24 October 2026
2QFY27 Results Update | Sector: Financials

# IndusInd Bank

| | |
|---|---|
| Estimate change | ↑ |
| TP change | ↔ |
| Rating change | ↔ |

| | |
|---|---|
| Bloomberg | IIB IN |
| Equity Shares (m) | 779 |
| M.Cap.(INRb)/(USDb) | 650.6 / 6.9 |
| 52-Week Range (INR) | 1078 / 750 |
| 1, 6, 12 Rel. Per (%) | -9/4/23 |
| 12M Avg Val (INR M) | 2944 |

**Financials & Valuations (INR b)**

| Y/E MARCH | FY26 | FY27E | FY28E |
|---|---|---|---|
| NII | 179.8 | 186.4 | 235.9 |
| OP | 91.8 | 108.3 | 143.3 |
| NP | 8.9 | 44.5 | 70.9 |
| NIM (%) | 3.3 | 3.2 | 3.5 |
| EPS (INR) | 11.4 | 57.1 | 91.0 |
| EPS Gr. (%) | -65.5 | 400.5 | 59.3 |
| BV/Sh. (INR) | 842 | 887 | 967 |
| ABV/Sh. (INR) | 813 | 859 | 938 |
| **Ratios** | | | |
| RoA (%) | 0.2 | 0.8 | 1.1 |
| RoE (%) | 1.4 | 6.6 | 9.8 |
| **Valuations** | | | |
| P/E (X) | 73.2 | 14.6 | 9.2 |
| P/BV (X) | 1.0 | 0.9 | 0.9 |
| P/ABV (X) | 1.0 | 1.0 | 0.9 |

**Shareholding Pattern (%)**

| As On | Sep-26 | Jun-26 | Sep-25 |
|---|---|---|---|
| Promoter | 15.1 | 15.1 | 15.1 |
| DII | 39.3 | 40.3 | 30.5 |
| FII | 33.7 | 32.5 | 37.4 |
| Others | 11.8 | 12.2 | 17.1 |

FII includes depository receipts

**CMP: INR835 TP: INR1,050 (+26%) Neutral**

## Operating performance improving; reiterates FY27 exit RoA guidance of ~1%

### 2QFY27 RoA improves 9bp QoQ to 0.87%

- IndusInd Bank (IIB) reported 2QFY27 PAT of INR12.4b (MOFSLe PAT: INR9.3b), attributed to healthy NII growth and strong other income.
- NII grew 4% YoY (down 2% QoQ) to INR45.7b (4% beat). NIM contracted 12bp QoQ to 3.23% vs adj. NIM of 3.35% in 1QFY27.
- Other income grew 26% QoQ (21% beat), while opex increased 7% QoQ/declined 2% YoY to INR39.4b (3% higher vs MOFSLe).
- Net advances rose 11% QoQ (11% YoY), led by strong momentum in the consumer banking and mid-market group, while unsecured retail segment like PL & CC declined. Deposits rose 3.4% QoQ (up 10.1% YoY), while CASA ratio dipped 150 bp QoQ to 27.9%.
- Fresh slippages declined 12% QoQ to INR14.6b. GNPA ratio improved 52bp QoQ to 2.73%, while the NNPA ratio declined 12bp QoQ to 0.83%. PCR ratio declined to 70.0%.
- **We raise our earnings by 19%/17% in FY27/FY28E and project IIB's RoA at 0.8%/1.1% for FY27E/FY28E. Reiterate a Neutral rating with a TP of INR1,050 (based on 1.1x Mar'28E ABV).**

### ECL impact guided at 1.1% of loans, with recurring credit cost of 5–6bp

- IIB reported 2QFY27 PAT of ~INR12.4b (vs. MOFSLe of INR9.3b), led by healthy NII growth and strong other income.
- NII grew 3.6% YoY (down 2.5% QoQ) to INR45.7b (4% beat), led by healthy FCNR(B) mobilization of USD3.5b. NIM contracted 12bp QoQ to 3.23% vs adj. NIM of 3.35% in 1QFY27, FCNR (B) mobilization being the major contributor (~7-8bp NIM impact).
- Other income grew 26% QoQ (36% YoY, 21% beat), led by a pickup in core fee income and healthy treasury profits. Opex rose 7% QoQ/declined 2% YoY to INR39.4b. C/I ratio, thus, increased to 57.8% vs. 57.1% in 1QFY27. PPoP growth stood at 3.6% QoQ at INR28.7b (17% beat).
- Provisions stood at INR12.2b (down 12% QoQ and 54% YoY, in-line), as slippages moderated sequentially to INR14.6b.
- Loan book rose 11.3% QoQ (11.4% YoY) to INR3.6t, led by strong FCNR(B) deposit mobilization of INR336b and leverage of INR166b against the same.
- The deposit book grew 3.4% QoQ (up 10.1% YoY) amid the strong FCNR (B) deposit mobilization, partly utilized to retire high-cost wholesale funding. CASA book declined 1.9% QoQ, leading to a dip of 150bp in CASA ratio to 27.9%. Retail deposit share stood at 50%.
- Fresh slippages declined 12% QoQ, led by improvement across segments. Provisions, thus, declined 12% QoQ to INR12.2b. Asset quality ratios improved, with GNPA/NNPA declining 52bp/12bp QoQ to 2.73%/0.83%. PCR declined to 70%.

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## Highlights from the management commentary

- FY27 exit RoA guidance maintained at ~1%, driven increasingly by NIM recovery, fee income growth, and operating leverage, with further but moderating benefits from lower credit costs.
- Management expects to recover the 12bp NIM contraction over 3Q-4QFY27, supported by an improving loan mix and lower reliance on high-cost wholesale funding.
- The company has planned branch expansion of ~100 outlets and addition of ~4,300 employees to support growth and franchise development.
- ECL transition impact is estimated at ~1.1% of advances (pre-tax), with recurring credit cost impact expected at ~5-6bp.
- FCNR(B) proceeds were partly utilized to retire high-cost wholesale funding, reducing CDs to 3.3% of deposits vs 5.9% QoQ.

