BUY

IndusInd Bank

Hopes abound for a sustained turnaround; upgrade to BUY

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BFSI - Banks | Management Meet Update | **February 20, 2026** | **CMP (Rs): 927 | TP (Rs): 1,100**

We upgrade IndusInd Bank (IIB) to BUY from Reduce while hoisting our TP by ~38% to Rs1,100 from Rs800. This is on the back of reinforced confidence on the new management's decisive push on fixing structural gaps—reorienting the asset-liability mix, strengthening governance/internal controls, and rebuilding leadership, thus setting the stage for a sustained turnaround. IIB has turned profitable after a loss in 2Q and has given guidance for system in-line credit growth and an exit-RoA of ~1% in FY27. We expect the RoA to further improve to ~1.3-1.5% over FY28-29E, as the growth/asset-quality recovery gains further traction and thus drives a stock re-rating. Improving sectoral tailwinds (growth/margin/asset quality) and favorable sentiment toward large private banks should further aid IIB's re-rating, akin to Federal Bank (also in the early stages of transformation). Accordingly, we boost our TP to Rs1,100, valuing the bank at 1.3x FY28E BV/11x FY28E EPS (based on the 2-stage Gordon growth model) vs 1x/9x Dec-27E BV earlier. Further re-rating will be contingent on sustained execution of the management strategy and no asset-quality/ regulations based interruptions.

Re-building leadership, business functions before re-accelerating growth

After a sub-par 2003–08 phase, IIB saw sharp transformation under Romesh Sobti (then MD) for nearly a decade. However, over time, the pursuit of a higher RoA resulted in higher risks, balance-sheet inefficiencies, and weaker governance. Post the IL&FS crisis, Sumant Kathpalia took charge, though his tenure was volatile amid systemic shocks, microfinance stress, and then the derivatives fiasco – culminating in losses and senior management exits. Following a brief interregnum, Rajiv Anand, a veteran banker from Axis Bank, took charge in Aug-25. The new MD is rebuilding a senior leadership team with high integrity, strengthening credit-risk and HR functions, and rightfully integrating the asset-liability vertical in a 'One IndusInd Bank' framework. We believe this foundational reset will restore balance-sheet discipline and enable a sustainable recovery phase from FY27 onward.

Retail reset to deliver sustained healthy RoA/RoRWA

IIB plans to recalibrate its business model, from a self-employed and commercial-retail-heavy entity to a more balanced bank, with better focus on consumer retail, across both assets and liabilities. On the asset front, IIB plans scaling up consumer retail loans (gold, AFH, PVs) while capping MFI exposure at 7-8% (vs ~10% now). With an already strong branch network (better than Kotak's), IIB's strategic focus will be on improving branch productivity to mobilize deposits at lower CoF and reducing business sourcing from DSAs. This is likely to lead to healthier margin/core profitability without reliance on earlier high-yield risky lending strategy. Parallelly, scaling up mid-corporate and SME businesses is likely to aid CA deposit claw-back and fee moat, thus supporting sustained RoA/RoRWA improvement to 1.3-1.5%/1.6-2.0% by FY28-29E from a low of 0.1%/0.1% in FY26E.

Target Price – 12M	Dec-26
Change in TP (%)	**37.5**
Current Reco.	BUY
Previous Reco.	REDUCE
Upside/(Downside) (%)	18.7

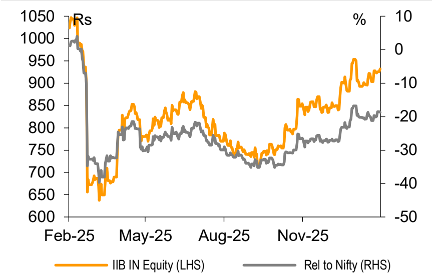
Stock Data	**IIB IN**
52-week High (Rs)	1,063
52-week Low (Rs)	605
Shares outstanding (mn)	779.1
Market-cap (Rs bn)	722
Market-cap (USD mn)	7,967
Net-debt, FY26E (Rs mn)	NA
ADTV-3M (mn shares)	4.2
ADTV-3M (Rs mn)	3,650.8
ADTV-3M (USD mn)	40.3
Free float (%)	84.7
Nifty-50	25,454.3
INR/USD	90.7

Shareholding,Dec-25	
Promoters (%)	15.1
FPIs/MFs (%)	30.1/33.7

Price Performance

(%)	**1M**	**3M**	**12M**
Absolute	(2.4)	10.5	(10.5)
Rel. to Nifty	(1.9)	13.0	(19.3)

1-Year share price trend (Rs)



IndusInd Bank: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	**FY25**	**FY26E**	**FY27E**	**FY28E**	**FY29E**
Net profit	26,429	6,220	44,568	76,304	108,065
Loan growth (%)	0.5	(8.8)	12.9	16.5	19.0
NII growth (%)	(7.7)	(4.0)	3.4	17.0	22.1
NIM (%)	3.8	3.7	3.8	3.9	4.1
PPOP growth (%)	(32.4)	(9.8)	13.8	28.0	31.1
Adj. EPS (Rs)	33.9	8.0	57.2	98.0	138.7
Adj. EPS growth (%)	(70.5)	(76.5)	616.5	71.2	41.6
Adj. BV (INR)	669.7	673.4	715.8	792.0	904.2
Adj. BVPS growth (%)	(3.2)	0.5	6.3	10.6	14.2
RoA (%)	0.5	0.1	0.8	1.3	1.5
RoE (%)	4.2	1.0	6.7	10.6	13.4
P/E (x)	27.3	116.1	16.2	9.5	6.7
P/ABV (x)	1.4	1.4	1.3	1.2	1.0

Source: Company, Emkay Research

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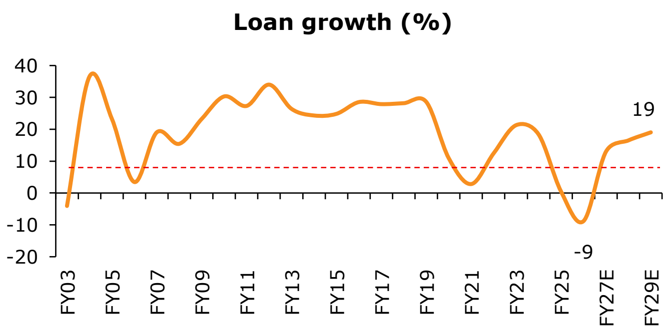
The IIB story – Repeated setbacks and turnarounds, but hopes abound for a sustained recovery now

Since 2003, IIB has witnessed repeated cycles of setbacks and turnarounds. Entering the millennium as a young PVB focused on corporate banking/VF, NRI deposits, and trade finance, IIB lacked a strong retail liability base. This resulted in weak margins, higher NPAs, and RoA at only ~0.2-0.4% during FY06–08. A sharp turnaround followed under Romesh Sobti (from Feb-2008), marked by rapid branch expansion, CASA rising from ~16% to ~44%, strong retail/VF-led growth, and RoA peaking at ~1.8% through to FY18. However, the aggressive push for profitability eventually coincided with rising risks, with cracks becoming visible around the IL&FS crisis in 2018 and persisting till 2020. The subsequent phase under Sumant Kathpalia (a protégé of Sobti from Mar-20) was marred by multiple shocks—Covid, Yes Bank contagion, MFI stress, and a derivatives setback—culminating in losses (4QFY25) and senior-management churn, thus exposing long-standing gaps in governance, risk management, siloed balance-sheet decisions, and a botched attempt at a turnaround.

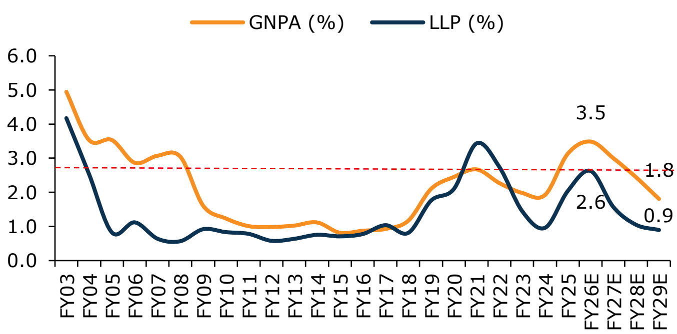
With the appointment of Rajiv Anand (a veteran from Axis Bank), we believe there is bound to be a sustained turnaround of the once formidable retail bank (as seen during 2008-18). We believe that the bank does not need to be built from scratch, but requires restoring of the structural portfolio, bridging the leadership gaps, and strengthening the governance/internal controls. The new leadership has already initiated a balance-sheet clean-up to reduce asset-quality risks from spilling over into FY27, while simultaneously rebuilding a credible senior management team, upgrading internal controls, and breaking internal business/departmental silos under a 'One IndusInd Bank' approach. The management has articulated an initial milestone of an exit-RoA of ~1% in FY27. Beyond this, we believe a re-orientation of the asset-liability mix toward consumer retail will help the bank deliver a sustainably healthy RaRoC. A clearer and detailed articulation of this medium-term strategy is likely to emerge post 1QFY27 results, and thus set the stage for a more durable recovery.

