# Indian Bank (INDIBA)

CMP: ₹ 632 | Target: ₹ 740 (17%) | Target Period: 12 months | **BUY**

Jul 25, 2025



## Guidance in-tact backed by strategic execution...

**About the stock:** Indian Bank is one of the largest and among the better performing PSU banks in India with a total business of ₹ 13.25 lakh crore.

- Pan-India presence with strong branch network of 5,901 domestic branches
- Diversified loan mix with RAM (retail/agri/MSME) forming ~65% to book

**Q1FY26 performance:** Indian Bank reported healthy performance in Q1FY26. Advances increased 11.5% YoY (2.2% QoQ), led by RAM segments—Retail (16.6% YoY), Agri (16.4%), and MSME (14.5%)—while corporate growth remained sluggish at 1.8% YoY. Deposit accretion was decent at 9.1% YoY (1% QoQ), largely supported by term deposits (12.5% YoY), whereas CASA de-grew 2% sequentially, with CASA ratio at 38.9%. NIMs came down by 14 bps QoQ to 3.23%, owing to faster repricing on asset side. Other income grew 28% QoQ, supported by higher treasury gains and recoveries. Slippages ratio improved 15 bps sequentially, to 0.94%. GNPA/NNPA improved by 8 bps/1 bps QoQ to 3.01%/0.18%. PAT stood at ₹2,297 crore, up 23.7% YoY.

### Investment Rationale:

- **Steady credit growth with calibrated deposit strategy**: Management has retained its FY26 growth guidance of 10–12% for advances and 8–10% for deposits. Loan growth is expected to be led by strong momentum in RAM segments, rising MSME traction, and ₹88,000 crore, of fresh sanctions already made in Q1. On the deposit side, the bank aims to improve mobilisation through new CASA products, strategic branch expansion (119 branches planned in FY26), and 100-member RAC network driving customer acquisition. With CD ratio at ~80.8%, there is ample headroom to leverage balance sheet strength for incremental growth.
- **Stable margin outlook, strong asset quality:** Margin dynamics remain under pressure though management remains confident of sustaining its FY26 NIM guidance of 3.15–3.3%, with margin compression expected to moderate from Q2 onwards as EBLR-linked book (~40.5%) has already repriced, while only MCLR-linked book (~41%) remains to reprice over next few months. This, along with repricing of retail term deposits, softening bulk deposit rates, and savings rate rationalisation, will aid margin stability. On asset quality, slippages are guided to remain below 1% and credit cost within 50–70 bps, supported by strong recoveries and proactive provisioning. Additionally, SMA-2 pool spiked temporarily due to two PSU accounts (₹3,300 crore), but management is confident that these accounts will not slip into NPAs.

### Rating and Target Price

- While treasury gains aided support in Q1FY26, steady growth and operational performance provides confidence. Reiteration of guidance emphasizing on continued focus on selective approach, sustained efficiency and resilient asset quality is seen to aid return ratios. Factoring RoA at ~1.2-1.3% in FY25-27E with steady growth, we maintain our target multiple at ~1.2x FY27E ABV and reiterate our target price of ₹740. Maintain **BUY** rating.

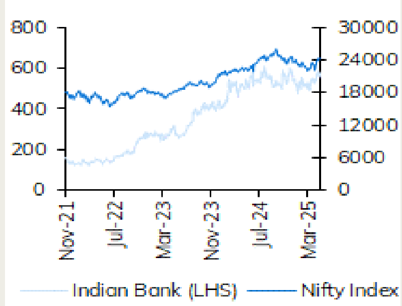
### Particulars

| Particulars | Amount |
|---|---|
| Market Capitalisation | ₹ 85,411 crore |
| 52 week H/L | 659 / 474 |
| Net worth | ₹ 71,513 Crore |
| Face Value | 10.0 |
| DII Holding (%) | 18.0 |
| FII Holding (%) | 4.5 |

### Shareholding pattern

| | Dec-24 | Mar-25 | Jun-25 |
|---|---|---|---|
| Promoter | 73.8 | 73.8 | 73.8 |
| FII | 4.8 | 4.7 | 4.5 |
| DII | 17.6 | 17.7 | 18.0 |
| Others | 3.8 | 3.8 | 3.7 |

