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Stabilisation visible, Execution remains key in FY27...

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 : 52%, SME : 14%, Wholesale : 34%

Q4FY26 performance: IndusInd Bank reported sequential improvement in Q4FY26, led by lower credit cost and stabilising asset quality, though loan growth remained muted. NII stood at ₹4,371 crore (+43.4% YoY / -4.2% QoQ), while NIM moderated to 3.39% (-13 bps QoQ) as Q3 included one-off interest recovery, though underlying margin was aided by lower cost of funds. Other income remained QoQ flat on slower disbursement and benign treasury, YoY inflated due to lower base (+141.8% YoY / +0.4% QoQ). Provisions declined sharply to ₹1,482 crore (-41.2% YoY / -29.3% QoQ) as net slippages fell 37% QoQ. PAT improved to ₹594 crore. Advances declined to ₹3,15,871 crore (-8.4% YoY / -0.5% QoQ) due to wholesale rationalization and MFI run-off, while deposits improved to ₹3,99,931 crore (-2.7% YoY / +1.6% QoQ). Asset quality improved with GNPA/NNPA at 3.43%/1%, down 13/4 bps QoQ, supported by lower slippages, write-offs and improving MFI stress.

Investment Rationale

- Disbursement traction improves; asset quality stabilises with calibrated growth outlook:** Disbursement improved across key segments, with vehicle finance at ₹12,600 crore, microfinance rising 52% QoQ to ₹5,400 crore, alongside continued traction in retail products such as home loans (₹6,510 crore, +6% QoQ) and gold loans (>₹1,000 crore book). Despite this, the overall loan book remained muted (-0.5% QoQ) due to continued wholesale rationalisation and MFI runoff. Management expects credit growth to revert in-line with industry (~13-14%) in FY27, led by retail, SME and mid-market segments. Further, asset quality witnessed broad-based improvement, with net slippages declining ~37% QoQ and annualised slippages moderating to 1.71% (vs 2.65% QoQ), while MFI stress indicators improving (31-90 DPD at 0.9% vs 2.4% QoQ). Consequently, provisions declined 29% QoQ to ₹1,482 crore, indicating easing credit cost pressures.
- RoA recovery to be driven by credit cost normalisation and operating leverage:** Management reiterated a ~1% RoA target over the medium term, with leadership transition now largely complete, shifting focus firmly towards execution. Margins remained broadly stable at 3.39%, with trajectory expected to improve as the bank rebalances its asset mix away towards higher-yielding retail & MSME segments. While margin improvement remains in focus, fee income, operating leverage and credit cost remain primary levers expected to aid improvement in RoA. Fee income remains a key lever, with non-interest income at ₹1,714 crore (+0.4% QoQ), supported by initiatives across cards, distribution, transaction banking and FX, alongside continued focus on productivity improvement. Cost rationalisation and operating leverage are expected to aid profitability as balance sheet growth resumes, while improving liability mix should support funding costs.

Rating and Target Price

- While the bank has identified levers, focus now turns towards execution. However, earnings recovery is anticipated to remain gradual. Factoring RoA conservatively of 0.8% in FY28E, we continue to value the bank at ~1x FY28E BV, maintaining target price at ₹950. Maintain HOLD rating.

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%	18,920	21,493	9.3%
PPP	15,864	10,661	9,180	-14.0%	10,045	12,744	17.8%
PAT	8,977	2,575	889	-50.7%	2,753	5,222	142.3%
ABV	782	784	801		838	890	
P/E	13	26	74		24	13	
P/ABV	1.1	1.1	1.1		1.0	1.0	
RoA	1.9	0.5	0.2		0.5	0.8	
RoE	15.2	4.0	0.9		4.1	7.4	

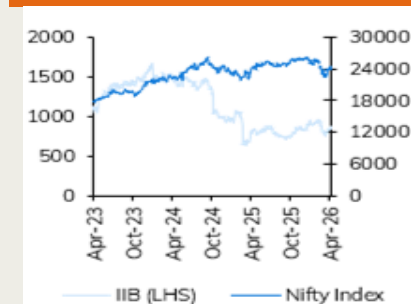
Source: Company, ICICI Direct Research

IndusInd Bank**Particulars**

Particulars	Amount
Market Capitalisation	₹ 66,064 crore
52 week H/L	969 / 711
Net worth	₹ 65,588 crore
Face Value	10
DII Holding (%)	40.1
FII Holding (%)	28.6

Shareholding pattern

(in %)	Jun-25	Sep-25	Dec-25	Mar-26
Promoter	15.8	15.8	15.8	15.8
FII	34.0	34.0	31.6	28.6
DII	33.0	32.0	35.0	40.1
Others	17.2	18.2	17.6	15.5

Price Chart**Key risks**

- Higher than expected business growth
- Liabilities accretion at competitive rates amid external uncertainty

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Concall highlights and outlook