## Valuation and view

IIB reported a healthy quarter, supported by steady NII growth and strong other income. Consequently, RoA improved to 0.87% from 0.63% adj. for one-off in 1QFY27, with the bank maintaining the target of an exit RoA of ~1% by the end of FY27. Other income improved QoQ on the back of improving business momentum, while opex declined YoY. NIM contracted 12bp QoQ to 3.23% vs 3.35% (adjusted for one-off) in 1QFY27. Business momentum picked up QoQ on the back of FCNR (B)-related advances, led by strong growth in the commercial banking and mid-market segment, while unsecured retail book growth remains muted. Deposit growth was driven by strong FCNR (B) mobilization, partly utilized to retire high-cost wholesale funding, taking the retail deposit share to 50% of total deposits. The reduction in slippages was broad-based enabling improvement in asset quality ratios. The bank expects loan growth to broadly track industry growth in FY27. **We raise our earnings by 19%/17% in FY27/FY28E and estimate IIB's RoA at 0.8%/1.1% for FY27E/FY28E. Reiterate Neutral rating with a TP of INR1,050 (based on 1.1x Mar'28E ABV).**

**Quarterly Performance** (INR b)

| | FY26 | | | | FY27E | | | | FY26 | FY27E | FY27E | V/S our |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | | 2QE | Est |
| **Net Interest Income** | **46.4** | **44.1** | **45.6** | **43.7** | **46.8** | **45.7** | **48.7** | **51.3** | **179.8** | **186.4** | **44.1** | **4%** |
| % Change (YoY) | -14.2 | -17.5 | -12.7 | 43.4 | 1.0 | 3.6 | 6.7 | 17.5 | -5.5 | 3.7 | 0.0 | |
| Other Income | 21.6 | 16.5 | 17.1 | 17.1 | 17.9 | 22.5 | 19.4 | 19.8 | 72.3 | 79.5 | 18.5 | 21% |
| **Total Income** | **68.0** | **60.6** | **62.7** | **60.9** | **64.7** | **68.2** | **68.1** | **71.1** | **252.1** | **266.0** | **62.6** | **9%** |
| Operating Expenses | 42.3 | 40.1 | 40.0 | 37.9 | 37.0 | 39.4 | 39.3 | 42.0 | 160.3 | 157.7 | 38.2 | 3% |
| **Operating Profit** | **25.7** | **20.5** | **22.7** | **23.0** | **27.7** | **28.7** | **28.8** | **29.1** | **91.8** | **108.3** | **24.5** | **17%** |
| % Change (YoY) | -35.0 | -43.1 | -37.0 | -567.6 | 8.0 | 40.4 | 26.9 | 26.9 | -13.9 | 18.0 | 19.5 | |
| Provisions | 17.6 | 26.3 | 21.0 | 14.8 | 13.8 | 12.2 | 11.4 | 11.4 | 79.7 | 48.9 | 12.0 | 2% |
| **Profit before Tax** | **8.1** | **-5.8** | **1.7** | **8.1** | **13.9** | **16.5** | **17.4** | **17.7** | **12.1** | **59.4** | **12.5** | **32%** |
| Tax | 2.0 | -1.5 | 0.5 | 2.2 | 3.5 | 4.1 | 4.4 | 2.9 | 3.2 | 14.9 | 3.1 | 30% |
| **Net Profit** | **6.0** | **-4.4** | **1.3** | **5.9** | **10.4** | **12.4** | **13.0** | **14.8** | **8.9** | **44.5** | **9.3** | **33%** |
| % Change (YoY) | -72.2 | NA | -90.9 | NA | 71.7 | NA | 918.3 | 149.0 | -65.5 | 400.5 | NA | |
| **Operating Parameters** | | | | | | | | | | | | |
| Deposit (INR b) | 3,971 | 3,896 | 3,938 | 3,999 | 4,148 | 4,288 | 4,392 | 4,523 | 3,999 | 4,523 | 4,430 | |
| Loan (INR b) | 3,337 | 3,259 | 3,175 | 3,159 | 3,263 | 3,631 | 3,695 | 3,768 | 3,159 | 3,768 | 3,450 | |
| Deposit Growth (%) | -0.3 | -5.5 | -3.8 | -2.7 | 4.4 | 10.1 | 11.5 | 13.1 | -2.7 | 13.1 | 13.7 | |
| Loan Growth (%) | -4.1 | -8.8 | -13.5 | -8.4 | -2.2 | 11.4 | 16.4 | 19.3 | -8.4 | 19.3 | 5.9 | |
| **Asset Quality** | | | | | | | | | | | | |
| Gross NPA (%) | 3.6 | 3.6 | 3.6 | 3.4 | 3.3 | 2.7 | 2.8 | 2.8 | 3.4 | 2.8 | 3.1 | |
| Net NPA (%) | 1.1 | 1.0 | 1.0 | 1.0 | 1.0 | 0.8 | 0.8 | 0.8 | 1.0 | 0.8 | 0.9 | |
| PCR (%) | 70.2 | 71.8 | 71.5 | 71.4 | 71.4 | 70.2 | 70.5 | 70.8 | 70.8 | 70.8 | 71.6 | |

