21st August 2026

Indian Bank

BSE: 532814 | NSE: INDIANB

Recommendation	Time Period	Current Price	Target Price	Potential Upside
BUY	**12 months**	**872/-**	**1,003/-**	**15.0%**

Indian Bank (INDIANB) is among India's leading public sector banks. It is the seventh-largest PSB in terms of advances, with a total business of Rs 15.3 tn as of Jun'26. It operates 6,003 branches, including rural (2,011), semi-urban (1,606), urban (1,195), and metro (1,191) centres. GoI holds a 73.8% stake. With Mr. Binod Kumar as MD & CEO since Jan'25, Indian Bank is focusing on retail and RAM (Retail, Agri & MSME) -led growth. As of Jun'26, deposits stood at Rs 8.4 tn, advances at Rs 6.8 tn, and the CASA ratio at 39.8%.

Investment Rationale:

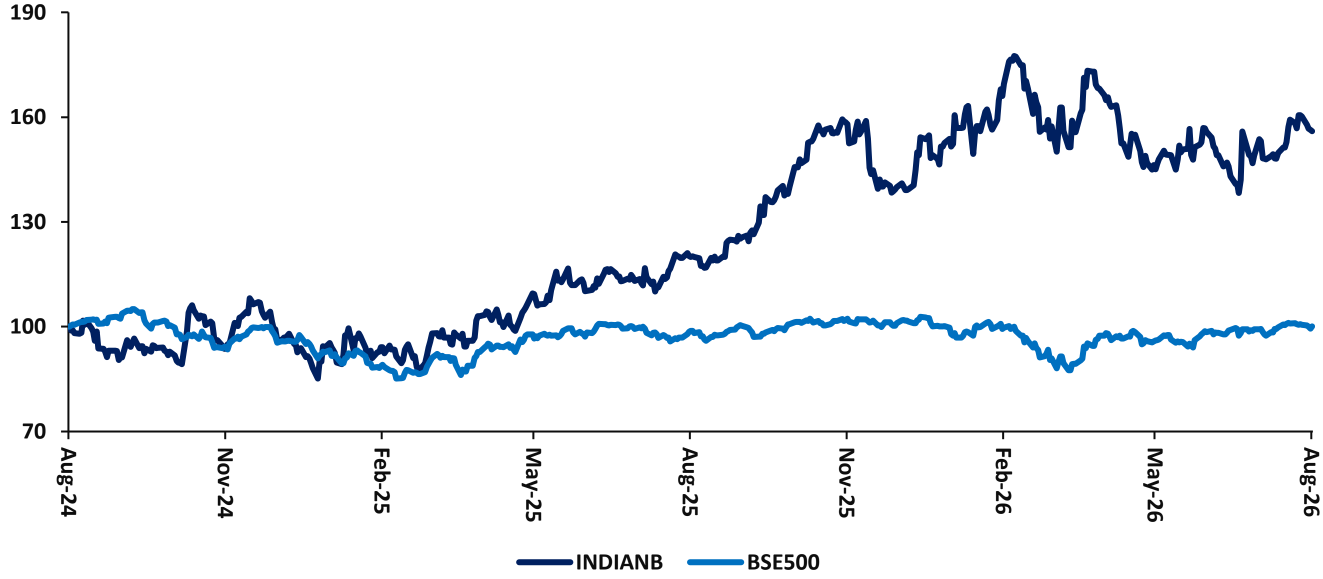
- **Healthy asset growth:** Advances growth has remained healthy at 13.9% YoY in 1QFY27, led by momentum in the RAM segment (up 15% YoY). Growth in the retail segment was led by non-agri jewel (up 114% YoY) and auto loans (up ~46% YoY). Total gold loans reached Rs 1.3 tn during the quarter. While the bank does not expect to repeat the 26–28% YoY growth of the previous year (mostly gold-price-driven), it expects a healthy 15–16% YoY growth for the current fiscal. Loan-to-Value (LTV) levels remain comfortable even after accounting for recent gold price fluctuations. The management highlighted that business strategy is to maintain a balanced growth where the gap between deposit growth and credit growth remains range-bound. A wide gap is avoided to protect NIMs. Domestic CD ratio is 78.7%, while the global CD ratio is 81.1%. We expect advances to grow at 13-14% in FY27E driven by the RAM segment and sustained demand in the jewel loans.
- **Deposit growth driven by renewed CASA strategy:** Deposit growth (up 13.5% YoY in 1QFY27) has tracked advances growth, unlike other PSBs, which have witnessed wider LDR gap amid heightened deposit competitiveness. Deposit growth has been led by healthy CASA accretion (up 15.3% YoY), with CA showing a robust growth of 26.3% YoY and savings funds growing by 13.5% YoY. CASA ratio stands at 39.7%, and the bank remains on track to hit its 40% target. Management highlighted a significant improvement in branch participation, with 51% of branches achieving their CASA targets this quarter compared to 25–27%, resulting in strong CASA accretion. The bank aims to raise between USD 1.5-2 bn through a combination of FCNR-B deposits and the ECB route. Approximately USD 150 mn has been raised so far, with a pipeline of USD 1 bn already in place. This is expected to provide roughly 18,000 cr in liquidity.
- **NIMs to remain stable:** NIM is expected to remain stable in the upper band of 3.15-3.25% for FY27. Reported asset yields moved up marginally by 2 bps. The bank is actively exiting thinly priced loans to improve yields. Further, the management believes retail term deposit pressure has cooled. Residual repricing is expected to have a marginal impact of only 2–3 bps in the coming quarters.
- **Best placed on the ECL transition:** The bank is best placed among the PSBs on ECL transition with one-time transition impact expected at 4% of net worth (vs 7-14% NW impact for PSB peers), which is expected to be absorbed in FY27 itself. It is one of the few banks to have proactive rule-based provisioning on SMA 1 & 2 assets, aiding in lowest ECL transition impact.
- **Reasonable Valuation:** INDIANB stands out among the Public Sector Banks with its consistent and conservative growth strategy, high RoA profile and prudent provisioning resulting in stable asset quality. At CMP of Rs 872, the stock is trading at a P/B multiple of 1.4x/1.2x for FY27E/FY28E respectively, based on Bloomberg consensus estimates
- **Key Risks:** Lower deposit growth; Margin pressure.

Financial Summary

Particulars (Rs cr)	FY25A	FY26A	FY27E	FY28E
NII	25,176	26,915	30,839	34,914
Net Profit	10,918	12,156	13,482	15,059
NIM (%)	3.4	3.2	3.2	3.2
RoA (%)	1.3	1.3	1.3	1.3
RoE (%)	17.1	16.5	16.6	16.2
GNPA %	3.1	2.0	1.7	1.6
Credit Cost (%)	0.7	0.3	0.6	0.7
PE (x)	10.8	9.7	8.9	8.0
P/BV (x)	1.7	1.5	1.4	1.2

Source: Bloomberg, SSL Research

Stock Performance (2-Years)



Source: Bloomberg, SSL Research

Recommendation History

Date	Stock Price	Target Price	Recommendation	Status
-	-	-	-	-

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