# IndusInd Bank (INDBA)

CMP: ₹ 776 | Target: ₹ 925 (19%) | Target Period: 12 months | BUY

August 13, 2025

## Leadership overhang resolved; strategic continuity in focus...

**About the stock**: IndusInd Bank is a Hinduja group promoted newer age private sector bank and is the fifth largest private bank in India. The bank has full product suite with strong moat in vehicle and micro finance business.

- The bank has a strong presence with pan India branch network of 3,110 branches (3,052 ATMs) and a large customer base of ~4.2 crore

**Q1FY26 performance**: IndusInd Bank reported sequential recovery in Q1FY26, though YoY performance remained subdued. PAT turned positive at ₹604 crore (vs. ₹2,329 crore loss in Q4) as prior-period one-offs were fully absorbed in Q4FY25. CASA dipped 7% QoQ (-14% YoY), pulling the ratio down to 31%. NIM rose 121 bps QoQ to 3.46%, aided by SA rate cuts, a higher retail mix, and one-offs (~11 bps), along with Q4 reclassifications. Other income rose to ₹2,157 crore (vs. ₹709 crore in Q4), though not comparable due to prior-period adjustments, while core fees remained weak amid muted volumes. Provisions stood elevated at ₹1,760 crore (down 30% QoQ), driven by MFI stress, which also kept slippages high and pushed GNPA/NNPA up 51/17 bps QoQ to 3.64%/1.12%.

### Investment Rationale

- **Leadership clarity restored, strategic focus in sight**: Appointment of Rajiv Anand as MD & CEO marks a new chapter of leadership stability and strategic clarity for IndusInd bank after an extended period of uncertainty. His distinguished track record in wholesale banking and digital transformation enhances confidence in the bank's governance framework and long-term revival strategy. Going forward, the bank's performance will hinge on disciplined execution, sustained franchise re-build, and the strategic stance he adopts on high-yield segments—key levers that remain central to bank's growth aspirations and profitability trajectory.

- **Growth lags, stress persists; recovery to be gradual**: Advances declined 4% YoY (-3 QoQ) amid 16% YoY drop in corporate loans and continued MFI rundown (23% YoY), with MFI now at ~8.5% of loans. Growth was led by secured retail—LAP (11.7% YoY) and business banking (8% YoY). Reported NIM stood at 3.46% (aided by ~11 bps one-offs), while adjusted NIM declined ~12 bps QoQ. Margin recovery is expected from H2FY26, driven by SA rate cuts which is yet to flow in completely and ₹52,700 crore in surplus liquidity. Core fee income remained weak and well below historical run rates. Asset quality remains a key overhang, with gross slippages elevated at ₹2,568 crore (3.1% of loans) in Q1FY26, driven by MFI (₹ 888 crore), vehicle finance (₹743 crore), and retail (₹692 crore), pushing GNPA/NNPA to 3.64%/1.12% (+51/17 bps QoQ). MFI stress persists and normalisation expected post Q3FY26.

### Rating and Target Price

- While leadership clarity is a big positive, RoA revival and asset quality stabilization remains a key catalyst.
- While strategic direction under new management is awaited, anticipating clean-up exercise being behind with focus on sustained improvement, we revise valuation multiple to ~1x FY27E BV and thus target price at ₹925. Maintain our Buy rating.

### Key Financial Summary

| ₹ Crore | FY23 | FY24 | FY25 | 3 year CAGR (FY22-FY25) | FY26E | FY27E | 2 year CAGR (FY25-27E) |
|---|---|---|---|---|---|---|---|
| NII | 17,592 | 20,616 | 19,031 | 8.3% | 19,532 | 21,850 | 7.1% |
| PPP | 14,419 | 15,864 | 10,661 | -6.5% | 10,778 | 11,551 | 4.1% |
| PAT | 7,443 | 8,977 | 2,575 | -18.8% | 3,597 | 4,543 | 32.8% |
| ABV | 682 | 782 | 784 | | 835 | 880 | |
| P/E | 8 | 13 | 23 | | 17 | 13 | |
| P/ABV | 1.1 | 1.0 | 1.0 | | 0.9 | 0.9 | |
| RoA | 1.7 | 1.9 | 0.5 | | 0.6 | 0.7 | |
| RoE | 14.5 | 15.2 | 4.0 | | 5.4 | 6.4 | |

