Indian Bank

Operator: Ladies and gentlemen, I welcome you all to Indian Bank's post-results conference call for the third quarter of financial year 2026, hosted by MK Global. From the top management, we have with us Shri Vinod Kumar, MD and CEO; Shri Ashutosh Chaudhari, Executive Director; Shri Shiv Bajrang Singh, Executive Director; Shri Brajesh Kumar Singh, Executive Director; and Mrs. Mini T. M., Executive Director. First, I would request the MD to briefly summarize the key highlights from the Q3 FY26 results and provide some strategic direction on growth, margins, and asset quality, after which we will have the Q&A; session. Over to you, MD.

Management: Good evening, all. Thank you, Anand, for hosting and all the participants for joining. We have just published our results. The total business of the bank grew by 13.34% to 14.30 trillion. Deposits reached 7.91 trillion with a year-over-year growth of 12.62%. CASA also grew by 9.86% to reach 2.96 trillion. Regarding advances, I will highlight that my bulk has remained at the same level as in September. Overseas advances grew by 14.24% and reached 6.39 trillion. Corporate grew by 8.16% to 2.01 trillion. RAM grew by 16.65% to 3.90 trillion, within which Retail grew by 18.54% to 1.36 trillion, Agriculture grew by 15.14% to 1.49 trillion, and MSME grew by 16.41% to 1.05 trillion. My CD ratio stands at 80.77%.

Coming to the P&L;, net profit grew by 7.33% to reach 3,061 crores. Operating profit grew by 5.79% year-over-year and 3.87% sequentially, reaching 5,024 crores. This is the first time we have crossed an operating profit of 5,000 crores. Net Interest Income (NII) year-over-year growth was 7.5% and 5.27% quarter-over-quarter, reaching 6,896 crores. Domestic NIM has improved sequentially from 3.34% to 3.40%. ROA showed a marginal decline from 1.33% to 1.30%, but that is well above our guidance of 1.20%. For the nine months, ROA is 1.32%. The provision coverage ratio is at 98.28%, the cost-to-income ratio is 46.90%, and the credit cost is 0.21%.

We are well-capitalized with a CRAR of 16.58%. While 2,000 crores of Tier 1 bonds have retired, we have not raised fresh Tier 1 capital as we remain well-capitalized. CET1 is at 14.54%. Gross NPA has come down to 2.23% and Net NPA to 0.15%. Fresh slippages during the quarter were 997 crores and recovery was 1,453 crores. For the nine-month period, recovery is approximately 5,153 crores against a guidance of 5,500 to 6,500 crores, so we are on track. The slippage ratio has come down from 0.79% to 0.69%, within our guidance. Slippages in absolute numbers were only 997 crores. SMA has come down substantially from 11.88% to 5.05%. SMA 2 appears to have gone up from 632 to 3,689, but there are two PSU accounts that fluctuate; because of that, if we exclude those, the SMA 2 number is very much under control.

The MCLR-linked loan book is 46.07%, and repricing due this quarter is around 37%. Next quarter, the reset will affect about 20%. For deposits, repricing is due for 18% in this quarter and 53% in the next. We have taken many initiatives for CASA, focusing heavily on salary accounts. This quarter, we provided Fintech solutions to 22 different state government departments. We added more than 1,000 non-SNA accounts, and the average balance in savings accounts has gone up from 26,000 to 36,000. Similarly, the average balance in current accounts rose from 2.12 lakhs to 2.44 lakhs. We launched five new products in July, through which we opened more than 5 lakh accounts and garnered business of 1,500 crores.

In terms of account opening, we have surpassed our numbers from the previous year within the first nine months. For sanctions, we have already sanctioned 2.95 lakh crores in these nine months compared to 2.62 trillion for the entire last financial year. We are also focusing on non-fund business, which is reflected in the improvement in processing charges and LC/BG commissions. We have reached our AUCA recovery guidance of 2,000 crores. NCLT recovery included one chunky account worth 300 crores, bringing total NCLT recovery to 338 crores for the quarter. On the digital front, we are investing heavily and expect benefits to continue accruing. I will now request my colleague, Mr. Ashutosh Chaudhari, to discuss digital products, and then we will proceed. We have a corporate credit pipeline of around 50,000 crores.

