'Expect credit growth to moderate in FY26'

BINOD KUMAR, who recently took charge of Chennai-based Indian Bank as managing director and chief executive officer, said the lower share of repo rate-linked loans will act as a cushion for protecting net interest margins if there are rate cuts, in a telephonic interview with **Manojit Saha.** Edited excerpts:

The deposit growth of the bank was 7 per cent year-on-year while credit growth was 10 per cent. How do you plan to improve deposit mobilisation?
We had given guidance of 8-10 per cent for deposits and 11-13 per cent for advances. Our deposits have grown by 7.34 per cent, and advance almost 10 per cent. So both are marginally lower than guidance.

At the same time, we have been able to maintain the share of current and savings account (Casa) deposits. Growth in retail term deposit is nearly 9 per cent. Bulk deposits in the December quarter have come down to ₹1.01 trillion against ₹1.08 trillion in September quarter.

On the credit front, our growth in the RAM [retail, agriculture, MSME] sector is 13 per cent. Loan growth in the corporate sector was lower, and if we are able to grow 8-9 per cent in corporate loans this quarter, we will achieve credit growth of 11-13 per cent.

Q&A

BINOD KUMAR
MD & CEO, Indian Bank

What are your expectations from FY26?
My expectation is there will be some moderation in credit growth while deposit growth may improve. There may be rate cuts in FY26 so the gap between term deposit and Casa will narrow.

What was the reason for the fall in NPA provision?
We were continuously providing for aging provision. So the aging provision requirement was not much.

The provision coverage ratio is already at 97.60 per cent.

Q3 margins have improved to 3.45 per cent. Since interest rate cut is on the horizon, how difficult will it be to maintain the margins at this level?
If there is a rate cut, there will be some impact. The good thing is our MCLR book is around 57 per cent. So we will be cushioned against that. EBLR book is only 37 per cent. Though it is difficult to give margins guidance, I will be happy to maintain margins at the current levels. It will also depend on how liquidity pans out. The RBI has decided to infuse ₹1.5 trillion that will help some moderation in rates on the bulk deposit.

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Has the RBI's step ensured that the cost of deposits will not rise further?
I don't expect the cost of funds to come down very substantially.

Cost to income, though, has come down to 44.56 per cent, but it's elevated. Do you expect it to come down?
Not much because. Employee costs will be there, and we have to take measures to increase other income but that will take time. So I don't see much moderation in the ratio.

Going forward, we will focus on some non-fund based business to which will improve the income.

The capital adequacy ratio at 15.92 per cent is above the regulatory requirements. Do you plan to raise funds?
We are well capitalised. ₹1,400 crore Tier-II bonds have retired in Q3. So we may go for some bond raising in Q4. We will also plough back profits.

You have taken charge of Indian Bank earlier this month. What would be your immediate priorities?
Customer centricity will be our focus area. In the last two years, 117 products and processes have been launched. Its benefits have to reach people. While capacity building has been done, we will focus on adoption of that so that we can reap the benefits. We will also set up a next-gen call centre for customer grievance redressal.