*Source: Company, ICICI Direct Research*

IndusInd Bank

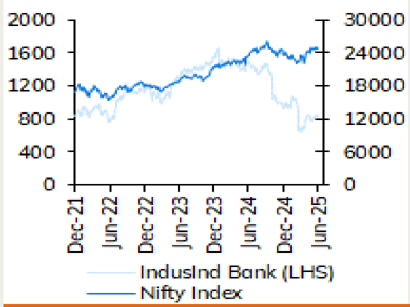
### Particulars

| Particulars | Amount |
|---|---|
| Market Capitalisation | ₹ 60,439 crore |
| 52 week H/L | 1499 / 605 |
| Net worth | ₹ 64,493 crore |
| Face Value | 10 |
| DII Holding (%) | 33 |
| FII Holding (%) | 34 |

### Shareholding Pattern

| (in %) | Sep-24 | Dec-24 | Mar-25 | Jun-25 |
|---|---|---|---|---|
| Promoter | 16 | 16 | 16 | 16 |
| FII | 34 | 25 | 30 | 34 |
| DII | 35 | 42 | 36 | 33 |
| Others | 15 | 17 | 18 | 17 |

### Price Chart




### Key Risks

(i) Continued MFI stress

(ii) Slower than anticipated RoA recovery

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Result Update

ICICI Securities – Retail Equity Research

## Concall highlights and outlook

**Performance and growth outlook**

- Advances declined 3% QoQ (-4% YoY) to ₹3,33,694 crore, led by moderation in MFI and corporate loans, while deposits fell 3% QoQ (flat YoY) to ₹3,97,144 crore as the bank exited high-cost wholesale deposits.
- CASA dipped 7% QoQ (-14% YoY), pulling the ratio down to 31%.
- ~12% of high-cost CDs raised in March putting pressure on CoF; likely to mature in Q2FY26.
- Fee income reported in Q1FY26 is now considered normalized base; Q4FY25 had non-comparable one-offs and restatements.
- Vehicle finance disbursements steady at ₹11,298 crore; double-digit growth in PV, CE, LCV; tractors rebounding.

**Margins**

- No formal guidance on NIMs, but drivers include:
    - Positive: Lower SA/TD rates, liquidity deployment, higher retail mix.
    - Negative: EBLR resets, weak MFI/credit card volumes.
- SA rate cut (~40–50 bps benefit) yet to fully reflect in cost of funds; expected to play out over coming quarters.
- Reported NIM of 3.46% included ~11 bps from one-offs (NPA recovery and income tax refund); core NIM lower by that quantum.
- Cost of deposits likely to trend down as CDs raised in March'25 mature and aren't renewed amid ample system liquidity.
- Q1 is typically a seasonally soft quarter for core fee income. This quarter, core fee income was further impacted by subdued corporate activity and lower MFI disbursements offset by healthy treasury and recovery income.

**Credit cost and opex**

- MSME slippages stable; portfolio mostly secured, negligible unsecured exposure apart from cash-flow based OD products.
- Gross slippages for Q1FY26 stood at:
    - MFI – ₹ 888 crore,
    - Vehicle finance - ₹ 743 crore,
    - Other retail - ₹ 692 crore,
    - Corporate - ₹ 245 crore
- ₹145 crore, of expenses reclassified from other opex to employee cost, causing apparent spike; overall opex remains flat QoQ.
- SMA 1 and SMA2 book improved to 14 bps vs 24 bps QoQ

**Other updates**

- Following RBI approval, Mr. Rajiv Anand has been appointed as Managing Director & CEO for a three-year term till Aug 2028
- Shared services centre in Gujarat to expand further, contributing to operational efficiency.
- Borrowings at ₹52,200 crore; down 3% QoQ.
- Average LCR at 141%; average surplus liquidity ₹52,700 crore.
- Capital Adequacy: CAR at 16.63% (ex-profit); CET-1 at 15.48%. PCR: 70%.
- INDIE app traction surged:
    - Monthly active users: 2.6x QoQ.
    - SA opened via app: +292% QoQ; FD bookings: +220% QoQ; MF: +600% QoQ.
    - Loan disbursals via app: +37% QoQ.