Management: Good evening, all. The bank's digital business footprint is at 1.98 lakh crores for the nine months ended FY26, a growth of 66% year-on-year. Cumulative digital business has crossed 4.52 lakh crores. Our Fintech partnerships have reached 169. Digital transactions have grown by 12.54 crores across 147 digital journeys, with a mobile app rating of 4.4. Digital transactions account for 94% while branch transactions are 6%.

In digital banking, mobile users and transactions grew 21% and 14% respectively year-on-year. UPI users and transactions increased by 21% and 28% year-on-year. Internet banking users grew by 5% and debit cards by 7%. Our mobile banking app has 2.25 crore retail customers with financial transactions exceeding 50,000 crores this quarter. Our MSME app, launched in February 2025, has a customer base of 25,000 with financial transactions of 14,000 crores in Q3. We have achieved 198,350 crores of our 225,000 crore digital business target and are confident of surpassing it.

Digital adoption has increased across categories: liabilities from 37% to 43%, retail assets from 74% to 92%, agriculture from 83% to 96%, and MSME from 86% to 94%. We launched 10 new MSME journeys. E-BG issuance grew from 4% to 27%. Last quarter, we identified a segment of "virtual banking experience" customers and reclassified 6.33 lakh customers into that segment. Through the RBI ULI, we sanctioned more than a lakh loans amounting to 12,000 crores against a target of 9,000 crores.

For customer engagement, we launched virtual ATMs through an aggregator, tying up with 6 lakh merchants for cash withdrawals. We also introduced a new FASTag system and are launching CRM modules and an "Employee Assist" AI concept. We have started using Agentic AI for onboarding, lead management, and tracking suspicious transactions. Operationally, we have migrated to the cloud, are working on a Data Lake project, and planning for Robotic Process Automation. We are swiftly moving toward an intelligent banking system and plan to establish a resilience operation center soon.

Management: One final note before Q&A;: last quarter, I made a provision of 5% on SMA 1. This quarter, I increased it to 10%, meaning we made an additional 380 crore provision on SMA 1.

Operator: Thank you, sir. We will now open the floor for the Q&A; session. Each participant is limited to two questions. Please use the raise hand option.

Analyst: Thank you, Anand, and compliments to the management for a fantastic quarter. You not only surpassed the highest operating profit but also achieved what appears to be the highest ever net profit. My first question is on ECL preparations. You made additional provisions on SMA 1 and other floating provisions. Where do we stand on ECL implementation? Are you planning to absorb the impact by April 2027 or take the extended permitted period?

Management: We have assessed ECL requirements based on various combinations. Since the draft guidelines were open for comment, we have shared our feedback with the RBI. As for preparedness, our endeavor is not to take the full five years allowed. We aim to complete it within the first year, spread across a few quarters. Our philosophy is to continue building provisions now so the eventual shift to ECL has minimal impact.

Analyst: You mentioned SMA 2, but the total number this quarter is 4,309 crores compared to 1,448 crores last quarter. Could you explain this again?

Management: These are two PSU accounts with state government guarantees. Last quarter they were in SMA 0, and this quarter they moved to SMA 2. The chances of these accounts slipping into NPA are very low. The quantum of these two accounts is 3,000 crores.

Analyst: So only 1,309 crores if we exclude those government accounts. On business growth, nine-month credit growth is 8.62% and deposit growth is 7.29%. Given the CRAR is 16.58% and the CD ratio is 80.77%, will you be able to surpass your targets given the pipeline and capital adequacy?

Management: Yes, we will surpass the guidance. Even in this quarter, I have sold IBPC of 7,000 crores, which would otherwise add to our growth. We are seeing good growth in RAM sectors: retail at 18%, MSME at 16%, and agriculture at 15%. In corporate, there is demand in green finance, solar power, and the logistics sector for warehouse development.