Exhibit 1: After a dip in FY26 (for the first time in 2 decades), credit growth is set to recover in FY27 and gather pace with increased focus on quality and profitability without undue risk



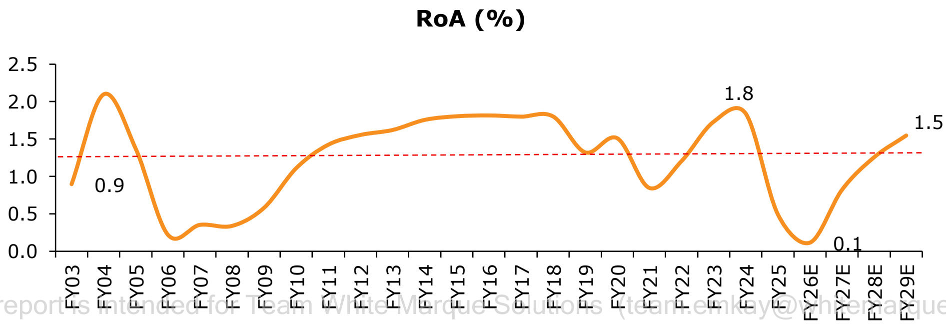
Source: Emkay Research

Exhibit 2: Asset quality stress/LLP to moderate from FY27 onward, as bulk of the portfolio clean-up would be done in FY26



Source: Emkay Research

Exhibit 3: RoA is likely to gradually recover to a sustainable ~1.5% by FY29E, though it may remain below the earlier ~1.8% peak, as derivative exposure had inflated NIM/fees in the past



Source: Emkay Research

Exhibit 4: IIB story – Repeated setbacks followed by turnarounds; hopes abound for a sustained turnaround at start-FY27, similar to that seen during the resurgence over FY09-18

	Setback	Turnaround 1.0	Setback	Botched Turnaround 2.0
Phase:	**FY03-08**	**FY09-18**	**FY18/19-20**	**FY20/21-25**
Loan (Rs bn)	53-128	158-1450	1,450-2,068	2,068-3,450
Loan CAGR (%)	19.1	28.0	19.4	10.8
CASA (%)	12.2-15.7	15.7-44.0	44.0-40.4	41.7-35.9
CASA improvement (%)	3.5	28.3	-3.6	-4.5
Branches (no of)	53-180	180-1400	1400-1,813	1,813-2,720
Branch Addition (no of)	127	1,220	413	907
Return profile				
RoA range (%)	0.3-2.1	0.6-1.8	1.3-1.5	0.5-1.8
- NIM range (%)	2.0-3.0	2.0-4.0	3.8-4.5	3.8-4.4
- Fee range (%)	0.3-1.3	1.4-2.2	2.2	1.3-1.9
Avg RoA (%)	0.9	1.5	1.4	1.2
- Avg NIM (%)	2.2	3.5	4.1	4.3
- Avg Fee (%)	1.0	2.0	2.2	1.7
Asset quality				
GNPA (%)	3-4.9	1.6-1.2	2.1-2.5	2.7-3.1
LLP (%)	0.6-4.2	0.8-0.9	1.8-2.1	2.0-3.4
Avg GNPA (%)	3.5	1.1	2.3	2.4
Avg LLP (%)	1.6	0.8	1.9	2.1
Promoter stake (%)	**49.9-28.5**	**25.6-16.8**	**16.4**	**15.8**
Tier I (%)	**6.7-10.1**	**7.5-14.6**	**13.7-14.6**	**15.1-16.8**
MD and CEO	**Bhaskar Ghose**	**Romesh Sobti**	**Romesh Sobti**	**Sumant Kathpalia**
Events	**Acquisition of ALF**	**Taper Tantrum, AQR**	**IL&FS crisis, Acquisition of Bharat Fin (MFI)**	**Covid, Yes Bank, MFI, the Derivatives crisis**
Loan portfolio (%)				
Corporates	**55**	**54**	**44**	**42**
Large Corporates	42	30	23	22
Mid-size Corporates		18	19	15
Small Corporates	12	6	2	5
Wheels	**44**	**30**	**28**	**28**
Non-Wheel retail	**1**	**10**	**11**	**16**
MSME/BuB	**0**	**6**	**6**	**5**
MFI	**0**	**0**	**12**	**9**
P/ABV range (x)	**2.1**	**2.1-4.8**	**0.8-4.8**	**0.7-1.0**

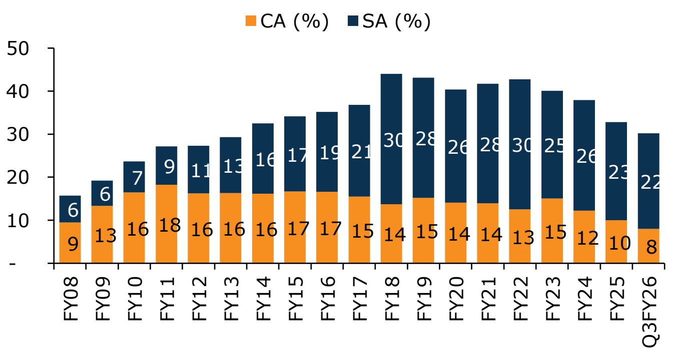
Source: RBI, Emkay Research; Note: 1) FY08-11: The Small Corporates business was named 'loans to small businesses' 2) From FY18 onward, the branch -count is per the RBI data

Strong footprint; branch productivity reset should drive-in retail deposits

IndusInd Bank had seen a strong improvement in its CASA ratio over FY08-18, reaching a high of 44% (CA @ 14% plus SA @ 30%), although mainly driven by the self-employed, NRI, and niche government/community-led deposit pools, rather than a broad-based salaried engine (as seen for large PVBs). While this model delivered pockets of strong CASA deposits in benign cycles, it also made the deposit base less granular, more rate-sensitive, and vulnerable during periods of systemic stress as seen after the IL&FS crisis, the Yes Bank crisis, and the recent derivatives debacle, with CASA ratio slipping to a low of 30% (CA @8% plus SA @22%).

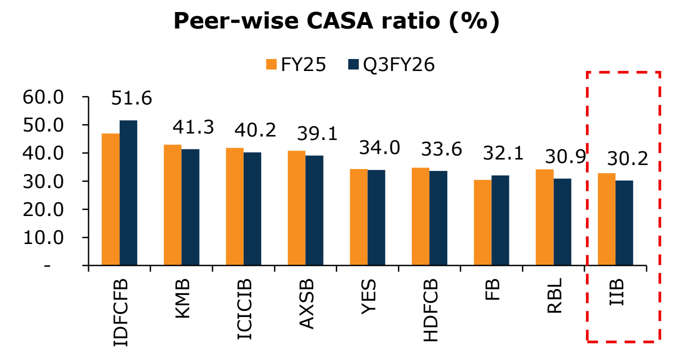
Over the years, the bank has made multiple attempts to strengthen its retail liability franchise and built a strong branch network (now at 2,760 vs Kotak's at 2,218 and Federal's at 1,601), digital initiatives, and product-led campaigns. However, these efforts have lacked sustained execution or branch sweating, leading to sub-par productivity (Exhibits 7 and 8). The management attributes this partly to lesser focus on branch KRAs and siloed functioning of the asset-liability teams, while loan growth often running ahead of a durable deposits build-up is resulting in dependence on wholesale deposits/borrowings. The new management, in its preliminary plans, has indicated breaking the asset-liability departmental silos, re-orienting branches including KRAs of employees, and focusing on more stable retail/SA deposit pools. Once enviable, IIB's CA deposits base too has eroded of late; the bank plans to rebuild this via focusing on customer win-backs. Though too early to call out the outcomes, we believe that the new management with its differentiated thought process, experience, and approach should be able to fix the long-standing retail deposit conundrum for the bank and thus support a core margin clawback.

Exhibit 5: IIB's CASA erosion picked up speed in the past year



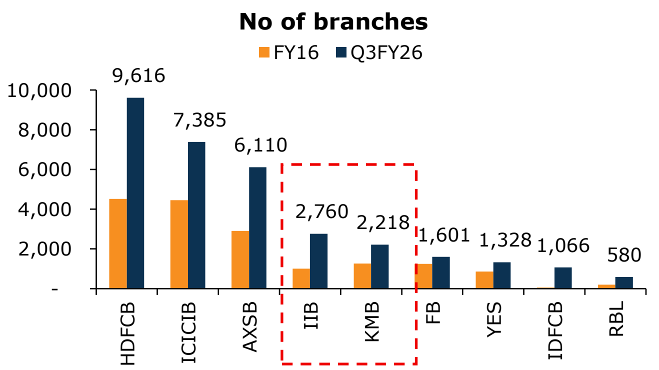
Source: Company, Emkay Research

Exhibit 6: CASA ratio and retail deposit depth have persistently lagged larger private peers and remained highly volatile



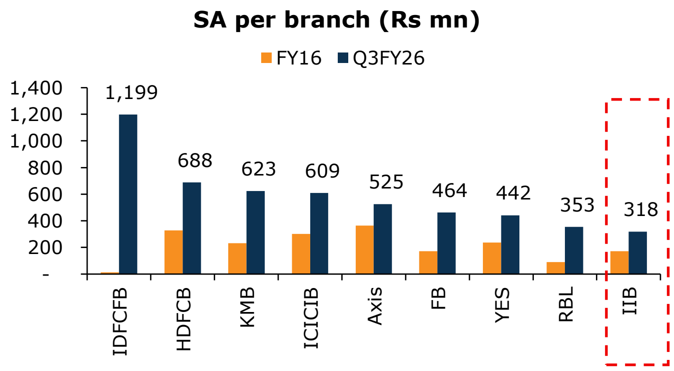
Source: Company, Emkay Research

Exhibit 7: As IIB has far more branches than Kotak, it needs to adopt less aggressive branch expansion for mobilizing CASA…