Performance and growth outlook

- **Vehicle Finance:** Loan book stood at ₹99,876 crore, up 2% QoQ, with disbursements at ₹12,665 crore. Asset quality improved meaningfully, with annualized gross/net slippages at 1.94%/1.0%, lowest in several quarters; FY26 net slippages reduced to 1.84% vs 2.33% YoY.
- **Microloans:** Gross slippages reduced sharply to ₹504 crore vs ₹1,022 crore QoQ, while 31–90 DPD declined to 0.9% vs 2.4% QoQ. Disbursement rose 52% QoQ to ₹5,400 crore, though loan book declined 5% QoQ to ₹16,782 crore due to write-offs.
- **Rural & Priority Banking:** Merchant loan book stood at ₹8,042 crore, up 11% YoY, across ~5.7 lakh borrowers. Affordable housing book grew 24% YoY to ₹2,839 crore, while KCC and other rural loans grew 3% QoQ to ₹4,385 crore.
- **Consumer Banking:** Home loan book grew 45% YoY / 6% QoQ to ₹6,510 crore. Gold loan book crossed ₹1,000 crore, with over 500 branches enabled for gold loans. Personal loans declined 2% QoQ to ₹10,358 crore, while credit card book declined 5% QoQ to ₹9,751 crore due to cautious underwriting.
- **SME Banking:** Loan book stood at ₹44,347 crore, up 1% QoQ. Management is upgrading processes, risk frameworks and operating structures to capture medium-term growth opportunity.
- **Wholesale Banking:** Average wholesale book declined 6% QoQ, led by continued rationalisation in large corporate exposure. Portfolio quality remained strong with 83% A-and-above rated customers and weighted average rating of 2.53; FY26 gross/net slippages remained low at 0.29%/0.24%.
- Management expects to grow advances in-line with system (~13–14%) in FY27, subject to macro conditions.
- Growth to be driven by retail, SME and mid-market segments, with limited incremental exposure to large corporates.
- Portfolio mix to shift toward granular and higher-yielding segments, supporting margin and RoA improvement.
- Retail-to-wholesale mix broadly ~60:40, with internal shift towards SME/mid-market within wholesale.

Margins

- NIM was 3.39% vs normalized NIM of 3.35% QoQ, with improvement driven by lower cost of funds and reduction in borrowing/deposit cost.
- Further margin improvement to be driven by:
 - Improved asset mix
 - Higher share of retail and SME lending
 - Better liability mix
- Cost of deposits improved marginally to 6.07% (-2 bps QoQ).

Asset quality

- Asset quality showed clear sequential improvement, with net slippages declining 37% QoQ and annualised slippages reducing to 1.71% (vs 2.65% QoQ).
- Provisions declined 29% QoQ to ₹1,482 crore, indicating easing credit cost pressure.
- GNPA/NNPA improved to 3.43%/1.0%, with PCR at ~71%.
- Stress indicators continued to moderate:
 - SMA-1/2 stable at 17 bps
 - Decline in restructured book and security receipts
- Management believes credit costs have peaked, with further normalization expected across MFI, vehicle and retail segments.

RoA outlook and profitability drivers

- RoA (~45 bps currently) expected to improve towards ~1% over medium term, driven by:
 - Credit cost normalization (~50% contribution)
 - Operating profit improvement (~50%)
- Within operating levers:
 - Fee income expansion (cards, distribution, transaction banking, FX)
 - Cost rationalisation and operating leverage
 - Gradual margin improvement
- Management indicated that fee income and cost efficiency will play a larger role than margins in driving RoA recovery.

Other updates

- Capital remains strong with CET1 at 16.2% and CRAR at 17.48%; no near-term capital raise planned.
- RWA reduction driven by loan book contraction and portfolio optimisation.
- LCR maintained at ~118%, with operating range of 115–120%.
- AFS reserves small (~₹50 crore negative), with limited impact from regulatory changes or FX volatility.
- Leadership transition largely completed, with key senior hires across retail, risk, markets, and technology.
- Focus has now shifted from transition to execution, with emphasis on productivity, growth and profitability.
- No immediate stress observed from West Asia conflict, though management remains cautious on potential lagged impact.