E: MOFSL Estimates

**Quarterly snapshot**

| INR b | FY26 | | | | FY27 | | Variation (%) | |
|---|---|---|---|---|---|---|---|---|
| **Profit and Loss** | **1Q** | **2Q** | **3Q** | **4Q** | **1Q** | **2Q** | **YoY** | **QoQ** |
| **Profit and Loss** | | | | | | | | |
| **Net Interest Income** | **46.4** | **44.1** | **45.6** | **43.7** | **46.8** | **43.9** | **-0.4** | **-6.2** |
| Other Income | 21.6 | 16.5 | 17.1 | 17.1 | 17.9 | 22.5 | 36.1 | 25.8 |
| Trading profits | 6.2 | 1.0 | 1.3 | 1.9 | 2.1 | 3.7 | 254.4 | 73.8 |
| **Total Income** | **68.0** | **60.6** | **62.7** | **60.9** | **64.7** | **66.4** | **9.6** | **2.6** |
| Operating Expenses | 42.3 | 40.1 | 40.0 | 37.9 | 37.0 | 39.4 | -1.8 | 6.6 |
| Employee | 18.1 | 16.6 | 19.0 | 17.2 | 17.9 | 18.0 | 8.4 | 0.6 |
| Others | 24.2 | 23.5 | 20.9 | 20.7 | 19.1 | 21.4 | -8.9 | 12.3 |
| **Operating Profits** | **25.7** | **20.5** | **22.7** | **23.0** | **27.7** | **27.0** | **31.8** | **-2.7** |
| **Core PPoP** | **19.4** | **19.4** | **21.4** | **21.1** | **25.6** | **25.1** | **29.1** | **-2.1** |
| Provisions | 17.6 | 26.3 | 21.0 | 14.8 | 13.8 | 12.2 | -53.5 | -11.7 |
| **PBT** | **8.1** | **-5.8** | **1.7** | **8.1** | **13.9** | **14.7** | **NA** | **6.2** |
| Taxes | 2.0 | -1.5 | 0.5 | 2.2 | 3.5 | 4.1 | NA | 16.4 |
| **PAT** | **6.0** | **-4.4** | **1.3** | **5.9** | **10.4** | **10.6** | **NA** | **2.7** |
| **Balance Sheet (INR b)** | | | | | | | | |
| Loans | 3,337 | 3,259 | 3,175 | 3,159 | 3,263 | 3,631 | 11.4 | 11.3 |
| Deposits | 3,971 | 3,896 | 3,938 | 3,999 | 4,148 | 4,288 | 10.1 | 3.4 |
| CASA Deposits | 1,250 | 1,198 | 1,191 | 1,249 | 1,221 | 1,198 | 0.0 | -1.9 |
| - Savings | 911 | 879 | 877 | 899 | 874 | 830 | -5.5 | -5.1 |
| - Current | 339 | 319 | 314 | 350 | 346 | 367 | 15.2 | 6.1 |
| **Loan mix (%) - new classification** | | | | | | | | |
| Retail | 50.8 | 57.3 | 58.2 | 59.0 | 57.4 | 57.9 | 61 | 56 |
| - of which Vehicle | 28.9 | 29.5 | 30.9 | 31.6 | 30.6 | 27.7 | -180 | -284 |
| - of which Rural | 12.7 | 10.9 | 10.1 | 10.1 | 9.6 | 9.2 | -168 | -45 |
| - of which Consumer | 9.2 | 16.9 | 17.2 | 17.3 | 17.2 | 21.0 | 409 | 385 |
| Wholesale | 35.6 | 42.7 | 41.8 | 41.0 | 42.6 | 42.1 | -61 | -56 |
| - of which Large Corp. | 15.9 | 17.8 | 15.9 | 14.7 | 16.7 | 16.1 | -165 | -56 |
| - of which Inst. & Govt | 10.9 | 9.3 | 9.6 | 10.2 | 10.5 | 10.2 | 95 | -27 |
| - of which Mid corp & others | 8.8 | 15.6 | 16.3 | 16.0 | 15.4 | 15.7 | 9 | 27 |
| **Asset Quality (INR b)** | | | | | | | | |
| GNPA | 124.81 | 120.58 | 116.05 | 110.95 | 108.49 | 101.06 | -16.2 | -6.8 |
| NNPA | 37.22 | 33.99 | 33.04 | 31.69 | 31.01 | 30.12 | -11.4 | -2.8 |
| Slippages | 25.7 | 25.4 | 25.6 | 18.2 | 16.6 | 14.6 | -42.5 | -12.1 |
| **Asset Quality Ratios (%)** | **1Q** | **2Q** | **3Q** | **4Q** | **1Q** | **1Q** | **YoY (bp)** | **QoQ (bp)** |
| GNPA | 3.6 | 3.6 | 3.6 | 3.4 | 3.3 | 2.7 | -87 | -52 |
| NNPA | 1.1 | 1.0 | 1.0 | 1.0 | 1.0 | 0.8 | -21 | -12 |
| PCR (Cal.) | 70.2 | 71.8 | 71.5 | 71.4 | 71.4 | 70.2 | -162 | -123 |
| Slippage | 3.0 | 3.0 | 3.0 | 2.2 | 2.0 | 1.7 | -128 | -32 |
| **Business Ratios (%)** | | | | | | | | |
| CASA | 31.5 | 30.7 | 30.2 | 31.2 | 29.4 | 27.9 | -281 | -150 |
| Loan/Deposit | 84.0 | 83.6 | 80.6 | 79.0 | 78.7 | 84.7 | 103 | 601 |
| Other income/Total Income | 31.7 | 27.2 | 27.2 | 28.2 | 27.6 | 33.9 | 661 | 625 |
| Cost to Income | 62.2 | 66.2 | 63.8 | 62.3 | 57.1 | 57.8 | -838 | 69 |
| Cost to Assets | 3.2 | 3.0 | 3.0 | 2.8 | 2.7 | 2.8 | -15 | 14 |
| Tax Rate | 25.2 | 25.2 | 26.4 | 26.9 | 25.3 | 27.8 | 264 | 245 |
| **Capitalisation Ratios (%)** | | | | | | | | |
| CAR | 16.6 | 17.1 | 16.9 | 17.5 | 17.2 | 16.6 | *-51* | *-56* |
| Tier 1 | 15.5 | 15.9 | 15.7 | 16.2 | 16.1 | 15.6 | -33 | -55 |
| *- CET 1* | 15.5 | 15.9 | 15.7 | 16.2 | 16.1 | 15.6 | -33 | -55 |
| RWA / Total Assets | 76.0 | 75.5 | 76.0 | 72.0 | 73.0 | 73.0 | -250 | 0 |
| LCR | 141.3 | 132.1 | 121.9 | 118.0 | 127.0 | 127.0 | -508 | 0 |
| **Profitability Ratios (%)** | | | | | | | | |
| Yield on loans | 11.6 | 11.2 | 11.1 | 11.2 | 11.0 | 10.7 | -56 | -29 |
| Yield on funds | 9.2 | 8.8 | 8.8 | 8.5 | 8.6 | 8.4 | -40 | -27 |
| Cost of deposits | 6.4 | 6.2 | 6.1 | 6.1 | 6.0 | 6.0 | -27 | 1 |
| Cost of funds | 5.7 | 5.4 | 5.3 | 5.1 | 5.1 | 5.1 | -32 | 6 |
| Margins | 3.46 | 3.32 | 3.52 | 3.39 | 3.57 | 3.23 | -9 | -34 |
| **Other details** | | | | | | | | |
| Branches | 3,110 | 3,116 | 3,120 | 3,136 | 3,137 | 3,139 | 23 | 2 |
| ATMs | 3,052 | 3,054 | 3,063 | 2,870 | 2,853 | 2,773 | -281 | -80 |

## Highlights from the management commentary

### Opening Remarks

- Deposits and advances grew 10%/11% YoY, respectively, marking a return to double-digit growth after the moderation witnessed last year.
- The company mobilized USD3.51b under the FCNR(B) window, translating into a market share of 2.75% vs its natural deposit market share of ~1.5%. Mobilization represents ~6.3% of 2Q average deposits.
- Overall advances grew 4% QoQ, excluding FCNR(B)-related lending. Wholesale and mid-market/SME portfolios grew 10%/13% QoQ, while retail advances grew 12% QoQ.
- RoA improved to 0.87% vs normalized 0.63% in 1QFY27, despite temporary margin pressure from FCNR(B) mobilization.
- It plans to add 100 branches in underpenetrated regions and ~4,300 employees, largely in sourcing roles.
- It has announced partnerships with Navi UPI for digital payments and JPMorgan Payments for cross-border remittance solutions.