Analyst: On the treasury front, yield has hardened compared to last quarter, but you generated around 500 crores including forex. What is the outlook?

Management: We expect to maintain this, though there might be some moderation. I am conservatively expecting around 350 crores for the next quarter.

Analyst: Will the new labor code regarding gratuity and leave encashment impact profitability?

Management: We have assessed the impact as only 56 lakhs.

Operator: Thank you. Next, we have a question from Karyuri.

Karyuri: Hello. I wanted to know whether asset quality and loan growth will incrementally improve for the upcoming quarters of 2026.

Management: Asset Quality is already at a very good level with Gross NPA at 2.21% and Net NPA at 0.15%. We will maintain our guidance of Gross NPA less than 2%. March might see some minor impact due to audits and MOCs, but it remains steady. Regarding credit growth, it is a function of the economy. Estimates suggest 6.5% to 7% economic growth, so we expect to sustain our current growth levels.

Karyuri: How will deposit growth pan out? Deposit mobilization remains a challenge in the system. How will you scale CASA?

Management: We are part of the industry, so we will feel the system-wide impact. Bulk rates have already gone up by 20-30 basis points because credit growth is strong while deposits are lagging. CASA is seeing a structural behavioral shift as people move to other investment modes. We are focusing on making deposits more granular rather than relying on chunky bulk deposits. We are putting efforts into technology, QR codes, and salary accounts. Going forward, if deposits do not keep pace, we may look at other sources like issuing bonds. This might lead to some moderation in NIM, but it will happen gradually.

Operator: Next, we have a question from Parth Gudka.

Parth Gudka: On Slide 19, the insurance cost has gone up significantly. What is the reason for this?

Management: DICGC changed its formula and added premium for previous years for certain accounts. The DICGC cost went up by 128 crores, of which 82 crores relates to previous years. Going forward, there will be an ongoing increase of about 60 crores in the DICGC premium.

Parth Gudka: Also, employee benefits have increased more than the overall opex growth. Any highlights there?

Management: It has gone up by 102 crores compared to last quarter, purely based on the AS 15 actuarial valuation.

Operator: Next question is from Darshil.

Darshil - Keval: We are already outperforming our guidance on NIM and ROA. Are you considering a positive upgrade to the guidance for this year or the next?

Management: Even without an upgrade, we will surpass current guidance. ROA for the nine months is 1.32% and should remain around 1.30% for the year. However, we might see a 1-2 basis point negative impact on NIM this quarter because 37% of the MCLR book is repricing, including a 25 basis point rate cut impact. Part of that will be offset by deposit repricing. For FY27, let's see how this quarter pans out before giving fresh guidance.

Darshil - Keval: Will the pricing intensity from other banks push your cost of funds higher?

Management: Definitely. About 18% of my deposits are bulk. Even against rate cuts, term deposit rates have only reduced slightly. If bulk rates go up, our cost of funds will rise. We are working on strategies to maintain our CASA share to mitigate this.

Darshil - Keval: What is the credit cost expectation for the future?

Management: We expect to maintain this level, around 20 basis points. While our guidance is less than 1%, it might fluctuate by 1 or 2 basis points due to seasonal slippages in March.

Operator: Thank you. Next, we will take a question from Jay Mundra.

Jay Mundra: Regarding the IBPC transaction, what was the amount this quarter?

Management: We did 7,000 crores this quarter.

Jay Mundra: If you hadn't sold that, would there be a positive impact on NII?

Management: It saved us about 140 crores in interest expense that would have been paid to a lender. There is no implication on fee income.

Jay Mundra: There is news about mergers and acquisitions in the banking sector. Smaller banks are showing faster growth, while you are shedding assets through IBPC. Why the lean approach?

Management: Decisions on amalgamation depend on long-term viability, not single-quarter growth.

Jay Mundra: Could you specify the absolute amounts of your SMA categories?

