance at ~7% of loans
  - Bharat Super Store/merchant finance at ~3–4%
  - Other rural products such as Micro-LAP and affordable housing at another 3–4%

Margins

- Normalised RoA stood at 0.63% in Q1FY27, with management maintaining its objective of reaching ~1% exit RoA.
- Cost of deposits declined 12 bps QoQ to 5.95%, aided by lower savings and term-deposit cost and an improved funding mix.
- Reported earnings included a ₹284 crore one-off interest recovery on an income-tax refund.
- Normalised NIM stood at 3.35% vs 3.39% QoQ, with the decline led by a higher wholesale mix and secured retail growth, partly offset by lower deposit cost.
- Management expects some margin pressure in Q2FY27, followed by recovery in H2 as higher-yielding microfinance, vehicle finance and traditional retail businesses regain momentum.
- The bridge from 0.63% RoA to 1% is currently expected to be driven by:
  - 60% by PPOP improvement
  - 40% by lower credit costs

Asset Quality and Opex

- Provisions declined 21% YoY and 7% QoQ to ₹1,384 crore, driven by lower net slippages.
- Annualised net slippages improved to 1.5%, compared with 2.43% YoY and 1.7% QoQ.
- GNPA/NNPA improved to 3.25%/0.95%, from 3.43%/1% QoQ. PCR remained stable at ~71%.
- Microfinance asset quality improved materially, with gross slippages declining to ₹191 crore, vs ₹884 crore YoY and ₹504 crore QoQ.
- The 31–90 DPD portfolio declined to 0.6%, from 2.2% YoY and 0.9% QoQ.

Other updates

- Management sees substantial headroom to improve fees across retail and wholesale.
- Retail opportunities include:
  - Credit-card fees as the card franchise resumes growth,
  - Processing fees from higher retail-asset disbursement,
  - Insurance and mutual-fund distribution,
  - Locker utilisation and service-fee repricing.
- Wholesale opportunities include transaction banking, capital markets and treasury/FX fees.
- CET1 stood at 16.1%, CRAR at 17.15%, and average LCR at 127%.
- The proposed ₹10,000 crore capital-raising resolution is only enabling in nature; there is no immediate capital requirement.
- Management maintained its estimate of 1–1.5% one-time ECL transition impact on the loan book.

Exhibit 1: Variance Analysis

	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	Comments
NII	4,684.7	4,639.8	1.0	4,371.5	7.2	QoQ growth was inclusive of ₹284 crore one-off interest recovery on income tax refund
NIM (%)	3.57	3.46	11 bps	3.39	18 bps	Lower funding cost (cost of deposits 5.95%, down 12 bps QoQ) was offset by a higher share of wholesale and secured retail loans. Normalized NIM of 3.35% (down 4 bps QoQ).
Other Income	1,786.5	2,156.9	-17.2	1,713.7	4.3	Supported by corporate & SME fee income rising 28% QoQ despite lower treasury-related income
Net Total Income	6,471.3	6,796.7	-4.8	6,085.1	6.3	
Staff cost	1,791.7	1,805.3	-0.8	1,717.0	4.4	Largely stable despite investment in leadership and business expansion
Other OpEx	1,906.1	2,424.2	-21.4	2,072.9	-8.0	Lower DICGC, PSLC and CSR expenses, along with ongoing cost optimization initiatives, drove operating efficiency
PPP	2,773.5	2,567.3	8.0	2,295.3	20.8	
Provision	1,384.3	1,760.0	-21.3	1,482.1	-6.6	Lower net slippages (1.5% annualized) and improving credit quality across MFI and retail portfolios
PBT	1,389.2	807.3	72.1	813.1	70.8	
Tax Outgo	352.1	203.3	73.2	219.0	60.8	
PAT	1,037.0	604.0	71.7	594.1	74.5	Improving operating performance, lower credit cost and one-off income-tax interest recovery
Key Metrics						
GNPA	10,848.7	12,480.6	-13.1	11,095.4	-2.2	GNPA improved by 18 bps QoQ to 3.25%
NNPA	3,100.5	3,721.5	-16.7	3,169.4	-2.2	
Credit book	326,274.0	333,694.0	-2.2	315,871.0	3.3	Led by wholesale banking (10.8% QoQ) while retail portfolios remained broadly stable due to Q1 seasonality
Deposit book	414,766.0	397,144.0	4.4	399,931.0	3.7	Healthy retail deposit mobilization (retail deposit share increased to 49.5% vs 47.9% QoQ)