### Vehicle Finance

- Vehicle disbursements (excl. tractors and two wheeler) grew 24% YoY/14% QoQ, reflecting improving momentum across segments.
- CV disbursements grew 32% YoY/17% QoQ, while PV disbursements increased 13% YoY/12% QoQ.
- The bank have been cautious on tractor and two wheeler growth.
- It expects stronger vehicle disbursements in 2HFY27, supporting improvement in the overall asset mix and margins.

### MFI

- Asset quality continues to improve, with portfolio stress moderating and growth momentum recovering across geographies.
- ~89% of MFI portfolio is covered under CGFMU, including disbursements for which guarantee coverage is under processing, vs 74% in 1QFY27.
- ~73% of borrowers have a vintage of over three years, while ~51-52% have only one credit facility with the bank/PFIL.
- Growth remains broad-based across geographies, although management remains watchful of drought-related risks in Karnataka, Maharashtra, and Andhra Pradesh.

### Consumer

- Consumer loan book grew 7% QoQ to INR598b, excluding FCNR(B)-related advances, led by secured retail and MSME segments.
- Unsecured lending remains calibrated, with emphasis on risk-adjusted returns. However, disbursements have started improving and should translate into loan growth over the coming quarters.
- Credit card acquisitions increased meaningfully QoQ, although industry growth remains muted. Focus remains on onboarding lower-risk customers.
- Small business banking and LAP portfolios are witnessing improving momentum, which is expected to sustain over the coming quarters.

## SME and Wholesale

- Wholesale book grew 10% QoQ, while mid-market and SME portfolios grew 13% QoQ.
- Wholesale banking fees grew 37% YoY/9% QoQ to INR4.46b, with transaction banking contributing 52% of total wholesale fees.
- Fee growth was supported by trade finance, cash management, capital markets, and government banking businesses.
- Annualized gross slippages declined to 0.07%, while net slippages remained negative owing to higher recoveries and upgrades.

## Liabilities

- Average deposits grew 7% QoQ, supported by FCNR(B) mobilization, while retail deposits (LCR definition) grew 11% QoQ on an end-of-period basis.
- Share of retail deposits improved to 50% of total deposits vs 49.5% in 1QFY27.
- FCNR(B) proceeds were partly utilized to retire high-cost wholesale funding, reducing CDs to 3.3% of deposits vs 5.9% QoQ.
- Average CD ratio stood at 84% vs 83% in 1QFY27.
- Average borrowings increased to 9% of total liabilities vs 8% QoQ, primarily due to foreign-currency borrowings undertaken to fund FCNR(B)-related leveraged lending.
- Management highlighted that FCNR(B) mobilization has a relatively higher share of retail and non-leveraged deposits, supporting funding quality.
- SA balances declined partly due to migration of NRI savings balances, including GIFT City dollar savings accounts, into FCNR(B) deposits.
- Adjusting for FCNR(B)-related cannibalization, SA balances would have remained broadly flat QoQ.
- New SA account openings increased ~50% QoQ; however, conversion into funded accounts and subsequent cross-selling will take time.
- Some government-related deposit outflows also impacted SA balances, although these deposits were relatively expensive and had limited impact on profitability.
- Deposit pricing will remain competitive with market rates, although the bank may respond with some lag.
- No significant surplus liquidity is being carried solely for deployment; high-cost funding has been retired and can be replenished as credit opportunities emerge.

## Margins

- Reported NIM contracted 12bp QoQ to 3.23% vs adj. NIM of 3.35% in 1QFY27, primarily due to FCNR(B)-related balance sheet expansion and changes in asset mix.
- Management indicated an estimated 7-8bp NIM impact from FCNR(B), with the remaining pressure attributable to other balance sheet movements.
- FCNR (B) adj. Loan yields declined ~19bp QoQ on a reported basis, with the movement affected by FCNR(B)-related leveraged lending and a higher wholesale mix.
- Management expects to recoup the 12bp NIM contraction over the next two quarters, supported by higher-yielding retail growth, improved vehicle disbursements, and liability optimization.
- Benefits from retirement of high-cost CDs and wholesale deposits should flow through more fully in 3QFY27.
- ~45% of advances are floating rate, of which 63% are repo-linked.

## Other Income and Opex

- ~INR400-500m of incremental FX sales income and ~INR480-500m of investment sale gains contributed to other income during the quarter.
- Management indicated that a significant portion of the increase in fee income was granular and client-led, rather than driven by one-offs.
- Pure trading income stood at ~INR700m, with a larger portion of reported treasury/FX-related income attributable to recurring client-driven FX sales.
- Operating efficiency continues to improve, with management attributing ~15-20bp of the recent RoA improvement to expenses.
- Continued investment in branches, sourcing personnel, technology, and AI will support franchise expansion and operating scalability.
- Bancassurance: could have a material impact under the current draft, particularly on branch-sourced policies and credit-life insurance.

## Asset Quality

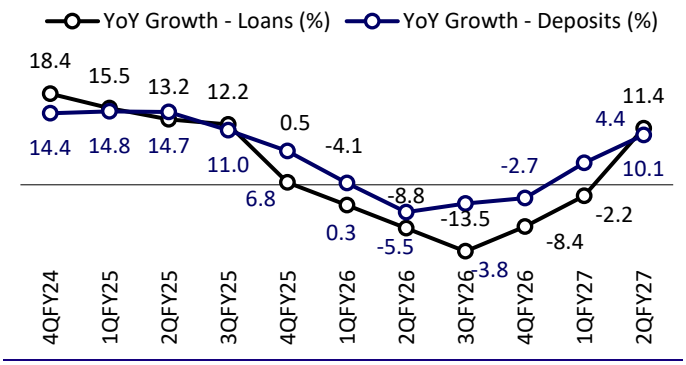
- GNPA/NNPA improved to 2.73%/0.83%, reflecting broad-based improvement across portfolios.
- MFI portfolio quality continues to normalize, although management remains watchful of drought-related stress in select states.
- ECL transition impact is estimated at ~1.1% of advances (pre-tax), with recurring credit cost impact expected at ~5-6bp.
- Credit costs are expected to moderate further, although management indicated that the incremental benefit to RoA would be lower than witnessed over the previous few quarters.
- Of the ~80bp improvement in RoA over the recovery period, ~50-60bp was attributed to credit costs, ~15-20bp to operating expenses, and the balance to income improvement.