### Price Chart




### Key risks

(i) Faster rate cut putting pressure on margin trend

(ii) Moderation in efficiency could impact CI ratio

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### Key Financial Summary

| ₹ crore | FY23 | FY24 | FY25 | 3 year CAGR (FY22-25) | FY26E | FY27E | 2 year CAGR (FY25-27E) |
|---|---|---|---|---|---|---|---|
| NII | 20,225 | 23,273 | 25,176 | 14.6% | 26,216 | 29,063 | 7.4% |
| PPP | 15,271 | 16,840 | 18,998 | 14.3% | 19,429 | 20,915 | 4.9% |
| PAT | 5,282 | 8,063 | 10,918 | 40.4% | 12,044 | 12,950 | 8.9% |
| ABV (₹) | 304 | 373 | 453 | | 566 | 649 | |
| P/E | 13.0 | 9.2 | 6.8 | | 6.2 | 5.7 | |
| P/ABV | 1.8 | 1.5 | 1.2 | | 1.0 | 0.8 | |
| RoA | 0.8 | 1.1 | 1.3 | | 1.3 | 1.3 | |
| RoE | 14.7 | 15.2 | 17.1 | | 15.6 | 14.3 | |

*Source: Company, ICICI Direct Research*

## Concall highlights and outlook

**Performance and growth outlook**

- Advances increased 11.5% YoY (2.2% QoQ), led by RAM segments—Retail (16.6% YoY), Agri (16.4%), and MSME (14.5%)—while corporate growth remained sluggish at 1.8% YoY
- Deposit accretion was decent at 9.1% YoY (1% QoQ), largely supported by term deposits (12.5% YoY), whereas CASA de-grew 2% sequentially, with CASA ratio at 38.9%.
- Management expects to be at the upper end of its 10–12% loan growth guidance, supported by strong traction in RAM segments (Retail, Agri, MSME).
    - MSME credit expected to grow faster with signs of revival in textiles and PLI sectors.
    - Capex-related demand is emerging in select pockets (renewables, city gas, solar modules), though overall private capex remains below potential.
- Deposit growth guided at 8-10% on the back of CASA mobilisation initiatives (new products, 51 branches opened in Q1FY26)
- Bulk deposit book: ~₹1.45 lakh crore, with 50% maturing in under one year.
    - ₹33,000 crore set to reprice in Q2FY26.
- Strong pipeline with sanctions worth ₹88,000 crore made in Q1FY26

**Margins**

- NIM guidance of 3.15–3.30% retained; bank expects to remain within this range unless rate cuts exceed 100 bps.
- Factors aiding margin stability:
    - Recent rate cuts in bulk and retail deposits to moderate cost pressures starting Q2FY26.
    - Savings rate rationalisation and selective repricing initiatives are underway.
    - ~₹86,000 crore of retail term deposits to reprice over the next 3–6 months.
- Management indicated that the pace of margin compression will slow from Q2 onwards.

**Asset Quality**

- SMA-2 pool spiked temporarily due to two PSU accounts (₹3,300 crore), but management confident that these accounts will not slip into NPAs
- GNPA expected to stay below 3%, with management confident of achieving ~2.5% by FY26-end.
- NNPA to remain in the 0.1–0.7% range (currently at 0.18%).
- Credit cost likely to settle between 50–70 bps, lower than guided <1%, aided by improved recoveries and proactive provisioning.
- Slippage ratio to remain under 1%; Q1 stood at 0.94%.
- Recovery from written-off assets and NCLT accounts to continue:
    - ₹451 crore recovered from NCLT in Q1; full-year guidance maintained at ₹800 crore.

**Other updates**

- PSLC income of ₹258 crore booked in Q1; more to accrue over the year from ~₹1,000 crore of PSLC sold.
- Hiring plans: ~3,000 employees in FY26, including specialised roles in cyber security, forex, and risk.
- IT spend guidance of ₹1,500 crore for FY26.
- Planning to open 119 new branches in FY26, focusing on underpenetrated high-potential markets like Mumbai, Gujarat, and Rajasthan.

- Digital Push:
  - Launched lighter IND Smart app (UPI-focused).
  - 11 new digital journeys in Q1 (cumulative 132).
  - UPI transactions rose to ₹2.82 crore/day.
  - Mobile banking monthly users: 59 lakh; app rating improved to 4.4.
  - Digital business at ₹57,955 crore in Q1; FY26 target: ₹2.25 lakh crore.
  - Digital adoption (retail): up from 69% to 87%; agri at 96%.

