

# Indian Bank

## Consistent performance driving robust earnings

Indian Bank (INBK) reported a healthy print for Q3FY26 on the back of strong business growth, stable margins, and low credit costs. Deposit growth (+12% YoY) was healthy with CASA ratio improving to 37.2% (+65bps QoQ). Pick-up in credit growth (+15% YoY, +3% QoQ) was driven by retail, agri, and MSME segments. Credit costs came in even lower at 0.2% on the back of lower slippages across asset classes. Given the granularity on both sides of the balance sheet (especially high SA mix), INBK is better placed to manage its margin profile and overall asset quality. Sustaining the current business momentum, which has been a laggard in the past couple of years, shall remain a key monitorable for the bank going forward. We built in 13% EPS growth over FY26-FY28E, factoring in low credit costs and healthy growth. We reiterate BUY on INBK with a revised TP of INR960 (1.3x Sep-27 ABVPS).

- Stable margins alongside healthy loan growth:** NII growth (+7%YoY) was supported by lower cost of funds (9bps QoQ), largely offset by drop in yields on advances (-9bps QoQ) as margins remained stable at 3.3%. The bank sustained its health loan growth trajectory (+15% YoY; +3% QoQ), driven by vehicle loans (12% QoQ), retail gold loans (+16% QoQ), housing loans (+3% QoQ), and MSME (6% QoQ) loans.
- Asset quality continues to positively surprise:** Gross slippages trended lower 0.7% (Q1FY26: 1.0%, Q2FY26:0.8%), driven by lower slippages across segments. GNPA/NNPA improved further to 2.2%/0.2% (2.6%/0.2% in Sep-25) on the back of lower slippages and higher write-offs as the credit costs remained significantly low at ~21 bps (9MFY26:26bps). While INBK has the highest provision coverage (93%) amongst PSBs, the margin of safety (excess PCR over mandated PCR) is relatively modest, given high loss given defaults. Hence, we build the average credit cost of ~47 bps for FY26-FY28E.
- Sustaining growth momentum critical for further re-rating:** INBK has managed to strongly reflate its earnings on the back of balance sheet strength while improving asset quality alongside healthy growth. We believe sustainability of robust volume growth coupled with stable asset quality shall be critical to drive further re-rating in valuations.

### Financial summary

| (INR bn)    | Q3FY26 | Q3FY25 | YoY(%) | Q2FY26 | QoQ(%) | FY25  | FY26E | FY27E | FY28E |
|-------------|--------|--------|--------|--------|--------|-------|-------|-------|-------|
| NII         | 69.0   | 64.1   | 7.5%   | 65.5   | 5.3%   | 251.8 | 269.2 | 310.6 | 358.4 |
| PPOP        | 50.2   | 47.5   | 5.8%   | 48.4   | 3.9%   | 190.0 | 199.7 | 229.9 | 263.2 |
| PAT         | 30.6   | 28.5   | 7.3%   | 30.2   | 1.4%   | 109.2 | 123.0 | 141.9 | 156.8 |
| EPS (INR)   | 22.7   | 21.2   | 7.3%   | 22.4   | 1.4%   | 81.1  | 91.3  | 105.3 | 116.4 |
| ROAE (%)    |        |        |        | 17.1   |        | 16.5  | 16.6  | 16.0  |       |
| ROAA (%)    |        |        |        |        | 1.3    | 1.3   | 1.4   | 1.3   |       |
| ABVPS (INR) |        |        |        |        | 504.4  | 580.0 | 666.4 | 760.1 |       |
| P/ABV (x)   |        |        |        |        | 1.8    | 1.6   | 1.4   | 1.2   |       |
| P/E (x)     |        |        |        |        | 11.1   | 9.9   | 8.6   | 7.8   |       |

Source: Company, HSIE Research

### Change in estimates

| (INR bn)        | FY26E |       |        | FY27E |       |        | FY28E |       |       |
|-----------------|-------|-------|--------|-------|-------|--------|-------|-------|-------|
|                 | New   | Old   | Δ      | New   | Old   | Δ      | New   | Old   | Δ     |
| Net advances    | 6,558 | 6,438 | 1.9%   | 7,436 | 7,257 | 2.5%   | 8,415 | 8,185 | 2.8%  |
| NIM (%)         | 3.1   | 3.1   | -3 bps | 3.2   | 3.2   | -2 bps | 3.3   | 3.2   | 3 bps |
| NII             | 269.2 | 270.6 | -0.5%  | 310.6 | 307.9 | 0.9%   | 358.4 | 347.1 | 3.3%  |
| PPOP            | 199.7 | 207.5 | -3.8%  | 229.9 | 231.7 | -0.8%  | 263.2 | 262.1 | 0.4%  |
| PAT             | 123.0 | 122.8 | 0.2%   | 141.9 | 139.0 | 2.1%   | 156.8 | 154.3 | 1.6%  |
| Adj. BVPS (INR) | 580.0 | 580.7 | -0.1%  | 666.4 | 662.5 | 0.6%   | 760.1 | 756.7 | 0.4%  |