Source: Company, ICICI Direct Research

Financial summary

Exhibit 2: **Profit and loss statement** ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Interest Earned	48,667.7	46,250.8	48,628.9	54,701.3
Interest Expended	29,636.3	28,268.5	29,547.3	32,976.6
Net Interest Income	19,031.3	17,982.3	19,081.7	21,724.7
Growth (%)	-7.7	-5.5	6.1	13.9
Non Interest Income	7,690.4	7,229.1	8,160.2	9,192.0
Net Income	26,721.8	25,211.4	27,241.8	30,916.7
Employee cost	6,633.4	7,091.2	7,716.3	8,167.6
Other operating Exp.	9,427.0	8,940.6	9,377.8	9,834.0
Operating Income	10,055.8	9,179.5	10,147.7	12,915.1
Provisions	7,135.6	7,969.1	5,179.6	5,175.4
PBT	2,920.2	1,210.5	4,968.1	7,739.7
Taxes	950.3	321.3	1,217.2	1,896.2
Net Profit	1,969.8	889.2	3,750.9	5,843.5
Growth (%)	-78.1	-54.9	733.7	55.8
EPS (₹)	25.3	11.4	48.1	75.0

Source: Company, ICICI Direct Research

Exhibit 3: **Key ratios** ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Valuation				
No. of shares (crore)	77.9	77.9	77.9	77.9
EPS (₹)	25.3	11.4	48.1	75.0
BV (₹)	819.8	833.9	876.0	941.4
ABV (₹)	777.7	792.7	832.2	902.0
P/E	39.7	87.9	20.9	13.4
P/BV	1.2	1.2	1.1	1.1
P/ABV	1.3	1.3	1.2	1.1
Yields & Margins (%)				
Net Interest Margins	4.3	3.9	3.9	4.0
Yield on assets	10.3	10.2	10.0	10.1
Avg. cost on funds	6.6	6.4	6.3	6.3
Yield on average advances	11.8	11.4	11.4	11.5
Avg. Cost of Deposits	6.3	6.1	6.1	6.1
Quality and Efficiency (%)				
Cost to income ratio	60.1	63.6	62.7	58.2
Credit/Deposit ratio	84.0	80.7	80.1	81.6
GNPA	3.2	3.5	2.8	2.4

Source: Company, ICICI Direct Research

Exhibit 4: **Balance Sheet** ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Sources of Funds				
Capital	779.1	779.1	779.1	779.1
Employee Stock Options	142.9	151.2	142.9	142.9
Reserves and Surplus	63,386.9	64,809.4	67,759.0	72,855.7
Networth	64,308.8	65,739.6	68,680.9	73,777.6
Deposits	410,862.3	399,930.8	449,367.6	502,634.4
Borrowings	53,703.6	42,789.2	48,582.2	52,900.0
Other Liabilities & Provisions	24,626.9	34,934.3	29,673.7	32,730.5
Total	553,501.5	543,393.9	596,304.5	662,042.4
Application of Funds				
Fixed Assets	2,496.4	2,545.9	3,256.2	3,754.6
Investments	114,456.7	125,007.1	138,782.9	149,067.6
Advances	345,018.6	315,871.4	359,955.4	410,136.4
Other Assets	32,154.3	51,037.2	54,812.2	60,239.6
Cash with RBI & call money	59,375.5	48,932.4	39,497.8	38,844.2
Total	553,501.5	543,393.9	596,304.5	662,042.4

Source: Company, ICICI Direct Research

Exhibit 5: **Growth ratios** ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Total assets	7.5	-3.3	11.4	11.0
Advances	0.5	-8.4	14.0	13.9
Deposit	6.8	-2.7	12.4	11.9
Total Income	2.2	-3.1	4.0	12.5
Net interest income	-7.7	-5.7	6.4	13.9
Operating expenses	17.8	-0.1	2.6	5.3
Operating profit	-36.6	-12.3	15.0	27.3
Net profit	-78.1	-77.2	733.7	55.8
Net worth	1.7	1.7	5.0	7.5
EPS	-78.1	-54.8	321.6	55.8

Source: Company, ICICI Direct Research

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