## Guidance

- Credit growth is expected to remain in line with the system for FY27, supported by improving retail, vehicle, MFI, and wholesale business momentum.
- FY27 exit RoA guidance is maintained at ~1%, driven increasingly by NIM recovery, fee income growth, and operating leverage, with further but moderating benefits from lower credit costs.
- Management expects to recover the 12bp NIM contraction over 3Q-4QFY27, supported by improving loan mix and lower reliance on high-cost wholesale funding.
- It has planned branch expansion of ~100 outlets and addition of ~4,300 employees to support growth and franchise development.

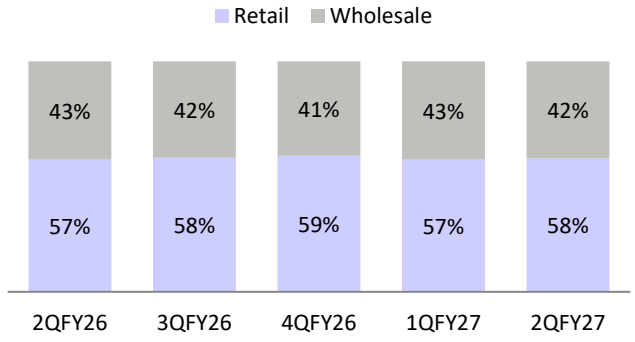
# Story in charts

**Exhibit 1: Loans rose 11.4% YoY; deposits grew 10.1% YoY**



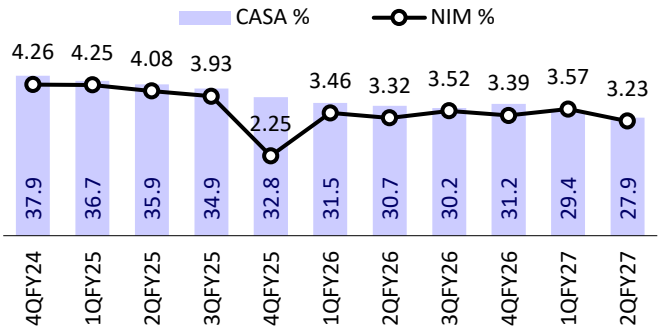

Source: MOFSL, Company

**Exhibit 2: Retail mix stood at 58%, with wholesale mix at 42%**



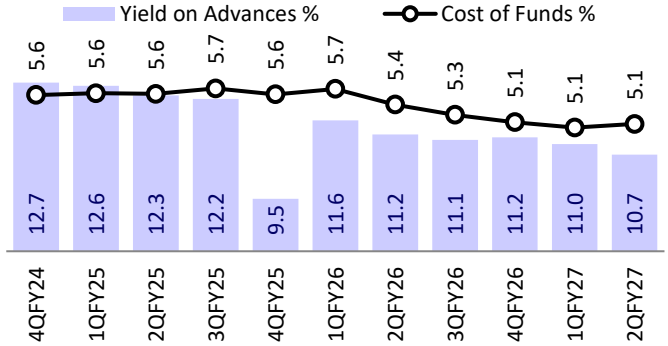

Source: MOFSL, Company

**Exhibit 3: NIM stood at 3.23%**



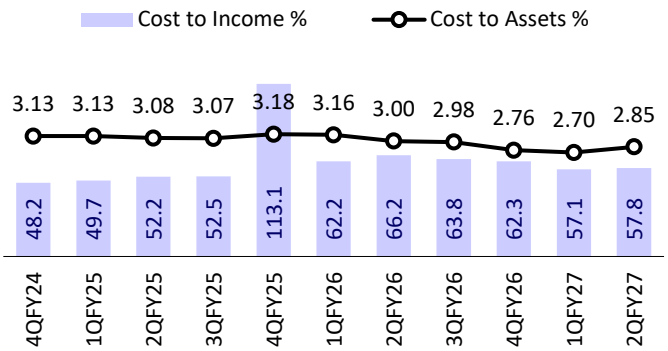

Source: MOFSL, Company

**Exhibit 4: YoA declined to 10.7%; CoF at 5.1%**



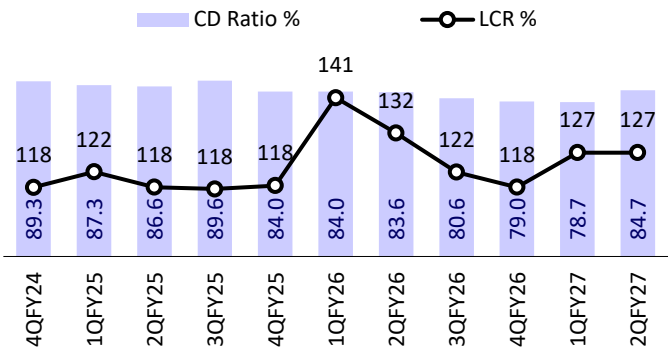

Source: MOFSL, Company

**Exhibit 5: C/I ratio increased to 57.8%; C/A grew to 2.85%**



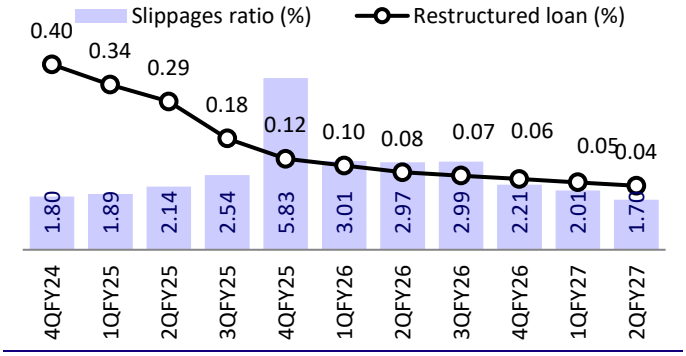

Source: MOFSL, Company

**Exhibit 6: C/D ratio increased to 84.7%; LCR ratio at 127%**



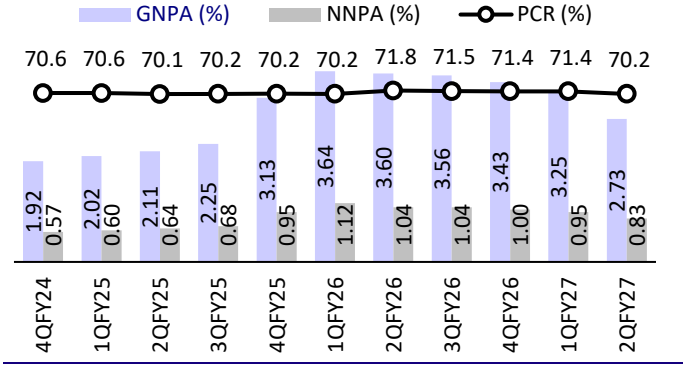

Source: MOFSL, Company

**Exhibit 7: Slippage ratio declined to 1.70%**




Source: MOFSL, Company

**Exhibit 8: GNPA/NNPA ratios declined to 2.73%/0.83%**




Source: MOFSL, Company

## Valuation and view: Reiterate Neutral with a TP of INR1,050

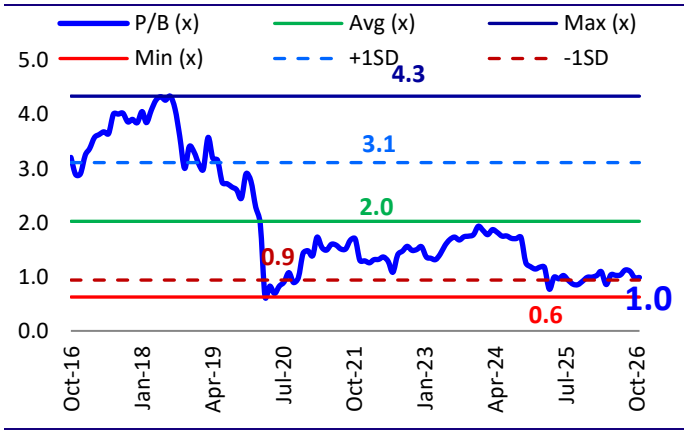
- IIB reported a healthy quarter, supported by steady NII growth and strong other income. Consequently, RoA improved to 0.87% from 0.63% adj. for one-off in 1QFY27, with the bank maintaining the target of an exit RoA of ~1% by the end of FY27.
- Other income improved QoQ on the back of improving business momentum, while opex declined YoY. NIM contracted 12bp QoQ to 3.23% vs 3.35% (adjusted for one-off) in 1QFY27.