Management: The total SMA book is 31,488 crores. Within that, SMA 0 is 12,000 crores, SMA 1 is 8,000 crores, and SMA 2 is approximately 11,000 crores. These are the books we have provided against.

Jay Mundra: On ECL, how much cushion are you targeting for standard asset provisioning?

Management: I don't have a specific number because the guidelines are still evolving. For example, if the LGD remains at 65%, requirements will be high. We will use surplus profits while maintaining our ROA to provide a cushion to the balance sheet.

Operator: Next, we will hear from Antariksha.

Antariksha: What is the incremental LTV for your gold loan business in Retail and Agriculture?

Management: It is around 65% for retail and 75% for agriculture. We calculate the gold price based on a 30-day moving average or the previous day's price, whichever is less.

Antariksha: Incremental bulk deposit rates are high, around 6.70% to 6.80%. If your yield on loans is around 8.1%, the spreads on incremental corporate loans seem very low once you account for opex and credit costs. Why is pricing in the system still so low?

Management: That is true for the whole system. Different banks pursue different strategies—some focus on aggressive growth, others on the bottom line. For us, bulk deposits are only 18% of the total. We are being very careful with corporate lending rates.

Operator: Thank you. Next is a question from Ajmeraji.

Ajmeraji: Given the geopolitical tensions and tariffs, have you assessed the impact on your customer profile, particularly MSMEs?

Management: Our economy is proving resilient. External agencies expect India to grow at 6.5% to 7%, so we don't see a significant challenge to growth or asset quality. Our export business is minuscule, and exposure to the US is only 4% to 5% of that.

Ajmeraji: What are the yields on gold loans, and are you pushing co-lending with NBFCs?

Management: Gold loan yields are around 8.70%. We consider it a safe segment and have robust systems to prevent fraud.

Operator: Next question is from Darshil.

Darshil – Keval: Can we aim for mid-teen credit growth, like 15%, given the GDP outlook?

Management: We believe 12% to 13% growth is healthy. Aggressive growth often leads to higher NPAs in the future. Risk builds up during good times, so we prefer to remain careful.

Operator: The final question is from Sushil Thakur.

Operator: One question from the chat first: have you extended any moratoriums to MSMEs due to foreign exchange disruptions?

Management: We have not extended any such moratoriums.

Sushil Thakur – ASK: Congratulations on the performance. Looking 12 to 24 months out, what is the balance between RAM and Corporate?

Management: We intend to maintain a 65:35 ratio. As a responsible bank, we must participate in nation-building through infrastructure and corporate lending.

Sushil Thakur – ASK: What is the expected IT expenditure for the next two years given all the digital initiatives?

Management: It will be around 2,000 crores per annum, including both capex and opex.

Sushil Thakur – ASK: If your stock trades at high multiples next year, will you dilute equity even if not required for capital adequacy?

Management: We current have a CRAR of 16.58% and do not strictly need capital. However, we have board approval for a 5,000 crore QIP. If a good opportunity arises with favorable rates, we might consider it.

Sushil Thakur – ASK: What is the outlook for your green finance pipeline and overseas financing?

Management: Our green finance book has grown by 60%. We have a strong pipeline, particularly in manufacturing. We are cautious and prefer established names with a proven history in these new sectors to avoid unnecessary risks.

Operator: This concludes the conference call. I now request the management to provide closing remarks.

Management: We are investing heavily in IT. My goal is to increase the share of digital business from 15% to 50% over the next 2 to 3 years. We are on track to double our business figure in five years to 25 lakh crores by December 2029. We are integrating AI for account opening, cross-selling, personal finance management, and suspicious transaction reporting. We will continue focusing on RAM and CASA. Investing time in CASA is worth it to maintain our margins. We are on track with most parameters. Thank you.

Operator: On behalf of the management of Indian Bank, I thank all participants for joining. Good day.

Anand Talreja – Yes Securities: On behalf of all the participants, I thank the management and MK Global.