Source: Company, HSIE Research

**BUY**

|                         |         |
|-------------------------|---------|
| CMP (as on 22 Jan 2026) | INR 897 |
| Target Price            | INR 960 |
| NIFTY                   | 25,290  |

| KEY CHANGES  | OLD     | NEW     |
|--------------|---------|---------|
| Rating       | BUY     | BUY     |
| Price Target | INR 880 | INR 960 |
|              | FY26E   | FY27E   |
| EPS %        | +0.2%   | +2.1%   |

### KEY STOCK DATA

|                              |              |
|------------------------------|--------------|
| Bloomberg code               | INBK IN      |
| No. of Shares (mn)           | 1,347        |
| MCap (INR bn) / (\$ mn)      | 1,208/13,183 |
| 6m avg traded value (INR mn) | 1,478        |
| 52 Week high / low           | INR 909/478  |

### STOCK PERFORMANCE (%)

|              | 3M   | 6M   | 12M  |
|--------------|------|------|------|
| Absolute (%) | 10.3 | 42.8 | 72.1 |
| Relative (%) | 12.8 | 42.7 | 64.3 |

### SHAREHOLDING PATTERN (%)

|                 | Sep-25 | Dec-25 |
|-----------------|--------|--------|
| Promoters       | 73.8   | 73.8   |
| FIs & Local MFs | 18.6   | 17.8   |
| FPIs            | 4.7    | 5.6    |
| Public & Others | 2.9    | 2.7    |
| Pledged Shares  | 0.0    | 0.0    |

Source : BSE

Pledged shares as % of total shares

### Akshay Badlani

akshay.badlani@hdfcsec.com

+91-22-6171-7325

### Krishnan ASV

venkata.krishnan@hdfcsec.com

+91-22-6171-7314

# Mphasis

## AI-led growth engine

Mphasis delivered an in-line Q3FY26 performance, reporting 1.5% QoQ CC revenue growth and a stable EBIT margin of 15.2%. The Direct business (~98% of overall revenue) grew 1.9% QoQ in CC, supported by strong traction in Insurance (8.3% QoQ) and BFS (2.4% QoQ), partially offset by declines in TMT (-3.8% QoQ) and Logistics & Transportation (-1.3% QoQ). The deal engine remained robust, with TTM TCV doubling YoY to USD 2.6bn. The company continues to benefit from a record pipeline (69% AI-led), which helped deliver USD 428mn in net new wins in Q3. Clients on the NeoIP platform now contribute over 50% of total revenue, underscoring early adoption of its integrated AI proposition. Top client growth outpaced the company average and Q4 growth visibility is better vs previous quarters. The current technological shift presents attractive growth opportunities as technical competence in AI increasingly outweighs size and scale as a competitive advantage. Mphasis reiterates its confidence of clocking ~2x industry growth, supported by a healthy deal pipeline. The operating margin guidance stands at 14.75-15.75%, as AI-led efficiencies are reinvested into the business. We trim our earnings estimates by ~1% and maintain ADD, with a target price of INR 3,430, based on 25x Mar-28E EPS.

- Q3FY26 highlights:** (1) Mphasis' revenue came in at USD 451mn (in line with our estimate), +1.5% QoQ CC. (2) TCV stood at USD 428mn (21.9% YoY), of which 62% was AI-led. It won four large deals in Q3, with two deals over USD 50mn. The deal pipeline is strong, with BFS pipeline growth of 98% YoY and non-BFS pipeline growth of +44% YoY. Large deal pipeline was up 91% YoY. (3) Within verticals, growth was led by Insurance (15% of revenue) at 8.3% QoQ, driven by continued ramp-up of recent large deal wins. BFS (52% of revenue) grew 2.4% QoQ, driven by wallet share gains and new wins. TMT (18% of revenue) was impacted by seasonality, with revenue down 3.8% QoQ. (4) EBITM at 15.2% (above our estimate of 15.1%) remained flat sequentially.
- Outlook:** We have factored in USD revenue growth of 7.1/12/12%, implying CAGR of 2/3.2/2.7% for FY26/27/28E respectively. EBITM is factored in at 15.4/15.7/16.3% for FY26/27/28E, translating to a ~15% EPS CAGR over FY25-28E.