**Exhibit 1: Variance Analysis**

| | Q1FY26 | Q1FY25 | YoY (%) | Q4FY25 | QoQ (%) | Comments |
|---|---|---|---|---|---|---|
| NII | 6,358.9 | 6,178.1 | 2.9 | 6,389.3 | -0.5 | Business growth offset by margin pressure |
| NIM (%) | 3.23 | 3.53 | -30 bps | 3.37 | -14 bps | Margin pressure largely owed to repricing effect |
| Other Income | 2,438.6 | 1,905.5 | 28.0 | 2,743.3 | -11.1 | Treasury, recoveries and sale of PSLC aided other income |
| | | | | | | |
| Net Total Income | 8,797.5 | 8,083.6 | 8.8 | 9,132.6 | -3.7 | |
| Staff cost | 2,612.3 | 2,301.1 | 13.5 | 2,701.3 | -3.3 | |
| Other Operating Expenses | 1,414.9 | 1,281.0 | 10.5 | 1,412.6 | 0.2 | |
| | | | | | | |
| PPP | 4,770.3 | 4,501.6 | 6.0 | 5,018.7 | -4.9 | |
| Provision | 691.0 | 1,258.4 | -45.1 | 794.6 | -13.0 | Lower slippages led to improvement in credit cost |
| PBT | 4,079.3 | 3,243.2 | 25.8 | 4,224.1 | -3.4 | |
| Tax Outgo | 1,106.5 | 839.8 | 31.8 | 1,268.0 | -12.7 | |
| PAT | 2,972.8 | 2,403.4 | 23.7 | 2,956.1 | 0.6 | PAT grew on lower provisioning and other income |
| | | | | | | |
| Key Metrics | | | | | | |
| GNPA | 18,067.0 | 20,302.2 | -11.0 | 18,179.0 | -0.6 | Credit cost to be at 50-70 bps |
| NNPA | 1,036.0 | 2,026.6 | -48.9 | 1,110.0 | -6.7 | |
| Advances | 601,147.0 | 539,123.0 | 11.5 | 588,140.0 | 2.2 | Credit growth guidance steady at 10-12% YoY |
| Deposits | 744,289.0 | 681,183.0 | 9.3 | 737,154.0 | 1.0 | Deposits guidance at 8-10% YoY |

*Source: Company, ICICI Direct Research*

## Financial Summary

Exhibit 2: Profit and loss statement ₹ crore

| (Year-end March) | FY24 | FY25 | FY26E | FY27E |
|---|---|---|---|---|
| Interest Earned | 55,614.8 | 62,002.2 | 65,852.9 | 71,557.4 |
| Interest Expended | 32,341.5 | 36,825.8 | 39,637.1 | 42,494.0 |
| Net Interest Income | 23,273.3 | 25,176.4 | 26,215.9 | 29,063.4 |
| growth (%) | 15.1 | 8.2 | 4.1 | 10.9 |
| Non Interest Income | 7,866.7 | 9,223.5 | 9,956.9 | 10,406.5 |
| Fees and advisory | 1,018.3 | 1,066.5 | 1,141.1 | 1,221.0 |
| Treasury Income | 1,307.8 | 1,045.5 | 1,150.1 | 920.1 |
| Other income | 5,540.6 | 7,111.5 | 7,665.7 | 8,265.5 |
| Net Income | 31,140.0 | 34,399.9 | 36,172.7 | 39,469.9 |
| Staff cost | 9,264.6 | 9,884.0 | 10,564.8 | 11,869.6 |
| Other Operating expense | 5,035.9 | 5,517.7 | 6,179.1 | 6,684.9 |
| Operating profit | 16,839.5 | 18,998.2 | 19,428.9 | 20,915.5 |
| Provisions | 5,888.4 | 4,211.3 | 3,581.0 | 3,876.5 |
| PBT | 10,951.1 | 14,786.9 | 15,847.9 | 17,039.0 |
| Taxes | 2,888.2 | 3,868.7 | 3,803.5 | 4,089.4 |
| Net Profit | 8,062.9 | 10,918.3 | 12,044.4 | 12,949.6 |
| growth (%) | 52.7 | 35.4 | 10.3 | 7.5 |
| EPS (₹) | 59.9 | 81.1 | 89.4 | 96.1 |