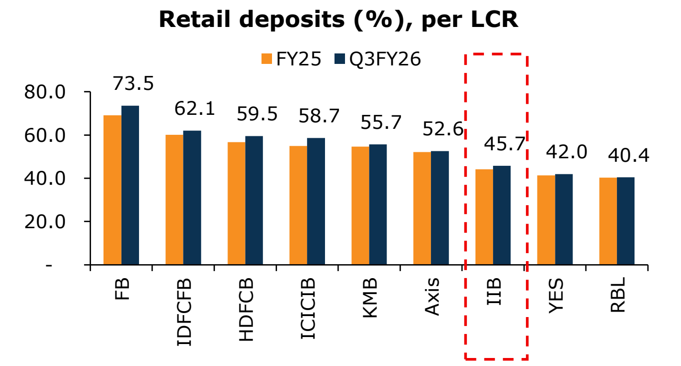
Source: RBI, Company, Emkay Research; Note: From FY18 onward, IIB's branch count is as per the RBI data

Exhibit 8: …and, instead, improve branch productivity through concerted efforts



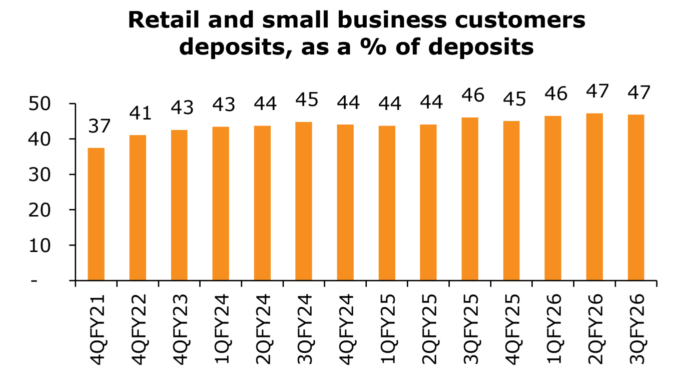
Source: RBI, Emkay Research; Note: From FY18 onward, IIB's branch count is as per the RBI data

Exhibit 9: Retail deposit share (per LCR) too remains low for IndusInd Bank, which new management intends to fix



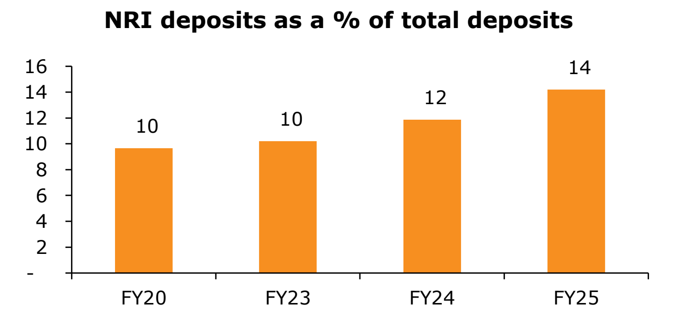
Source: Company, Emkay Research

Exhibit 10: Share of retail and small business customer deposits has improved, albeit stagnated of late



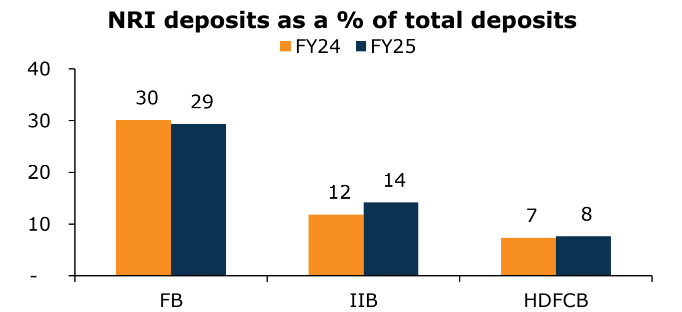
Source: Company, Emkay Research

Exhibit 11: Share of NRI deposits continue to scale-up for IIB…



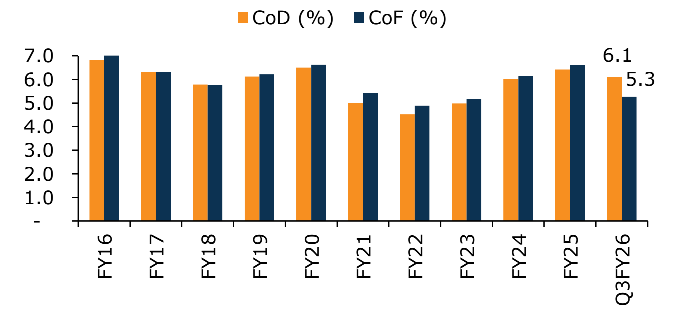
Source: Company, Emkay Research

Exhibit 12: …and is better than that of large banks like HDFCB



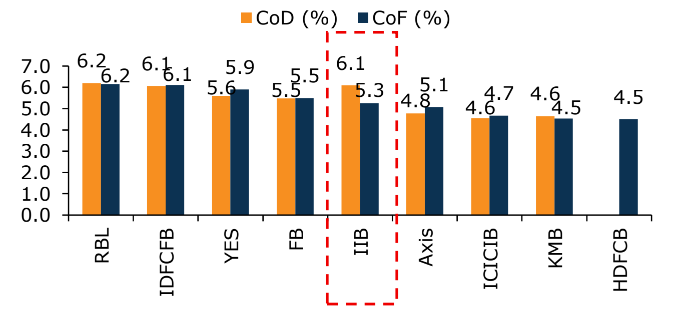
Source: Company, Emkay Research

Exhibit 13: IIB's CoD inched up on sharp contraction in CASA, but it managed to keep CoF low via reducing the share of borrowings



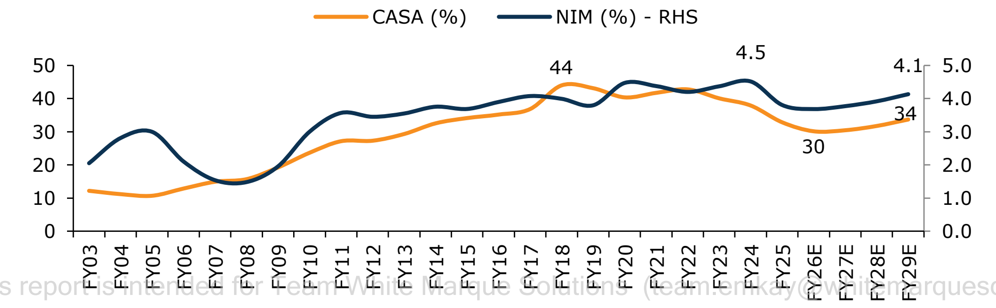
Source: Emkay Research

Exhibit 14: IIB's CoD stands higher than PVB peers, mainly due to CASA erosion and higher retail/bulk TD cost (by 20-30bps)



Source: Emkay Research; Note: The above data is as per Q3FY26

Exhibit 15: We expect NIM to improve led by moderation in CoF and lower interest reversals ahead, although it is unlikely to reach its earlier peak (partly inflated by derivative income)

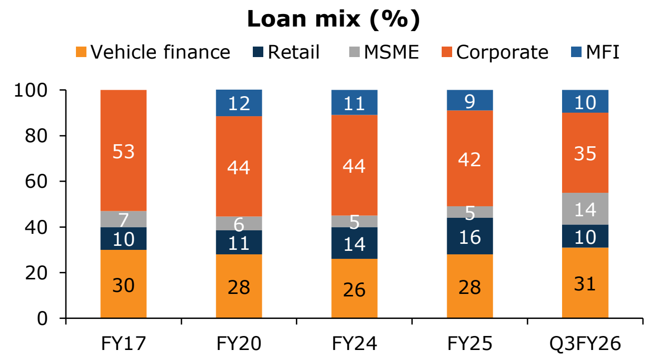


Source: Emkay Research

To focus on re-balancing the asset portfolio slightly toward Consumer retail from Commercial retail, to drive better RaRoC

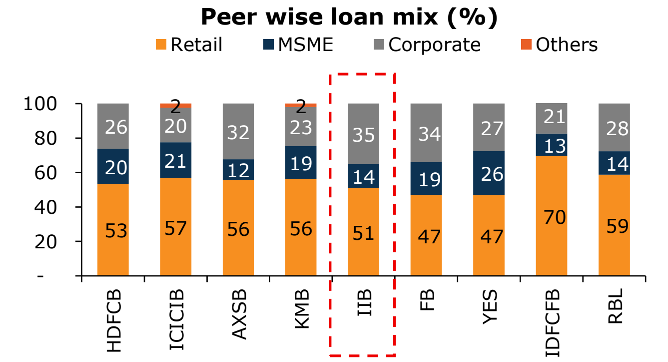
IIB's asset profile too has been relatively corporate (large, mid, and small) and business- and VF-heavy (including commercial vehicles), given its parentage. IIB was a distributor of home loans for HDFCL for long and, thus, did not focus on B/sheet lending, while it acquired the premium card portfolio from Deutsche Bank but did not scale it up, leaving it more dependent on the Commercial retail segments like CVs, CEs, BLs, etc, to drive growth/margin. However, Commercial retail—while yield-accretive— is more cyclical and is sensitive to economic shocks, often amplifying balance-sheet volatility. In contrast, consumer retail assets such as home loans, personal loans, credit cards, and select secured products offer greater granularity, customer engagement, and better diversification, albeit at moderated yields. However, IIB is now undertaking a strategic shift in its asset mix by gradually re-orienting the loan book from Commercial retail toward Consumer-led retail lending, including housing loans, gold loans, cards, PL, etc, in line with the new management's emphasis on stability and predictability. The bank is also likely to grow its MFI portfolio (but limit the portfolio share to 7-8%, lower from the current 10%) with far stronger risk filters. We believe the shift would align asset growth more closely with the bank's evolving liability strategy, particularly the push toward more stable retail deposits. Over time, a higher share of Consumer retail should drive relatively moderate margins, but support a more consistent RoA, lower the earnings volatility, and lead to superior risk-adjusted returns, even if near-term growth remains measured as underwriting and risk frameworks are recalibrated.