- Business momentum picked up QoQ on the back of FCNR (B)-related advances, led by strong growth in the commercial banking and mid-market segment, while unsecured retail book growth remains muted.
- Deposit growth was driven by strong FCNR (B) mobilization, partly utilized to retire high-cost wholesale funding, taking the retail deposit share to 50% of total deposits.
- The reduction in slippages was broad-based enabling improvement in asset quality ratios. The bank expects loan growth to broadly track industry growth in FY27.
- **We raise our earnings by 19%/17% in FY27/FY28E and estimate IIB's RoA at 0.8%/1.1% for FY27E/FY28E. Reiterate Neutral rating with a TP of INR1,050 (based on 1.1x Mar'28E ABV).**

**Exhibit 9: We raise our estimates by 19.0%/17.4% for FY27/28E**

| INRb | Old Estimates | | New Estimates | | Change (%/bps) | |
|---|---|---|---|---|---|---|
| | FY27 | FY28 | FY27 | FY28 | FY27 | FY28 |
| Net Interest Income | 179.2 | 216.0 | 186.4 | 235.9 | 4.0 | 9.2 |
| Other Income | 74.5 | 80.4 | 79.5 | 85.9 | 6.8 | 6.8 |
| **Total Income** | **253.7** | **296.4** | **266.0** | **321.8** | **4.8** | **8.6** |
| Operating Expenses | 153.9 | 168.9 | 157.7 | 178.5 | 2.5 | 5.7 |
| **Operating Profits** | **99.8** | **127.5** | **108.3** | **143.3** | **8.5** | **12.4** |
| Provisions | 49.9 | 46.9 | 48.9 | 48.6 | -2.0 | 3.8 |
| **PBT** | **49.9** | **80.6** | **59.4** | **94.6** | **19.0** | **17.4** |
| Tax | 12.5 | 20.2 | 14.9 | 23.8 | 19.0 | 17.4 |
| **PAT** | **37.4** | **60.4** | **44.5** | **70.9** | **19.0** | **17.4** |
| Loans | 3,636 | 4,181 | 3,768 | 4,386 | 3.6 | 4.9 |
| Deposits | 4,615 | 5,215 | 4,523 | 5,188 | -2.0 | -0.5 |
| Margins (%) | 3.05 | 3.21 | 3.20 | 3.53 | 14.6 | 32.0 |
| Credit Cost (%) | 1.4 | 1.2 | 1.4 | 1.1 | -7.0 | -1.0 |
| **RoA (%)** | **0.64** | **0.90** | **0.76** | **1.06** | **12.7** | **16.3** |
| **RoE (%)** | **5.6** | **8.5** | **6.6** | **9.8** | **102.8** | **130.8** |
| BV | 877.9 | 944.5 | 887.1 | 967.0 | 1.0 | 2.4 |
| ABV | 848.0 | 912.4 | 859.3 | 938.0 | 1.3 | 2.8 |
| EPS | 48.0 | 77.5 | 57.1 | 91.0 | 19.0 | 17.4 |