### Quarterly Financial summary

| YE Mar (INR bn)   | Q3<br>FY26 | Q3<br>FY25 | YoY<br>(%) | Q2<br>FY26 | QoQ<br>(%) | FY24   | FY25   | FY26E  | FY27E  | FY28E  |
|-------------------|------------|------------|------------|------------|------------|--------|--------|--------|--------|--------|
| Revenue (USD mn)  | 451        | 419        | 7.7        | 445        | 1.4        | 1,609  | 1,681  | 1,800  | 2,016  | 2,257  |
| Net Sales         | 40.03      | 35.61      | 12.4       | 39.02      | 2.6        | 132.79 | 142.30 | 158.06 | 180.42 | 204.30 |
| EBIT              | 6.09       | 5.46       | 11.6       | 5.96       | 2.2        | 20.11  | 21.71  | 24.40  | 28.28  | 33.34  |
| APAT              | 4.78       | 4.28       | 11.7       | 4.69       | 1.9        | 15.55  | 17.02  | 18.78  | 21.56  | 25.69  |
| Diluted EPS (INR) | 25.5       | 22.8       | 11.8       | 25.1       | 1.9        | 83.1   | 91.0   | 100.4  | 115.3  | 137.4  |
| P/E (x)           |            |            |            |            |            | 33.8   | 30.9   | 28.0   | 24.4   | 20.5   |
| EV / EBITDA (x)   |            |            |            |            |            | 20.8   | 19.0   | 16.7   | 14.7   | 12.2   |
| RoE (%)           |            |            |            |            |            | 18.6   | 18.5   | 18.8   | 20.0   | 21.9   |

Source: Company, HSIE Research, Consolidated Financials

### Change in Estimates

| YE March (INR bn) | FY26E<br>Old | FY26E<br>Revised | Change<br>% | FY27E<br>Old | FY27E<br>Revised | Change<br>% | FY28E<br>Old | FY28E<br>Revised | Change<br>% |
|-------------------|--------------|------------------|-------------|--------------|------------------|-------------|--------------|------------------|-------------|
| Revenue (USD mn)  | 1,801        | 1,800            | (0.1)       | 2,017        | 2,016            | (0.0)       | 2,244        | 2,257            | 0.6         |
| Revenue           | 158.39       | 158.06           | (0.2)       | 180.49       | 180.42           | (0.0)       | 203.11       | 204.30           | 0.6         |
| EBIT              | 24.72        | 24.40            | (1.3)       | 28.69        | 28.28            | (1.4)       | 33.58        | 33.34            | (0.7)       |
| EBIT margin (%)   | 15.6         | 15.4             | -17bps      | 15.9         | 15.7             | -22bps      | 16.5         | 16.3             | -21bps      |
| APAT              | 18.81        | 18.78            | (0.2)       | 21.87        | 21.56            | (1.4)       | 25.87        | 25.69            | (0.7)       |
| EPS (INR)         | 100.6        | 100.4            | (0.2)       | 116.9        | 115.3            | (1.4)       | 138.3        | 137.4            | (0.7)       |

Source: Company, HSIE Research

ADD

|                         |           |
|-------------------------|-----------|
| CMP (as on 22 Jan 2026) | INR 2,800 |
| Target Price            | INR 3,430 |
| NIFTY                   | 25,290    |
|                         |           |
| KEY CHANGES             | OLD       |
| Rating                  | ADD       |
| Price Target            | INR 3,460 |
| EPS %                   | FY27E     |
|                         | -1.4      |
|                         | -0.7      |

### KEY STOCK DATA

|                              |                 |
|------------------------------|-----------------|
| Bloomberg code               | MPHL IN         |
| No. of Shares (mn)           | 191             |
| MCap (INR bn) / (\$ mn)      | 534/5,823       |
| 6m avg traded value (INR mn) | 1,903           |
| 52 Week high / low           | INR 3,079/2,025 |

### STOCK PERFORMANCE (%)

|              | 3M  | 6M  | 12M   |
|--------------|-----|-----|-------|
| Absolute (%) | 2.2 | 0.8 | (0.3) |
| Relative (%) | 4.7 | 0.7 | (8.0) |

### SHAREHOLDING PATTERN (%)

|                 | Sep-25 | Dec-25 |
|-----------------|--------|--------|
| Promoters       | 40.10  | 30.59  |
| FIs & Local MFs | 37.07  | 45.25  |
| FPIs            | 18.52  | 19.79  |
| Public & Others | 4.31   | 4.37   |
| Pledged Shares  | 0.00   | 0.00   |

Source : BSE

Pledged shares as % of total shares

**Vinesh Vala**

vinesh.vala@hdfcsec.com  
+91-22-6171-7332

**Amit Chandra**

amit.chandra@hdfcsec.com  
+91-22-6171-7345

**Maitreyee Vaishampayan**

maitreyee.vaishampayan@hdfcsec.com  
+91-22-6171-7308