Exhibit 16: The bank is gradually re-orienting its loan book from Commercial retail (CV, CE, BL) toward Consumer-led retail lending…



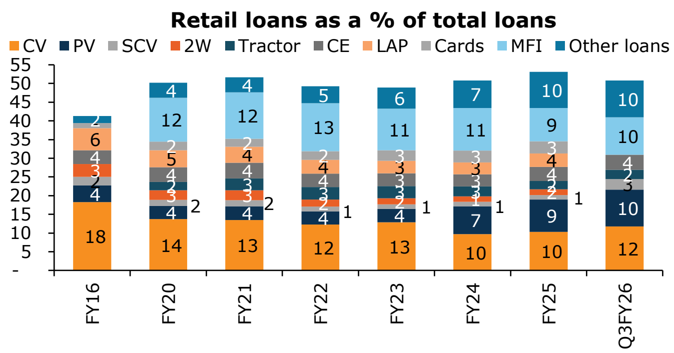
Source: Company, Emkay Research; Note: IIB has reclassified its loan mix in Q3FY26

Exhibit 17: …which is currently lower than that of peers



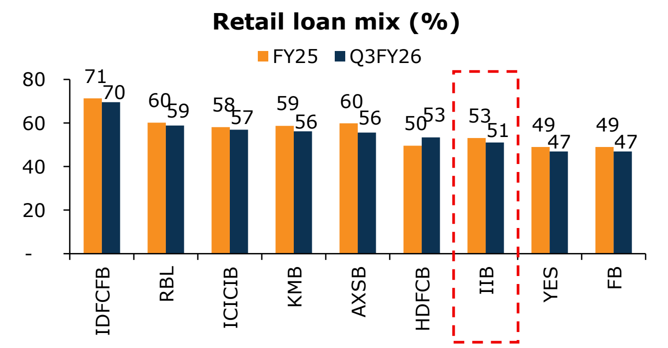
Source: Company, Emkay Research; Note: IIB has reclassified its loan mix in Q3FY26; Retail loans include vehicle finance, retail loans, agri and MFI loans

Exhibit 18: Commercial Retail lending (CV, SCV, Commercial PV, Tractor, LAP) and the MFI-heavy portfolio to slightly shift toward Consumer retail (housing loans, gold loans, Card, PL)



Source: Company, Emkay Research; Note: For Q3FY26, MHCVs and LCVs are included in CVs, while 2Ws are included in SCVs

Exhibit 19: In contrast, peers have a more diversified mix, with higher consumer-lending exposure, including housing loans, Cards, PL, GL, etc



Source: Company, Emkay Research; Note: Retail loans include vehicle finance, retail loans, agri and MFI loans

Re-building a credible, diverse leadership team

IIB is in the process of rebuilding a diverse, high-caliber leadership team anchored in integrity, accountability, and strong risk culture, under the stewardship of the new management. Following a period marked by governance lapses and senior-level attrition, the bank has prioritized appointing leaders with deep domain expertise across the credit, finance, audit, compliance, Tech, and HR functions. We believe the appointment of Ganesh Sankaran, head – Wholesale Banking, should help the bank drive asset/liability/fee growth from this segment. The bank aims for sharper focus on aligning leadership incentives and KRAs with long-term balance-sheet health rather than near-term growth metrics. This leadership reset is expected to be a crucial enabler toward restoring stakeholder confidence and driving a sustainable, risk-adjusted turnaround over the medium term. That said, changes in the Board have been limited only to the Chairman, and could possibly see some more churn and strengthening during FY27.

Exhibit 20: The new MD indicated that the bank is rebuilding a diverse, high-caliber leadership team—rooted in integrity, accountability, and a strong risk culture—under the new management

Earlier management team		Current management team		Past experience	(Experience in number of years)
Sumant Kathpalia	MD and CEO	Rajiv Anand	MD and CEO	Axis Bank - DMD, Axis AMC (MD), StanC, IDFC AMC, ANZ Grindlays, HSBC	35
Arun Khurana	ED (acting CFO till 17-Apr-2025)	2 ED positions are vacant		NA	NA
Gobind Jain	CFO	Viral Damania	CFO	Bank of America - CFO, BofA Securities India - Non-ED, PWC, Citibank	27
Santosh Kumar	Deputy CFO	Santosh Kumar	Deputy CFO	NA	NA
Soumitra Sen	Head – Consumer Banking and Marketing	Soumitra Sen	Head – Consumer Banking and Marketing	Bank of America - Consumer business, Deutsche Bank AG, ABN AMRO Bank and Royal Bank of Scotland	33
Anil M Rao	Chief Administrative Officer	Anil M Rao	Chief Administrative Officer	Bank of America, ABN AMRO Bank, Royal Bank of Scotland - Branch banking	30
Zubin Mody	Chief Human Resources Officer	Amitabh Kumar Singh	Chief Human Resources Officer	ICICI Home Finance, Mphasis, Tata Interactive Systems, Atos Origin Consulting, L&T	28
Sanjeev Anand	Head – Corporate, Commercial, Rural and Inclusive Banking	Sanjeev Anand	Head – Corporate, Commercial, Rural and Inclusive Banking	ABN AMRO - Head of Commercial Banking	33
AG Sriram	Head – Consumer Finance	AG Sriram	Head – Consumer Finance	Ashok Leyland Finance	30
Vivek Bajpeyi	Chief Risk Officer	Vivek Bajpeyi	Chief Risk Officer	RBL Bank - Head of Corporate Finance and Risk, IDFC Bank - Risk for Wholesale Bank, Nomura India – MD and Head of Risk Management, Lehman Brothers, Deutsche Bank- Corporate Banking	34
Samir Dewan	Head – Affluent Banking and Intern business	Ganesh Sankaran	Head, Wholesale Banking	Axis Bank - Group Executive & Head Wholesale Banking, Federal Bank- ED, HDFC Bank	30
Charu Sachdeva Mathur	Head – Digital Banking and Strategy (Existing Business)	Sachin Shamkant Patange	Chief Compliance Officer	ANZ Banking Group – Compliance Head, DCB Bank - Chief Compliance Officer, RBI - DGM in Banking Operations	30
Shiv Bhasin	Chief Transformation Officer	Balaji Narayanamurthy	Chief data officer	Axis Bank - Head of Enterprise AI, Freecharge Payment - Board member, Barclay Card US - Group Director of Analytics	25
Anish Behl	Head – Wealth and Para Banking	Ravi Kumar Pangal	Chief Information Officer	HSBC - Global CIO, Standard Chartered - Centre Head – Technology, ANZ Bank - Technology Project Director/Head	30
Siddharth Banerjee	Head – Investment Banking, Global Markets and FIG	Pankaj Sharma	Head of Business Transformation	Yes - Chief Strategy and Transformation Officer, RBL Bank - COO, Axis Bank - Executive VP, ICICI Bank group	25
Jyoti Prasad Ratho	Head - Internal Audit	Pragati S Gondhalekar	Head - Internal Audit	Ex-Head Audit India at Deutsche bank, LTFH and Manager at PWC	NA
Niraj Shah	Head – Corp and Institutional, Gems and Jewellery	Niraj Shah	Head – Corporate and Insti , Gems and Jewellery	ANZ Banking Group - CEO and Head of Corporate and Institutional Clients, ABN Amro, SCB, Tata Group	32
Rana Vikram Anand	Head – Customer Management and Liability Group	Shruti Kumar	Head – Financial Restructuring and Group	IndusInd Bank, ICICI Bank, Acril	15
Indrajit Yadav	Head – IR and Strategy	Indrajit Yadav	Head – IR and Strategy	Nomura India, Cognizant	
Sumit Sharma	Company Secretary	Anand Kumar Das	Company Secretary	NA	NA
		Anand Vardhan	General Counsel	Piramal Enterprises - General Counsel and President, SUN - Apollo Ventures, HDFC Property Ventures	20
		Manikantan Iyer	Chief of Internal Vigilance	Birla Sun Life AMC, ICICI Bank	20

Source: Company, Emkay Research

Exhibit 21: The Board's composition has been largely stable, but may undergo some change

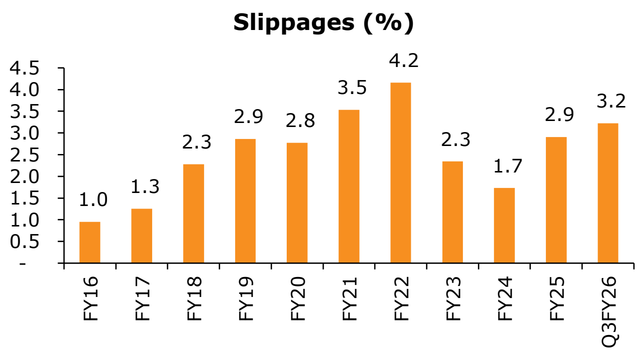
Earlier Board of Directors		Current Board of Directors	
Name	**Designation**	**Name**	**Designation**
Sunil Mehta	Chairman	Arijit Basu	Chairman
Akila Krishnakumar	Director	Akila Krishnakumar	Director
Rajiv Agarwal	Director	Rajiv Agarwal	Director
Bhavna Doshi	Director	Bhavna Doshi	Director
Jayant Deshmukh	Director (ceased to be Director as on 23-Jul-2025)	Pradeep Udhas	Director
Pradeep Udhas	Director	Lingam Venkata Prabhakar	Director
Lingam Venkata Prabhakar	Director	Rakesh Bhatia	Director
Rakesh Bhatia	Director	Sudip Basu	Non-executive; Non-Independent Director
Sudip Basu	Non-executive; Non-Independent Director		