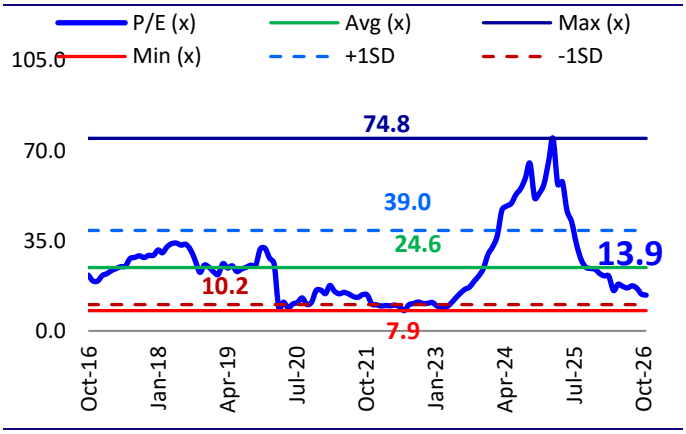
Source: MOFSL, Company

**Exhibit 10: One-year forward P/B ratio**




Source: MOFSL, Company

**Exhibit 11: One-year forward P/E ratio**




Source: MOFSL, Company

**Exhibit 12: DuPont Analysis – we estimate an RoA of 0.76%/1.06% for FY27/FY28E**

| Y/E March (%) | FY23 | FY24 | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|---|---|
| Interest Income | 8.46 | 9.40 | 9.10 | 8.43 | 8.25 | 8.61 |
| Interest Expense | 4.37 | 5.17 | 5.54 | 5.15 | 5.05 | 5.08 |
| **Net Interest Income** | **4.09** | **4.24** | **3.56** | **3.28** | **3.20** | **3.53** |
| Core Fee Income | 1.89 | 1.85 | 1.34 | 1.22 | 1.26 | 1.18 |
| Trading and others | 0.02 | 0.08 | 0.10 | 0.10 | 0.11 | 0.11 |
| **Non-interest income** | **1.90** | **1.93** | **1.44** | **1.32** | **1.36** | **1.29** |
| **Total Income** | **5.99** | **6.17** | **5.00** | **4.59** | **4.56** | **4.82** |
| **Operating Expenses** | **2.64** | **2.91** | **3.00** | **2.92** | **2.71** | **2.67** |
| - Employee cost | 0.97 | 1.10 | 1.13 | 1.29 | 1.27 | 1.25 |
| - Others | 1.67 | 1.80 | 1.88 | 1.63 | 1.44 | 1.42 |
| **Operating Profit** | **3.35** | **3.26** | **1.99** | **1.67** | **1.86** | **2.15** |
| Core operating Profits | 3.34 | 3.18 | 1.90 | 1.57 | 1.75 | 2.04 |
| **Provisions** | **1.04** | **0.80** | **1.33** | **1.45** | **0.84** | **0.73** |
| NPA | 0.90 | 0.63 | 1.34 | 1.43 | 0.80 | 0.70 |
| Others | 0.14 | 0.16 | 0.00 | 0.02 | 0.04 | 0.03 |
| **PBT** | **2.31** | **2.46** | **0.66** | **0.22** | **1.02** | **1.42** |
| Tax | 0.58 | 0.62 | 0.18 | 0.06 | 0.26 | 0.36 |
| **RoA** | **1.73** | **1.85** | **0.48** | **0.16** | **0.76** | **1.06** |
| Leverage (x) | 8.4 | 8.3 | 8.4 | 8.4 | 8.7 | 9.3 |
| **RoE** | **14.5** | **15.3** | **4.0** | **1.4** | **6.6** | **9.8** |

Source: MOFSL, Company

# Financials and valuations

| Income Statement | | | | | | (INR b) |
|---|---|---|---|---|---|---|
| **Y/E March** | **FY23** | **FY24** | **FY25** | **FY26** | **FY27E** | **FY28E** |
| **Net Interest Income** | **175.9** | **206.2** | **190.3** | **179.8** | **186.4** | **235.9** |
| -growth (%) | 17.3 | 17.2 | -7.7 | -5.5 | 3.7 | 26.5 |
| Non Interest Income | 81.7 | 94.0 | 76.9 | 72.3 | 79.5 | 85.9 |
| **Total Income** | **257.6** | **300.1** | **267.2** | **252.1** | **266.0** | **321.8** |
| -growth (%) | 15.3 | 16.5 | -11.0 | -5.7 | 5.5 | 21.0 |
| Operating Expenses | 113.5 | 141.5 | 160.6 | 160.3 | 157.7 | 178.5 |
| **Pre Provision Profits** | **144.2** | **158.6** | **106.6** | **91.8** | **108.3** | **143.3** |
| -growth (%) | 10.6 | 10.0 | -32.8 | -13.9 | 18.0 | 32.3 |
| **Core PPoP** | **143.5** | **154.6** | **101.4** | **86.3** | **102.0** | **136.0** |
| -growth (%) | 15.4 | 7.7 | -34.4 | -14.9 | 18.2 | 33.4 |
| Provisions | 44.9 | 38.8 | 71.4 | 79.7 | 48.9 | 48.6 |
| **PBT** | **99.3** | **119.8** | **35.3** | **12.1** | **59.4** | **94.6** |
| Tax | 24.9 | 30.0 | 9.5 | 3.2 | 14.9 | 23.8 |
| Tax Rate (%) | 25.1 | 25.1 | 27.0 | 26.5 | 25.1 | 25.1 |
| **PAT** | **74.4** | **89.8** | **25.8** | **8.9** | **44.5** | **70.9** |
| -growth (%) | 54.9 | 20.6 | -71.3 | -65.5 | 400.5 | 59.3 |

| Balance Sheet | | | | | | |
|---|---|---|---|---|---|---|
| **Y/E March** | **FY23** | **FY24** | **FY25** | **FY26** | **FY27E** | **FY28E** |
| Equity Share Capital | 7.8 | 7.8 | 7.8 | 7.8 | 7.8 | 7.8 |
| Reserves & Surplus | 541.8 | 623.3 | 639.1 | 648.1 | 684.8 | 747.1 |
| **Net Worth** | **549.6** | **631.0** | **646.9** | **655.9** | **692.6** | **754.9** |
| **Deposits** | **3,361.2** | **3,845.9** | **4,108.6** | **3,999.3** | **4,523.2** | **5,188.1** |
| -growth (%) | 14.6 | 14.4 | 6.8 | -2.7 | 13.1 | 14.7 |
| **- CASA Dep** | **1,347.3** | **1,456.7** | **1,347.9** | **1,249.3** | **1,384.1** | **1,686.1** |
| -growth (%) | 7.5 | 8.1 | -7.5 | -7.3 | 10.8 | 21.8 |
| Borrowings | 490.1 | 476.1 | 537.0 | 427.9 | 572.6 | 654.2 |
| Other Liabilities & Prov. | 177.0 | 196.9 | 247.1 | 349.3 | 433.2 | 541.5 |
| **Total Liabilities** | **4,578.4** | **5,150.9** | **5,541.1** | **5,433.9** | **6,221.6** | **7,138.8** |
| Current Assets | 567.8 | 369.1 | 593.8 | 489.3 | 586.0 | 625.1 |
| **Investments** | **830.8** | **1,064.9** | **1,144.6** | **1,250.1** | **1,475.1** | **1,666.8** |
| -growth (%) | 17.1 | 28.2 | 7.5 | 9.2 | 18.0 | 13.0 |
| **Loans** | **2,899.2** | **3,433.0** | **3,450.2** | **3,158.7** | **3,768.3** | **4,386.4** |
| -growth (%) | 21.3 | 18.4 | 0.5 | -8.4 | 19.3 | 16.4 |
| Fixed Assets | 20.8 | 23.2 | 25.0 | 25.5 | 28.3 | 30.6 |
| Other Assets | 259.8 | 260.8 | 327.6 | 510.4 | 363.8 | 429.9 |
| **Total Assets** | **4,578.4** | **5,150.9** | **5,541.1** | **5,433.9** | **6,221.6** | **7,138.8** |

