INDIAN BANK – Q2FY26

Result Update (18.10.2025)

AJCONGLOBAL
YOUR FRIENDLY FINANCIAL ADVISORS

"The Bank has reported steady business growth and improved its profitability in Q2 FY26, supported by strong digital push"

Ajcon Global's observations & views

1. The bank is on the growth path maintaining its asset quality at the same time by improving underwriting standards.
2. The bank is mindful of its profitability maintaining good NIM thereby improving its operating profit.
3. The bank is fully capable of taking care of ECL impact whenever the final guidelines are announced without having any major impact on its profitability.

Q2FY26 RESULT ANALYSIS

1) **Total business** rose by 3.85% QoQ at Rs. 1397270 Crores in Q2FY26 against Rs. 1345436 Crores in Q1FY26 and rose by 12.34% YoY from Rs. 1243759 Crores in Q2FY25.
2) **Total Gross Advances** increased by 3.19% QoQ at Rs. 620324 Crores in Q2FY26 against Rs. 601147 Crores in Q1FY26 and rose by 12.65% YoY from Rs. 550644 Crores in Q2FY25.
3) **Total deposits** rose by 4.39% QoQ at Rs. 776946 Crores in Q2FY26 against Rs. 744289 Crores in Q1FY26 and rose by 12.09% YoY from Rs. 693115 Crores in Q2FY25.
4) **Net interest income** increased by 3.02% QoQ at Rs. 6551 Crores in Q2FY26 against Rs. 6359 Crores in Q1FY26 and rose by 5.76% YoY from Rs. 6194 Crores in Q2FY25.
5) **Operating profit** rose by 1.40% QoQ at Rs. 4837 Crores in Q2FY26 against Rs. 4770 Crores in Q1FY26 and rose by 2.31% YoY from Rs. 4728 Crores in Q2FY25.
6) **Net Profit** increased by 1.51% QoQ at Rs. 3018 Crores in Q2FY26 against Rs. 2973 Crores in Q1FY26. Also, rose by 11.49% YoY from Rs. 2707 Crores in Q2FY25.
7) **NIM (Global)** held steady at 3.23% QoQ in Q2FY26 and decreased YoY from 3.39% in Q2FY25.

KEY FINANCIAL INDICATORS – Q2FY26

CMP (17.10.2025)	: Rs. 782.35
Face Value	: Rs. 10
Book value per share	: Rs. 467.35
Market Capitalisation	: Rs. 1,05,617.25 Crs.
Capital Adequacy Ratio	: 17.31%
C/D ratio	: 79.84%
CASA ratio (Domestic)	: 38.87%
Net Interest Margin (NIM)	: 3.23%
Cost / Income ratio	: 46.48%
Gross NPA	: 2.60%
Net NPA	: 0.16%
PCR	: 98.28%
Slippage ratio	: 0.79%
Credit cost	: 0.26%
Return on Assets (Annualised)	: 1.32%
Return on Equity (Annualised)	:19.58%

8) **Cost of deposits** declined to 5.01% in Q2FY26 against 5.14% in Q1FY26 and 5.13% in Q2FY25, respectively. **Cost of Funds** decreased to 5.09% in Q2FY26 against 5.23% in Q1FY26 and 5.22% in Q2FY25, respectively. **Yield on Advances** came down to 8.40% in Q2FY26 against 8.58% in Q1FY26 and 8.77% in Q2FY25, respectively.
9) **Cost/Income ratio** increased to 46.48% in Q2FY26 against 45.78% in Q1FY26 and 45.12% in Q2FY25, respectively.
10) **The total Government guaranteed advances** came down to Rs. 24958 Crores in Q2FY26 against Rs. 25183 Crores in Q1FY26 and from Rs. 26315 Crores in Q2FY25.
11) **CASA ratio** declined to 38.87% Q2FY26 against 38.97% in Q1FY26 and 40.47% in Q2FY25, respectively.
12) **C/D ratio** came down to 79.84% in Q2FY26 against 80.77% in Q1FY26 and slightly increased from 79.44% in Q2FY25.
13) **Return on assets (ROA)** slipped to 1.32% in Q2FY26 against 1.34% in Q1FY26 and from 1.33% in Q2FY25.
14) **Fresh slippages** decreased to Rs. 1132 Crores in Q2FY26 against Rs. 1334 Crores in Q1FY26 and Rs. 1357 Crores in Q2FY25. Recovery + Upgradation declined to Rs. 1641 Crore in Q2FY26 against Rs. 2059 Crore in Q1FY26 and Rs. 2021 Crores in Q2FY25, respectively.
15) **Gross NPA ratio** improved to 2.60% in Q2FY26 against 3.01% in Q1FY26 and 3.48% in Q2FY25. Net NPAs ratio improved to 0.16% in Q2FY26 against 0.18% in Q1FY26 and 0.27% in Q2FY25, respectively.
16) **Credit cost** fell to 0.26% in Q2FY26 from 0.28% in Q1FY26 and 0.65% in Q2FY25, respectively.
17) **Provision Coverage ratio** rose further to 98.28% in Q2FY26 against 98.20% in Q1FY26 and 97.60% in Q2FY25.
18) **The Bank's Capital Adequacy ratio** declined to 17.31% in Q2FY26 against 17.80% in Q1FY26 and inched up from 16.55% in Q2FY25.

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Management Comments

19) In his opening remarks, Shri Binod Kumar, MD & CEO of Indian Bank, highlighted the bank’s sustained improvement in asset quality during the quarter, with Gross NPA declining to 2.60% and Net NPA easing to 0.16%. Reflecting continued recovery momentum and prudent credit discipline, he noted that the bank maintained its recovery guidance at Rs. 5,500–6,500 crore for FY26 and revised its gross NPA target downward to below 2%, from the earlier guidance of below 3%.
20) Shri Ashutosh Choudhury, ED, spoke on the bank’s digital journey, highlighting strong progress on the digital transformation front. He mentioned that the bank has rolled out 132 digital journeys and partnered with 166 fintechs, resulting in 94% of total transactions now being digital. The bank also launched its “IndSmart” retail and MSME apps along with the Virtual Banking Platform (VBX), featuring AI and biometric-based innovations to enhance customer experience.
21) While replying to an analyst’s query on the NIM outlook, Shri Binod Kumar stated that margins may face temporary pressure in Q3 FY26 due to the repricing of around 40% of MCLR-linked loans and 21% of term deposit. However, he highlighted that the impact would remain limited, with NIMs expected to bottom out in Q3 and recover from Q4 onwards, assuming no further rate cuts.
22) Shri Binod Kumar shared that the bank is witnessing some pressure on low-cost savings deposits, but is actively driving salary account acquisitions and digital initiatives, resulting in the opening of 15.9 lakh new accounts during Q2 FY26. He further highlighted that the average savings balance increased significantly from Rs. 25,000 in Q1 to Rs. 44,000 in Q2, indicating improving deposit traction.
23) The MD & CEO highlighted that the bank’s PSLC income remains steady at around Rs. 340 crore per quarter, which will be recognized evenly across the fiscal year. He further noted that miscellaneous income witnessed a sharp rise, primarily driven by a one-time Rs. 1,300 crore IT refund, with interest on the IT refund booked under “Other Income” as per the bank’s accounting policy.
24) The bank expects the ECL transition impact to be manageable and mostly completed in FY26, maintaining a high PCR of 98% with minimal initial write-backs. Shri Binod Kumar added that provisions of Rs. 400 crore on SMA-1 & SMA-2 accounts have already been made, and the bank is well-positioned to absorb the ECL impact fully within one year itself.

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