Source: Company, Emkay Research

Ongoing accelerated clean-up to drive down NPAs/credit cost in FY27

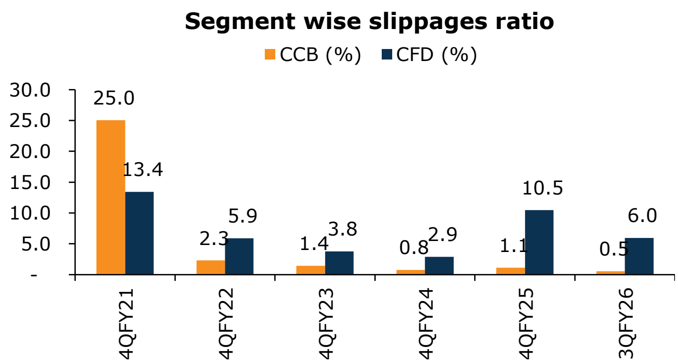
The bank has been reeling under elevated stress for the past 4-5 years, mainly caused by MFIs, but also pressured by the 2W, Small CV, and Credit Card portfolios. The bank, under the aegis of new MD, has accelerated recognition as well as write-offs over the past two quarters, with aim to largely clean up the portfolio by FY26 and step into FY27 with lower stress (NNPA: <1%). Additionally, the bank plans to increase the CGFMU cover for its MFI portfolio. The management has given guidance for the credit cost moderating to ~1.6% in FY27 from 2.6% now and thus supports the RoA. The management has also pointed to a transitional ECL impact of up to 1.5-1.7% (pre-tax) of loans which, we believe, the bank will absorb via its opening net worth in FY27 and, thus, it is unlikely to hurt the P/L.

Exhibit 22: Slippages remain elevated…



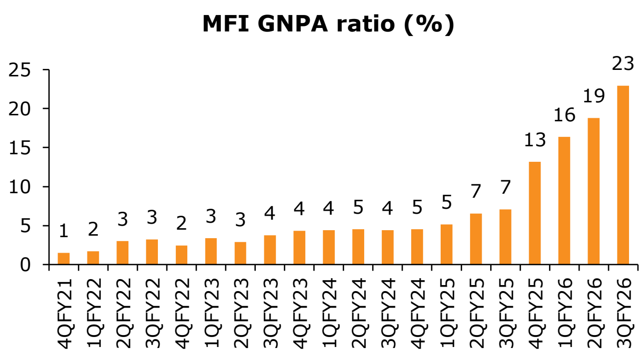
Source: Company, Emkay Research

Exhibit 23: …with bulk of the stress coming from CFD, including MFI, followed by 2Ws, Small CVs, and Cards



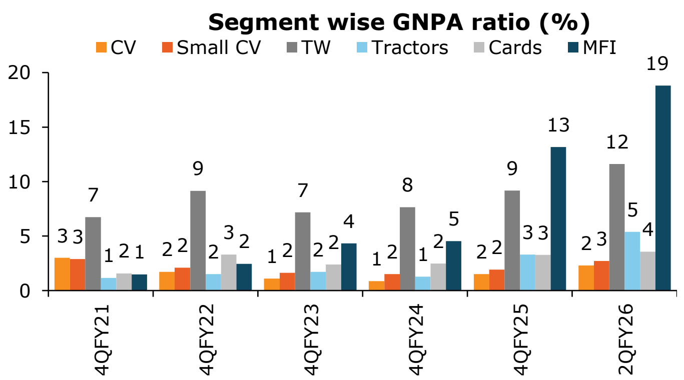
Source: Company, Emkay Research; Note: CCB (VF, MFI, consumer and other rural banking) and CFD (SME+ wholesale) slippage ratios have been calculated for Q3FY26

Exhibit 24: MFI stress formation should largely peak in FY26E



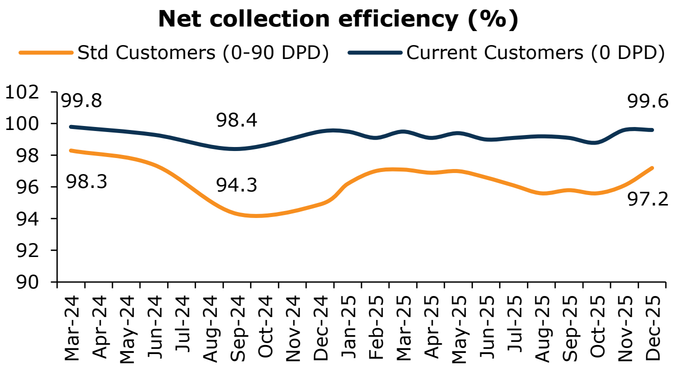
Source: Company, Emkay Research

Exhibit 25: Segment-wise, GNPA is primarily driven by the MFI, 2W, tractor, and card portfolios



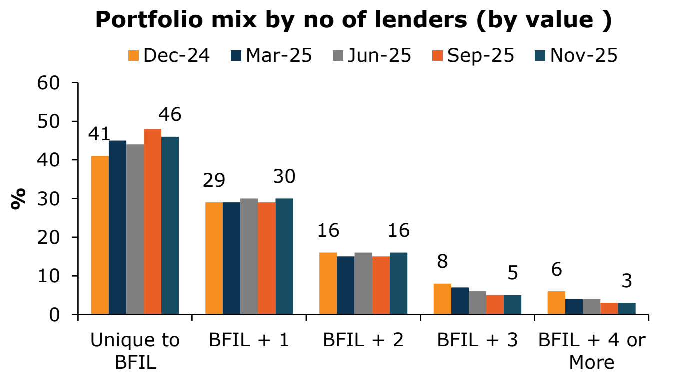
Source: Company, Emkay Research; Note: The bank has not disclosed segment-wise vehicle finance GNPA ratios; only the overall vehicle finance GNPA ratio was provided in Q3FY26

Exhibit 26: MFI net collection efficiency is seeing an improving trend, similar to the industry, and should thus help reduce incremental slippages



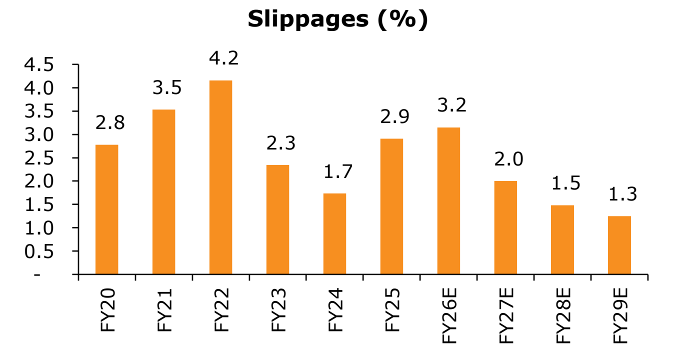
Source: Company, Emkay Research

Exhibit 27: Portfolio mix by number of lenders for BFIL is now contained at 5%



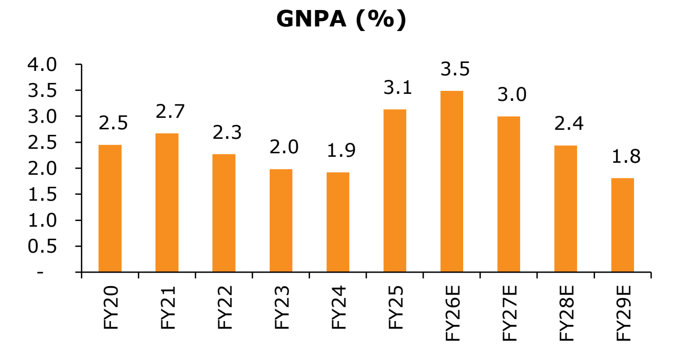
Source: Company, Emkay Research

Exhibit 28: After accelerated recognition in FY26, we expect slippages to moderate in FY27…



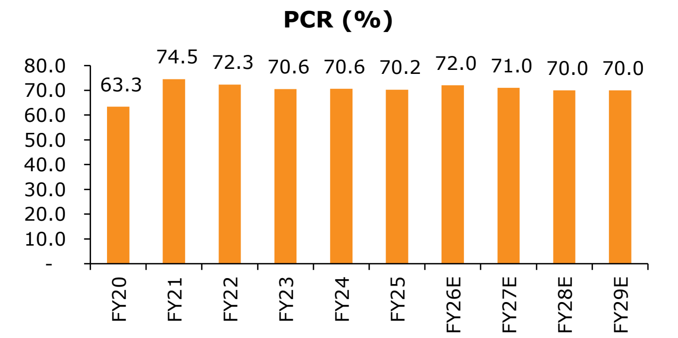
Source: Emkay Research

Exhibit 29: …which, coupled with higher write-offs, should lead to gradual moderation in NPAs



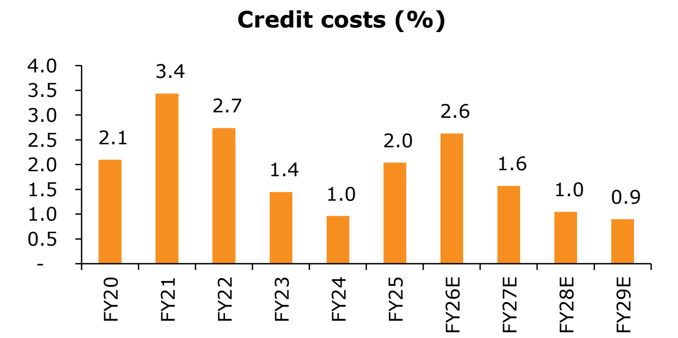
Source: Emkay Research

Exhibit 30: The bank has largely sustained its PCR at ~70%



Source: Emkay Research

Exhibit 31: We expect credit costs to moderate to 1.6-0.9% over FY27-29E, thereby driving up the RoA



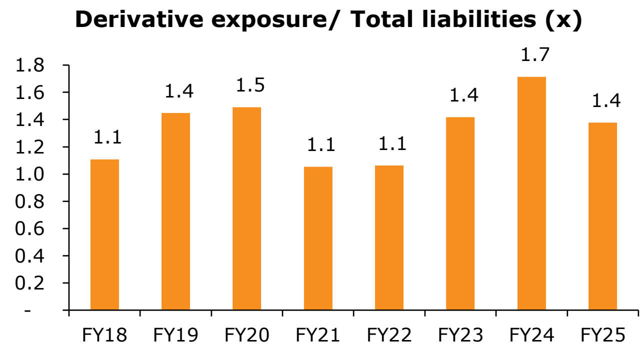
Source: Emkay Research

The management aims for a gradual albeit sustainable recovery in RoA/RoRWA

IndusInd Bank is expected to witness a steady but measured improvement in RoA from the trough of ~0.1% in FY26E to 0.8–1.5% over the next three years, driven by a combination of improving loan growth, gradual margin stabilization, and declining credit costs, as asset quality normalizes. The clean-up of legacy stress, tighter underwriting, and a shift toward more granular consumer retail assets should help reduce earnings volatility and support a healthy RaRoC/RoRWA. Additionally, operating leverage from growth and better balance-sheet alignment is likely to aid RoA expansion over the medium term.