Source: Company, ICICI Direct Research

Exhibit 3: Key ratios ₹ crore

| (Year-end March) | FY24 | FY25 | FY26E | FY27E |
|---|---|---|---|---|
| Valuation | | | | |
| No. of Equity Shares | 134.7 | 134.7 | 134.7 | 134.7 |
| EPS (₹) | 59.9 | 81.1 | 89.4 | 96.1 |
| BV (₹) | 389.1 | 461.1 | 576.2 | 661.1 |
| ABV (₹) | 372.6 | 452.9 | 565.7 | 649.5 |
| P/E | 9.2 | 6.8 | 6.2 | 5.7 |
| P/BV | 1.4 | 1.2 | 1.0 | 0.8 |
| P/ABV | 1.5 | 1.2 | 1.0 | 0.8 |
| Yields & Margins (%) | | | | |
| Net Interest Margins | 3.3 | 3.2 | 3.0 | 3.1 |
| Yield on assets | 8.0 | 8.0 | 7.6 | 7.5 |
| Avg. cost on funds | 4.6 | 4.8 | 4.7 | 4.7 |
| Yield on avg advance | 8.4 | 8.3 | 8.0 | 7.8 |
| Avg. Cost of Deposit | 4.7 | 4.9 | 4.8 | 4.8 |
| Quality and Efficiency (%) | | | | |
| Cost to income ratio | 45.9 | 44.8 | 46.3 | 47.0 |
| Credit/Deposit ratio | 74.8 | 77.5 | 78.8 | 80.8 |
| GNPA | 4.1 | 3.2 | 2.5 | 1.8 |
| NNPA | 0.4 | 0.2 | 0.2 | 0.2 |
| RoE | 15.2 | 17.1 | 15.6 | 14.3 |
| RoA | 1.1 | 1.3 | 1.3 | 1.3 |

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet ₹ crore

| (Year-end March) | FY24 | FY25 | FY26E | FY27E |
|---|---|---|---|---|
| Sources of Funds | | | | |
| Capital | 1,347.0 | 1,347.0 | 1,347.0 | 1,347.0 |
| Reserves and Surplus | 57,041.1 | 67,963.0 | 83,471.5 | 94,899.7 |
| Networth | 58,388.1 | 69,309.9 | 84,818.5 | 96,246.7 |
| Deposits | 688,000.0 | 737,153.6 | 804,226.4 | 878,380.1 |
| Borrowings | 23,131.5 | 41,507.9 | 35,960.3 | 38,133.0 |
| Subordinated Debt | | | | |
| Other Liabilities & Provision | 23,099.5 | 25,439.2 | 28,687.7 | 29,835.3 |
| Total | 792,619.1 | 873,410.6 | 953,692.9 | 1,042,595.0 |
| | | | | |
| Applications of Funds | | | | |
| Fixed Assets | 7,515.6 | 8,826.7 | 9,036.0 | 9,271.3 |
| Investments | 212,554.5 | 225,303.1 | 242,152.6 | 260,323.6 |
| Advances | 514,889.1 | 571,071.2 | 633,633.3 | 709,576.0 |
| Other Assets | 15,550.8 | 13,341.8 | 13,085.0 | -217.8 |
| Cash with RBI & call money | 42,109.1 | 54,867.9 | 55,786.0 | 63,642.0 |
| Total | 792,619.1 | 873,410.6 | 953,692.9 | 1,042,595.0 |

Source: Company, ICICI Direct Research

Exhibit 5: Growth (%)

| (Year-end March) | FY24 | FY25 | FY26E | FY27E |
|---|---|---|---|---|
| Total assets | 11.6 | 10.2 | 9.2 | 9.3 |
| Advances | 14.6 | 10.9 | 11.0 | 12.0 |
| Deposit | 10.8 | 7.1 | 9.1 | 9.2 |
| Total Income | 13.8 | 10.5 | 5.2 | 9.1 |
| Net interest income | 15.1 | 8.2 | 4.1 | 10.9 |
| Operating expenses | 18.2 | 7.7 | 8.7 | 10.8 |
| Operating profit | 10.3 | 12.8 | 2.3 | 7.7 |
| Net profit | 52.7 | 35.4 | 10.3 | 7.5 |
| Net worth | 21.7 | 18.7 | 22.4 | 13.5 |
| EPS | 41.2 | 35.4 | 10.3 | 7.5 |

Source: Company, ICICI Direct Research

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Sell: <-15%

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