| Asset Quality | | | | | | |
|---|---|---|---|---|---|---|
| GNPA | 58.3 | 66.9 | 110.5 | 111.0 | 106.0 | 115.5 |
| NNPA | 17.8 | 20.4 | 33.6 | 32.4 | 30.9 | 32.3 |
| Slippage | 68.9 | 60.3 | 105.5 | 94.9 | 72.7 | 81.5 |
| GNPA Ratio (%) | 2.0 | 1.9 | 3.1 | 3.4 | 2.8 | 2.6 |
| NNPA Ratio (%) | 0.6 | 0.6 | 1.0 | 1.0 | 0.8 | 0.7 |
| Slippage Ratio (%) | 2.61 | 1.91 | 3.06 | 2.87 | 2.10 | 2.00 |
| Credit Cost (%) | 1.70 | 1.23 | 2.07 | 2.41 | 1.35 | 1.14 |
| PCR (Excl Technical write off) (%) | 69.4 | 69.5 | 69.6 | 70.8 | 70.8 | 72.0 |

E: MOFSL Estimates

# Financials and valuations

## Ratios

| Y/E March | FY23 | FY24 | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|---|---|
| **Yield and Cost Ratios (%)** | | | | | | |
| **Avg. Yield-Earning Assets** | **9.0** | **10.0** | **9.7** | **9.2** | **9.0** | **9.2** |
| Avg. Yield on loans | 11.3 | 12.0 | 11.5 | 11.0 | 10.7 | 11.0 |
| Avg. Yield on Investments | 6.0 | 5.8 | 6.2 | 6.6 | 7.0 | 6.6 |
| **Avg. Cost-Int. Bear. Liab.** | **5.2** | **6.1** | **6.6** | **6.2** | **6.2** | **6.2** |
| Avg. Cost of Deposits | 5.0 | 6.0 | 6.4 | 5.9 | 5.9 | 6.0 |
| **Interest Spread** | **4.0** | **4.0** | **3.3** | **3.3** | **3.0** | **3.2** |
| **Net Interest Margin** | **5.0** | **4.8** | **4.1** | **3.9** | **3.7** | **4.0** |
| | | | | | | |
| **Capitalisation Ratios (%)** | | | | | | |
| CAR | 17.9 | 17.2 | 16.2 | 17.5 | 16.8 | 16.1 |
| Tier I | 16.4 | 15.8 | 15.1 | 16.2 | 15.3 | 14.7 |
| -CET-1 | 15.9 | 15.8 | 15.1 | 16.2 | 15.3 | 14.7 |
| Tier II | 1.5 | 1.4 | 1.1 | 1.3 | 1.5 | 1.4 |
| | | | | | | |
| **Business Ratios (%)** | | | | | | |
| Loans/Deposit Ratio | 86.3 | 89.3 | 84.0 | 79.0 | 83.3 | 84.5 |
| CASA Ratio | 40.1 | 37.9 | 32.8 | 31.2 | 30.6 | 32.5 |
| Cost/Assets | 2.5 | 2.7 | 2.9 | 3.0 | 2.5 | 2.5 |
| Cost/Total Income | 44.0 | 47.1 | 60.1 | 63.6 | 59.3 | 55.5 |
| Cost/Core Income | 44.1 | 47.8 | 61.3 | 65.0 | 60.7 | 56.8 |
| Int. Expense/Int.Income | 51.6 | 54.9 | 60.9 | 61.1 | 61.2 | 59.0 |
| Fee Income/Total Income | 31.5 | 29.9 | 26.8 | 26.5 | 27.5 | 24.4 |
| Non Int. Inc./Total Income | 31.7 | 31.3 | 28.8 | 28.7 | 29.9 | 26.7 |
| Empl. Cost/Total Expense | 36.8 | 38.0 | 37.5 | 44.2 | 46.8 | 46.7 |
| | | | | | | |
| **Efficiency Ratios (INRm)** | | | | | | |
| Employee per branch (in nos) | 14.7 | 15.3 | 14.6 | 14.9 | 15 | 15 |
| Staff cost per employee | 1.1 | 1.2 | 1.3 | 1.5 | 1.4 | 1.5 |
| CASA per branch | 517 | 488 | 437 | 398 | 412 | 467 |
| Deposits per branch | 1,290 | 1,289 | 1,334 | 1,275 | 1,348 | 1,438 |
| Business per Employee | 164.0 | 159.5 | 168.1 | 153.3 | 162.9 | 171.8 |
| Profit per Employee | 1.9 | 2.0 | 0.6 | 0.2 | 0.9 | 1.3 |
| | | | | | | |
| **Profitability Ratios and Valuations** | | | | | | |
| RoA | 1.7 | 1.8 | 0.5 | 0.2 | 0.8 | 1.1 |
| RoE | 14.5 | 15.3 | 4.0 | 1.4 | 6.6 | 9.8 |
| RoRWA | 2.2 | 2.3 | 0.6 | 0.2 | 1.0 | 1.4 |
| Book Value (INR) | 707 | 810 | 830 | 842 | 887 | 967 |
| -growth | 14.4 | 14.6 | 2.5 | 1.4 | 5.4 | 9.0 |
| **Price-BV (x)** | **1.2** | **1.0** | **1.0** | **1.0** | **0.9** | **0.9** |
| Adjusted BV (INR) | 691 | 792 | 800 | 813 | 859 | 938 |
| **Price-ABV (x)** | **1.2** | **1.1** | **1.0** | **1.0** | **1.0** | **0.9** |
| EPS (INR) | 96.0 | 115.5 | 33.1 | 11.4 | 57.1 | 91.0 |
| -growth | 54.7 | 20.3 | -71.4 | -65.5 | 400.5 | 59.3 |
| **Price-Earnings (x)** | **8.7** | **7.2** | **25.2** | **73.2** | **14.6** | **9.2** |
| Dividend Per Share (INR) | 8.5 | 14.0 | 16.5 | 0.0 | 10.0 | 11.0 |
| **Dividend Yield** | **1.0** | **1.7** | **2.0** | **0.0** | **1.2** | **1.3** |

E: MOFSL Estimates

**Investment in securities market are subject to market risks. Read all the related documents carefully before investing.**

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| Explanation of Investment Rating | |
|---|---|
| **Investment Rating** | **Expected return (over 12-month)** |
| BUY | >=15% |
| SELL | < - 10% |
| NEUTRAL | < - 10 % to 15% |
| UNDER REVIEW | Rating may undergo a change |
| NOT RATED | We have forward looking estimates for the stock but we refrain from assigning recommendation |

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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