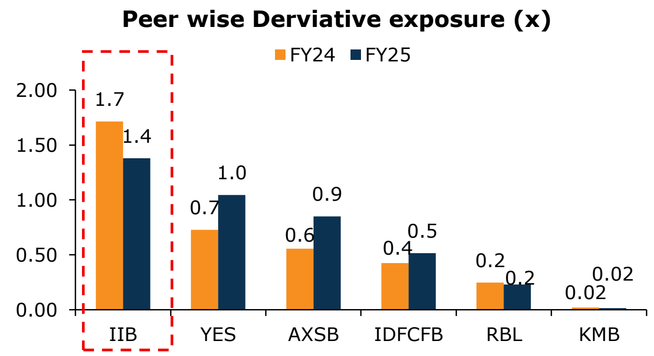
However, we believe a return to the past RoA peak of ~1.8% appears challenging, given the structural changes in the bank's business model following the recent derivatives debacle. Historically, an elevated RoA was supported by higher non-fund income, particularly from derivatives and other fee-led businesses, which may be difficult to replicate through alternative fee engines (such as transaction banking, wealth, or retail fees) without increasing the risk.

Exhibit 32: IIB has traditionally had a higher share of the non-fund business, including derivatives…



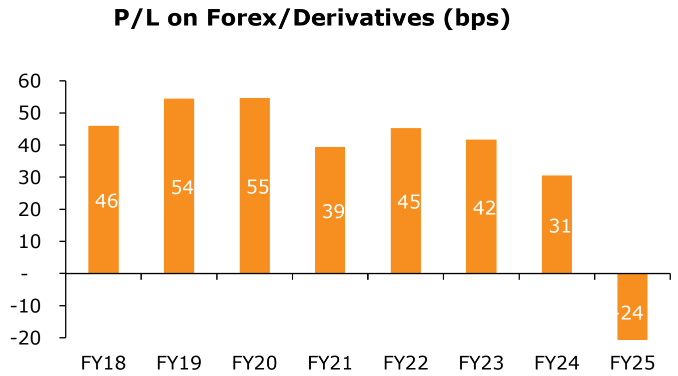
Source: Emkay Research

Exhibit 33: …thus its derivatives exposure remains materially higher than peers



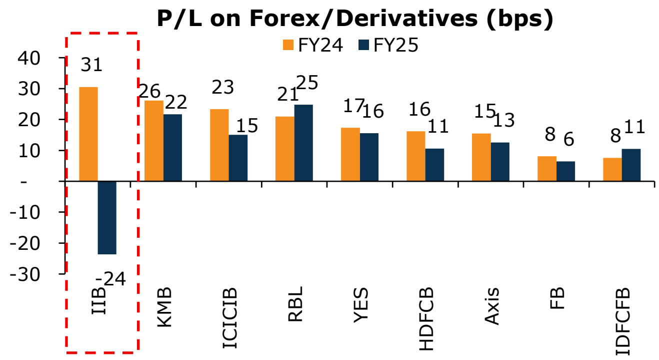
Source: Emkay Research

Exhibit 34: The Higher non-fund business, including forex/derivatives, contributed higher fees for the bank…



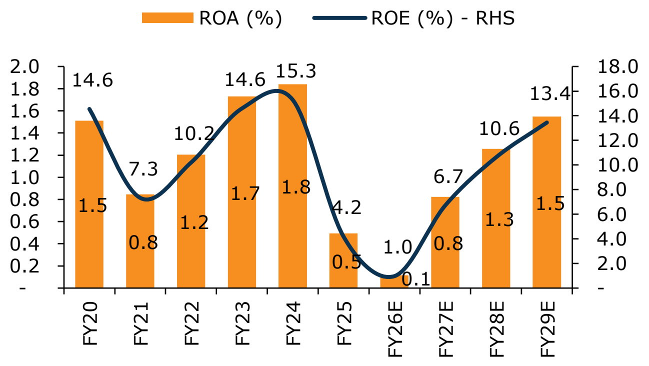
Source: Emkay Research; Note: The above data is calculated on average assets

Exhibit 35: …versus peers (except in FY25), but may moderate going forward post derivative debacle



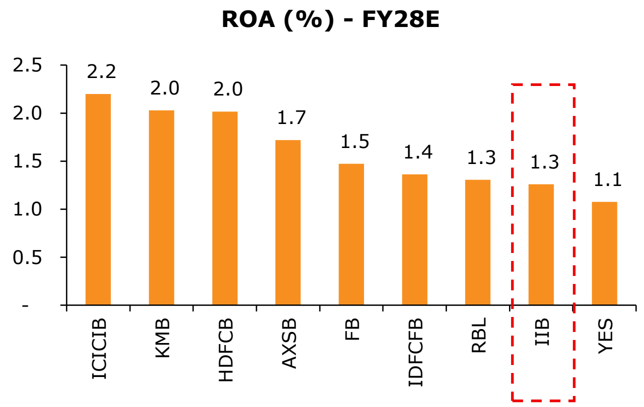
Source: Emkay Research; Note: The above data is calculated on average assets

Exhibit 36: We expect full-year RoA to be 0.8% in FY26E and steadily improve to 1.5% by FY29E, albeit still be lower than its earlier peak



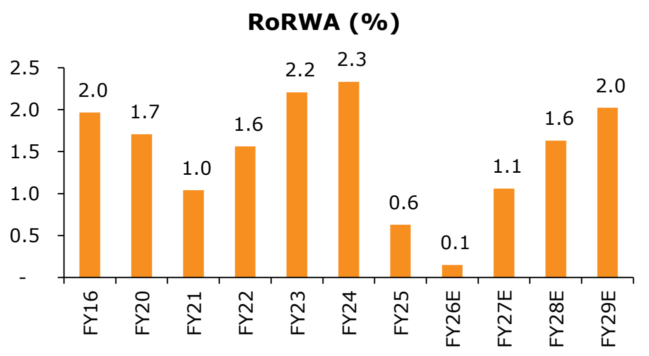
Source: Emkay Research

Exhibit 37: We expect IIB to report a relatively moderate RoA by F28E vs large peers, but still better than some mid-size peers



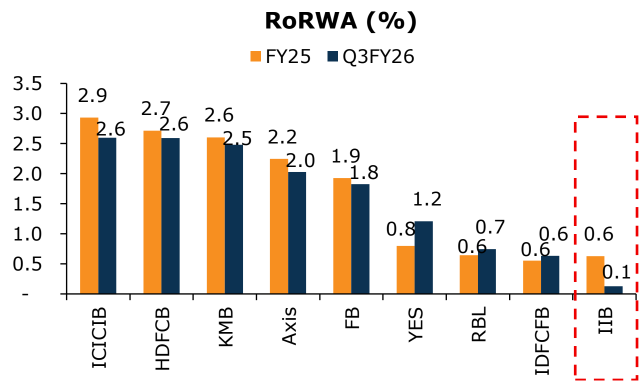
Source: Emkay Research

Exhibit 38: Legacy stress cleanup and focus on consumer retail assets should reduce earnings volatility and support RaRoC



Source: Emkay Research

Exhibit 39: While currently lower than peers', IIB's RoRWA is expected to improve gradually

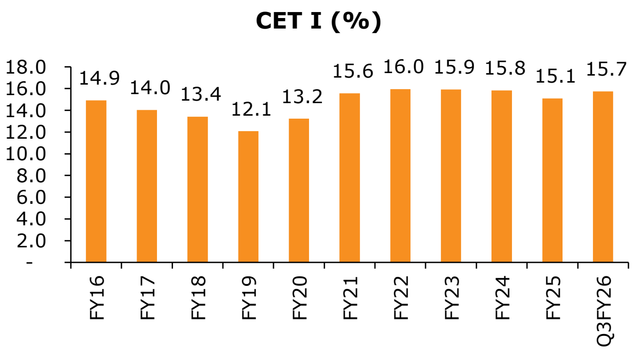


Source: Emkay Research

Growth rebound and higher ECL absorption will call for a capital raise in FY27E

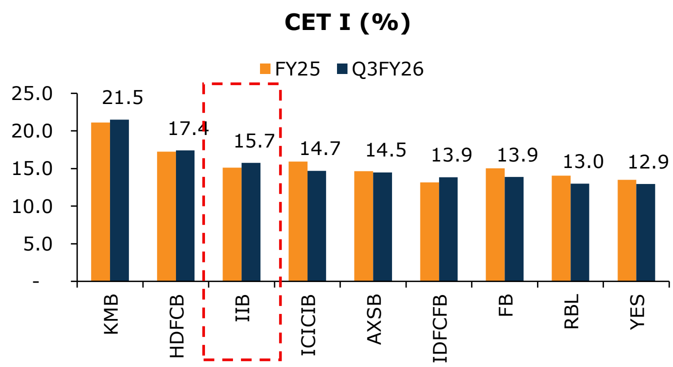
As the bank re-accelerates loan growth, particularly in the consumer retail segment and MSME, RWA is likely to expand further, even as underwriting standards remain tight. Though the incremental stress flow is likely to ease, the management has indicated that the ECL impact could reduce CET 1 by ~1.2-1.4% (pre-tax) to <15%. Additionally, investments in technology, controls, and people, to support the 'One IndusInd Bank' strategy, may initially weigh on profitability and hence keep RoA/internal accruals constrained. Thus, we believe that despite the bank's CET 1 being comfortable at 15.7% at end-3QFY26, the bank could look at raising capital sometime next year (FY27) to maintain healthy capital levels.