Exhibit 1: Variance Analysis

	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Comments
NII	4,371.5	3,048.3	43.4	4,561.7	-4.2	Strong YoY growth on base effect, though QoQ decline was driven by ~2% drop in advances
NIM (%)	3.39	2.25	114 bps	3.52	-13 bps	Expanded YoY, but moderated QoQ to 3.39% due to adverse mix despite lower funding cost
Other Income	1,713.7	708.8	141.8	1,707.2	0.4	QoQ flat on slower disbursement and benign treasury, YoY inflated due to lower base
Net Total Income	6,085.1	3,757.2	62.0	6,268.9	-2.9	
Staff cost	1,717.0	1,601.7	7.2	1,904.9	-9.9	Steady employee cost
Other OpEx	2,072.9	2,646.4	-21.7	2,094.3	-1.0	Declined YoY on cost rationalisation
PPP	2,295.3	-490.9	-567.6	2,269.6	1.1	
Provision	1,482.1	2,522.1	-41.2	2,095.8	-29.3	Sharp decline with net slippages down ~37% QoQ
PBT	813.1	-3,013.0	-127.0	173.8	NA	
Tax Outgo	219.0	-684.0	-132.0	45.9	NA	
PAT	594.1	-2,328.9	-125.5	127.9	NA	Earnings recovery YoY largely driven by lower provisions
Key Metrics						
GNPA	11,095.4	11,046.4	0.4	11,604.6	-4.4	Aided by lower slippages and write-offs
NNPA	3,169.4	3,287.1	-3.6	3,304.0	-4.1	
Credit book	315,871.0	345,019.0	-8.4	317,536.0	-0.5	Decline in advances was due to continued rationalisation in wholesale banking and decline in microloan book
Deposit book	399,931.0	410,862.0	-2.7	393,815.0	1.6	Management aspires improving mix toward retail deposits

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	48,874.1	54,662.5
Interest Expended	29,636.3	28,268.5	29,954.5	33,169.7
Net Interest Income	19,031.3	17,982.3	18,919.6	21,492.8
Growth (%)	-7.7	-5.5	5.2	13.6
Non Interest Income	7,690.4	7,229.1	8,160.2	9,192.0
Net Income	26,721.8	25,211.4	27,079.8	30,684.8
Employee cost	6,633.4	7,091.2	7,659.1	8,115.2
Other operating Exp.	9,427.0	8,940.6	9,375.2	9,825.5
Operating Income	10,661.4	9,179.5	10,045.4	12,744.2
Provisions	7,135.6	7,969.1	6,398.8	5,827.9
PBT	3,525.8	1,210.5	3,646.6	6,916.3
Taxes	950.3	321.3	893.4	1,694.5
Net Profit	2,575.4	889.2	2,753.2	5,221.8
Growth (%)	-71.3	-65.5	365.1	89.7
EPS (₹)	33.1	11.4	35.3	67.0

Source: Company, ICICI Direct Research

Exhibit 3: Key ratios				
(Year-end March)	FY25	FY26	FY27E	FY28E
<u>Valuation</u>				
No. of shares (crore)	77.9	77.9	77.9	77.9
EPS (₹)	33.1	11.4	35.3	67.0
BV (₹)	826.6	842.3	873.2	931.7
ABV (₹)	784.4	801.1	837.6	890.0
P/E	25.7	74.3	24.0	12.7
P/BV	1.0	1.0	1.0	0.9
P/ABV	1.1	1.1	1.0	1.0
<u>Yields & Margins (%)</u>				
Net Interest Margins	4.3	3.9	3.9	4.0
Yield on assets	10.3	10.2	10.2	10.2
Avg. cost on funds	6.6	6.4	6.4	6.3
Yield on average advances	11.8	11.4	11.5	11.7
Avg. Cost of Deposits	6.3	6.1	6.1	6.1
<u>Quality and Efficiency (%)</u>				
Cost to income ratio	60.1	63.6	62.9	58.5
Credit/Deposit ratio	84.0	80.7	79.4	80.7
GNPA	3.2	3.5	3.0	2.7
NNPA	1.0	1.0	0.8	0.8
RoE	4.0	0.9	4.1	7.4
RoA	0.5	0.2	0.5	0.8

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet				
	₹ crore			
(Year-end March)	FY25	FY26	FY27E	FY28E
<u>Sources of Funds</u>				
Capital	779.1	779.1	779.1	779.1
Employee Stock Options	142.9	151.2	142.9	142.9
Reserves and Surplus	63,913.8	64,809.4	67,541.3	72,097.2
Networth	64,835.7	65,739.6	68,463.3	73,019.1
Deposits	410,862.3	399,930.8	446,845.3	496,959.2
Borrowings	53,703.6	42,789.2	48,582.2	52,900.0
Other Liabilities & Provisions	24,705.6	34,934.3	29,544.0	32,649.7
Total	554,107.1	543,393.9	593,434.9	655,528.0
<u>Application of Funds</u>				
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	354,837.4	400,966.3
Other Assets	32,759.9	51,037.2	57,060.5	62,895.3
Cash with RBI & call money	59,375.5	48,932.4	39,497.8	38,844.2
Total	554,107.1	543,393.9	593,434.9	655,528.0

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios				
(Year-end March)	FY25	FY26	FY27E	FY28E
Total assets	7.6	-3.3	10.7	10.5
Advances	0.5	-8.4	12.3	13.0
Deposit	6.8	-2.7	11.7	11.2
Total Income	2.2	-3.1	4.4	12.0
Net interest income	-7.7	-5.7	5.5	13.6
Operating expenses	13.5	2.5	3.5	5.3
Operating profit	-32.8	-15.5	11.5	26.9
Net profit	-71.3	-77.0	365.1	89.7
Net worth	2.5	1.9	3.7	6.7
EPS	-71.3	-65.5	209.5	89.7

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%

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