Exhibit 40: Despite the derivative saga, the bank remains well capitalized, with CET I above 15%…



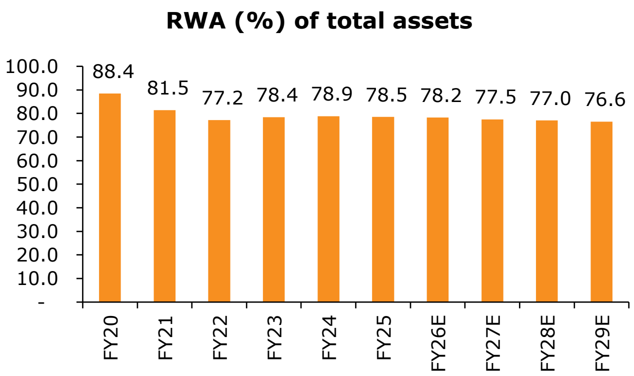
Source: Company, Emkay Research

Exhibit 41: …which compares well with that of some peers; however, growth rebound and ECL impact should call for a capital raise in FY27E



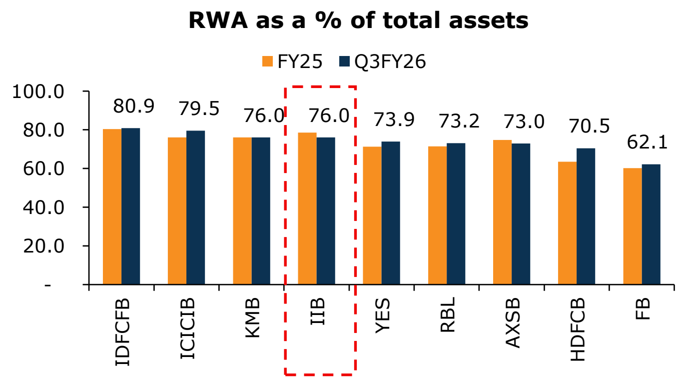
Source: Company, Emkay Research

Exhibit 42: RWA, as % of total assets, has been stable at ~78%…



Source: Emkay Research

Exhibit 43: …which is broadly in line with that of peer banks

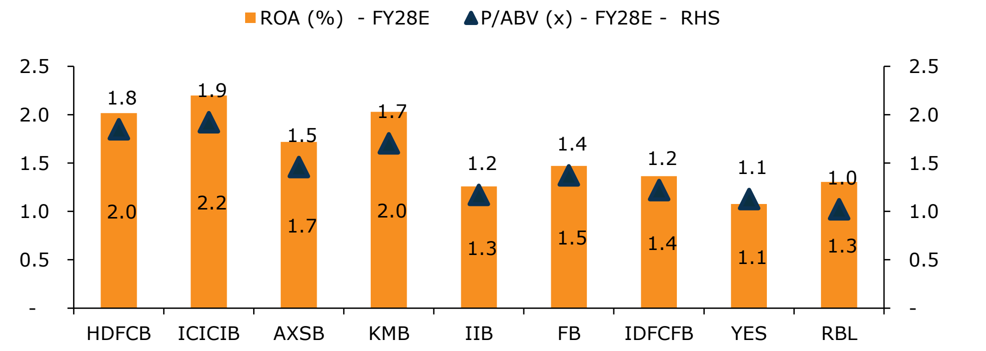


Source: Company, Emkay Research

Upgrade to BUY from Reduce, given improving visibility on a sustained turnaround

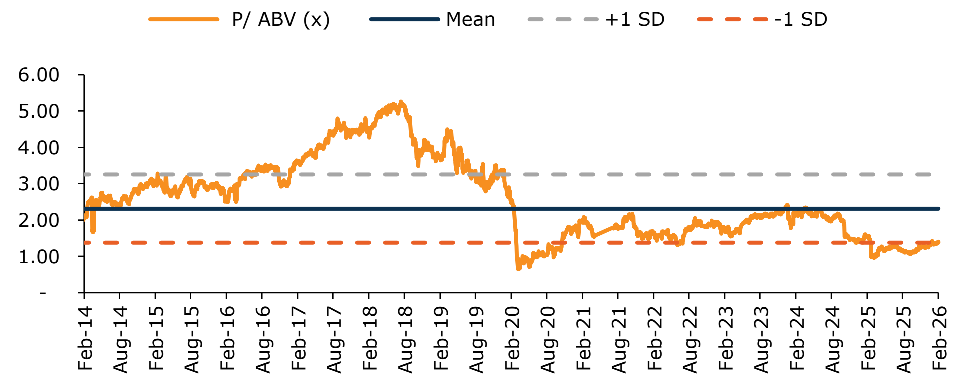
We upgrade IndusInd Bank to BUY from Reduce while boosting our TP by 37.5% to Rs1,100 from Rs800. This is based on the new management's clear focus on resolving long-term structural issues (re-orienting the asset-liability profile with a tilt toward consumer retail and strengthening the internal controls/governance) and thus targeting to deliver a sustainably healthy RoA/RaRoC over the long term. The bank has already turned profitable after seeing loss in 2QFY26 due to an accelerated portfolio clean-up; the management has now given guidance for an exit-RoA of ~1% in FY27E, indicating a sustained recovery. Beyond FY27, we expect the RoA to gradually improve to ~1.3-1.5% and the RoRWA to enhance to 1.6-2.0% over FY28-29E, as growth/asset quality recovery gain further strength and thus drive a stock re-rating. Improving sectoral tailwinds (growth/margin/asset quality) and positive sentiment toward large private sector banks should further aid IndusInd Bank's re-rating, akin to Federal Bank (also in the early stages of transformation). Accordingly, we hoist our TP to Rs1,100, now valuing the bank at 1.3x FY28E BV/11x FY28E EPS based on 2-stage Gordon growth model with higher assumptions on growth vs 1x/9x Dec-27E BV/EPS earlier. Any further re-rating will be contingent on sustained execution of the management strategy and no asset quality/regulatory interruptions.

Exhibit 44: The bank is entering a turnaround phase, with RoA expected to recover to ~1.3–1.5% by FY28-29E as growth and asset quality improve, supporting a potential stock re-rating



Source: Emkay Research

Exhibit 45: The stock currently trades at -1 SD; thus, the risk-reward looks favorable as the bank enters a gradual turnaround phase



Source: Bloomberg, Emkay Research

Exhibit 46: Peer comparison

Bank	Rating	TP (Rs)	Upside (%)	TP – P/BV multiple (x)	CET 1 (%)	Loan (Rs bn)	Loan CAGR (%)	NIM (%)	NNPA (%)	EPS CAGR (%)	BV CAGR (%)	RoA (%)		RoE (%)		P/ABV (x)	P/E (x)
					3QFY26	3QFY26	FY26-28E	3QFY26	3QFY26	FY26-28E	FY26-28E	FY27E	FY28E	FY27E	FY28E	FY28E	FY28E
RBL	BUY	375	13	1.2	13.0	1,031	22.6	4.6	0.6	78.9	11.7	1.0	1.3	10.0	14.5	1.0	7.4
FB	BUY	320	11	1.5	13.9	2,556	19.6	3.2	0.4	26.8	15.5	1.3	1.5	12.5	13.9	1.4	10.3
IDFCB	ADD	95	15	1.4	13.9	2,700	24.0	5.8	0.5	88.1	11.2	1.0	1.4	9.5	13.6	1.2	9.4
Yes	SELL	20	(5)	1.1	12.9	2,575	12.6	2.6	0.3	30.0	7.7	0.9	1.1	8.0	9.8	1.1	11.8
IIB	BUY	1,100	19	1.3	15.7	3,175	14.7	3.4	1.0	130.6	5.3	0.8	1.3	6.7	10.6	1.2	9.5
KMB	REDUCE	410	(2)	1.7	21.5	4,807	19.0	4.5	0.3	20.5	12.3	2.0	2.0	11.5	12.4	1.7	14.0
Axis	BUY	1,475	9	1.6	14.5	11,591	17.0	3.6	0.4	24.8	15.8	1.6	1.7	14.3	15.1	1.5	9.9
ICICIB	BUY	1,785	28	2.7	14.7	14,662	15.0	4.3	0.4	10.8	13.4	2.2	2.2	15.2	15.2	1.9	12.9
HDFCB	BUY	1,225	34	2.7	17.4	28,214	15.5	3.5	0.4	17.8	12.1	1.9	2.0	15.1	16.3	1.8	11.6

Source: Emkay Research; TP multiple for IIB on FY28E and for other banks on Dec-27E

IndusInd Bank: Consolidated Financials and Valuations

Profit & Loss

Y/E Mar (Rs mn)	FY25	FY26E	FY27E	FY28E	FY29E
Interest Income	486,677	466,246	461,860	510,032	583,307
Interest Expense	296,364	283,633	273,117	289,230	313,620
Net interest income	**190,313**	**182,612**	**188,742**	**220,802**	**269,687**
NII growth (%)	(7.7)	(4.0)	3.4	17.0	22.1
Other income	76,842	72,622	82,900	96,745	114,027
Total Income	**267,155**	**255,234**	**271,642**	**317,547**	**383,714**
Operating expenses	160,707	159,267	162,445	177,751	200,413
PPOP	**106,449**	**95,967**	**109,197**	**139,796**	**183,301**
PPOP growth (%)	(32.4)	(9.8)	13.8	28.0	31.1
Core PPOP	**99,576**	**88,750**	**101,620**	**132,597**	**176,463**
Provisions & contingencies	70,301	87,673	49,772	38,057	39,214
PBT	**36,147**	**8,293**	**59,424**	**101,739**	**144,087**
Extraordinary items	0	0	0	0	0
Tax expense	9,718	2,073	14,856	25,435	36,022
Minority interest	0	0	0	0	0
Income from JV/Associates	-	-	-	-	-
Reported PAT	**26,429**	**6,220**	**44,568**	**76,304**	**108,065**
PAT growth (%)	(70.5)	(76.5)	616.5	71.2	41.6
Adjusted PAT	**26,429**	**6,220**	**44,568**	**76,304**	**108,065**
Diluted EPS (Rs)	**33.9**	**8.0**	**57.2**	**98.0**	**138.7**
Diluted EPS growth (%)	(70.5)	(76.5)	616.5	71.2	41.6
DPS (Rs)	**16.5**	**5.0**	**7.0**	**8.5**	**9.5**
Dividend payout (%)	**48.6**	**62.6**	**12.2**	**8.7**	**6.8**
Effective tax rate (%)	26.9	25.0	25.0	25.0	25.0
Net interest margins (%)	3.8	3.7	3.8	3.9	4.1
Cost-income ratio (%)	60.2	62.4	59.8	56.0	52.2
Shares outstanding (mn)	779.1	779.0	779.0	779.0	779.0

Source: Company, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY25	FY26E	FY27E	FY28E	FY29E
Share capital	7,791	7,790	7,790	7,790	7,790
Reserves & surplus	635,707	639,113	677,923	747,337	847,765
Net worth	**643,497**	**646,903**	**685,713**	**755,127**	**855,555**
Deposits	4,110,781	4,010,925	4,512,722	5,195,579	6,044,253
Borrowings	537,036	402,596	349,857	321,271	338,484
Interest bearing liab.	**4,647,817**	**4,413,521**	**4,862,579**	**5,516,850**	**6,382,738**
Other liabilities & prov.	248,870	109,298	121,287	196,410	258,985
Total liabilities & equity	**5,540,184**	**5,169,723**	**5,669,578**	**6,468,386**	**7,497,278**
Net advances	3,450,186	3,145,387	3,552,387	4,138,587	4,926,249
Investments	1,144,968	1,203,331	1,313,611	1,472,792	1,680,288
Cash, other balances	591,658	441,352	413,319	441,348	446,792
Interest earning assets	**5,186,812**	**4,790,070**	**5,279,317**	**6,052,727**	**7,053,328**
Fixed assets	23,558	33,546	37,572	42,080	47,130
Other assets	329,814	346,106	352,689	373,579	396,820
Total assets	**5,540,184**	**5,169,723**	**5,669,578**	**6,468,386**	**7,497,278**
BVPS (Rs)	696.4	699.0	741.4	817.0	926.2
Adj. BVPS (INR)	669.7	673.4	715.8	792.0	904.2
Gross advances	3,625,151	3,226,385	3,629,683	4,210,432	4,989,362
Credit to deposit (%)	83.9	78.4	78.7	79.7	81.5
CASA ratio (%)	32.8	30.1	30.5	31.7	33.7
Cost of deposits (%)	6.4	6.0	5.7	5.4	5.1
Loans-to-Assets (%)	62.3	60.8	62.7	64.0	65.7
Net advances growth (%)	0.5	(8.8)	12.9	16.5	19.0
Deposit growth (%)	6.8	(2.4)	12.5	15.1	16.3
Book value growth (%)	(1.7)	0.4	6.1	10.2	13.4

Source: Company, Emkay Research

Asset quality and other metrics

Y/E Mar (Rs mn)	FY25	FY26E	FY27E	FY28E	FY29E
Asset quality					
Gross NPLs	110,464	112,497	108,867	102,635	90,162
Net NPLs	32,871	31,499	31,571	30,791	27,049
GNPA ratio (%)	3.1	3.5	3.0	2.4	1.8
NNPA ratio (%)	1.0	1.0	0.9	0.7	0.5
Provision coverage (%)	70.2	72.0	71.0	70.0	70.0
Gross slippages	105,477	101,631	72,594	62,314	62,367
Gross slippage ratio (%)	2.9	3.2	2.0	1.5	1.3
LLP ratio (%)	2.0	2.6	1.6	1.0	0.9
NNPA to networth (%)	4.8	4.6	4.3	3.8	3.0
Capital adequacy					
Total CAR (%)	16.2	16.4	17.3	17.1	16.9
Tier-1 (%)	15.1	15.2	16.0	15.9	15.8
CET-1 (%)	15.1	15.2	16.0	15.9	15.8
RWA-to-Total Assets (%)	78.5	78.2	77.5	77.0	77.0
Miscellaneous					
Total income growth (%)	2.2	(4.4)	1.1	11.4	14.9
Opex growth (%)	12.7	(0.9)	2.0	9.4	12.7
Core PPOP growth (%)	(34.6)	(10.9)	14.5	30.5	33.1
PPOP margin (%)	18.9	17.8	20.0	23.0	26.3
PAT/PPOP (%)	24.8	6.5	40.8	54.6	59.0
LLP-to-Core PPOP (%)	70.6	98.8	49.0	28.7	22.2
Yield on advances (%)	11.6	11.2	10.9	10.6	10.5
Cost of funds (%)	6.6	6.3	5.9	5.6	5.3

Source: Company, Emkay Research

Valuations and key Ratios

Y/E Mar	FY25	FY26E	FY27E	FY28E	FY29E
P/E (x)	27.3	116.1	16.2	9.5	6.7
P/B (x)	1.3	1.3	1.3	1.1	1.0
P/ABV (x)	1.4	1.4	1.3	1.2	1.0
P/PPOP (x)	6.8	7.5	6.6	5.2	3.9
Dividend yield (%)	1.8	0.5	0.8	0.9	1.0
DuPont-RoE split (%)					
NII/avg assets	3.6	3.4	3.5	3.6	3.9
Other income	1.4	1.4	1.5	1.6	1.6
Fee income	1.3	1.2	1.4	1.5	1.5
Opex	3.0	3.0	3.0	2.9	2.9
PPOP	**2.0**	**1.8**	**2.0**	**2.3**	**2.6**
Core PPOP	1.9	1.7	1.9	2.2	2.5
Provisions	1.3	1.6	0.9	0.6	0.6
Tax expense	0.2	0.0	0.3	0.4	0.5
RoA (%)	**0.5**	**0.1**	**0.8**	**1.3**	**1.5**
Leverage ratio (x)	8.5	8.3	8.2	8.4	8.7
RoE (%)	**4.2**	**1.0**	**6.7**	**10.6**	**13.4**

Quarterly data

Rs mn	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26
NII	52,281	30,483	46,398	44,094	45,617
NIM (%)	3.9	2.3	3.5	3.3	3.4
PPOP	36,007	(4,909)	25,673	20,473	22,696
PAT	14,024	(23,289)	6,041	(4,369)	1,279
EPS (Rs)	18.0	(29.9)	7.8	(5.6)	1.6

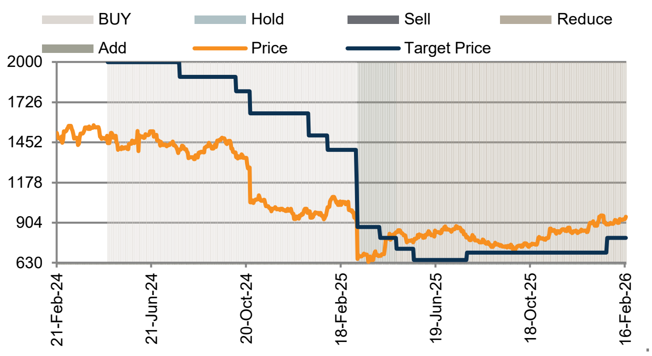
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
24-Jan-26	892	800	Reduce	Anand Dama
19-Oct-25	751	700	Reduce	Anand Dama
05-Aug-25	819	700	Reduce	Anand Dama
29-Jul-25	808	700	Reduce	Anand Dama
22-May-25	785	650	Reduce	Anand Dama
30-Apr-25	838	725	Reduce	Anand Dama
09-Apr-25	679	800	Add	Anand Dama
11-Mar-25	656	875	Add	Anand Dama
10-Mar-25	901	1,125	Buy	Anand Dama
01-Feb-25	1,009	1,400	Buy	Anand Dama
08-Jan-25	981	1,500	Buy	Anand Dama
25-Oct-24	1,042	1,650	Buy	Anand Dama
07-Oct-24	1,351	1,800	Buy	Anand Dama
27-Jul-24	1,404	1,900	Buy	Anand Dama
26-Apr-24	1,446	2,000	Buy	Anand Dama

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

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