Exhibit 1: Variance Analysis

| | Q1FY26 | Q1FY25 | YoY (%) | Q4FY25 | QoQ (%) | Comments |
|---|---|---|---|---|---|---|
| NII | 4,639.8 | 5,407.6 | -14.2 | 3,048.3 | 52.2 | Moderation in growth and declining proportion of high yield book impacted yields |
| NIM (%) | 3.5 | 4.3 | -79 bps | 2.3 | 121 bps | Run-down in MFI and increase in borrowings at high cost |
| Other Income | 2,156.9 | 2,441.6 | -11.7 | 708.8 | 204.3 | Ex one-offs, fee income was down YoY |
| | | | | | | |
| Net Total Income | 6,796.7 | 7,849.2 | -13.4 | 3,757.2 | 80.9 | |
| Staff cost | 1,805.3 | 1,438.4 | 25.5 | 1,601.7 | 12.7 | |
| Other OpEx | 2,424.2 | 2,459.0 | -1.4 | 2,646.4 | -8.4 | |
| | | | | | | |
| PPP | 2,567.3 | 3,951.8 | -35.0 | -490.9 | NA | Moderation, margin pressure impacted operating performance; sequential revival witnessed |
| Provision | 1,760.0 | 1,049.8 | 67.6 | 2,522.1 | -30.2 | MFI stress persists, though sequential improvement was seen in slippages |
| PBT | 807.3 | 2,902.0 | -72.2 | -3,013.0 | NA | |
| Tax Outgo | 203.3 | 731.2 | -72.2 | -684.0 | NA | |
| PAT | 604.1 | 2,170.7 | -72.2 | -2,328.9 | NA | Sequential revival in earnings, though remain under pressure YoY |
| | | | | | | |
| **Key Metrics** | | | | | | |
| GNPA | 12,480.6 | 7,126.8 | 75.1 | 11,046.4 | 13.0 | Increased on account of lower write-offs and ARC sales |
| NNPA | 3,721.5 | 2,095.5 | 77.6 | 3,287.1 | 13.2 | |
| Credit book | 333,694.0 | 347,898.0 | -4.1 | 345,019.0 | -3.3 | Cautious stance in MFI and muted corporate disbursement |
| Deposit book | 397,144.0 | 398,513.0 | -0.3 | 410,862.0 | -3.3 | Liabilities remained broadly steady |

*Source: Company, ICICI Direct Research*

# Financial Summary

**Exhibit 2: Profit and loss statement** ₹ crore

| (Year-end March) | FY24 | FY25 | FY26E | FY27E |
|---|---|---|---|---|
| Interest Earned | 45,748.2 | 48,667.7 | 50,050.4 | 55,185.8 |
| Interest Expended | 25,132.3 | 29,636.3 | 30,518.1 | 33,336.2 |
| Net Interest Income | 20,615.9 | 19,031.3 | 19,532.3 | 21,849.5 |
| Growth (%) | 17.2 | -7.7 | 2.6 | 11.9 |
| Non Interest Income | 9,395.8 | 7,690.4 | 9,339.2 | 10,089.6 |
| Net Income | 30,011.7 | 26,721.8 | 28,871.5 | 31,939.1 |
| Employee cost | 5,373.9 | 6,027.8 | 7,014.9 | 8,110.8 |
| Other operating Exp. | 8,773.7 | 10,032.5 | 11,078.4 | 12,277.0 |
| Operating Income | 15,864.1 | 10,661.4 | 10,778.2 | 11,551.3 |
| Provisions | 3,884.9 | 7,135.6 | 6,014.0 | 5,534.5 |
| PBT | 11,979.2 | 3,525.8 | 4,764.2 | 6,016.8 |
| Taxes | 3,002.2 | 950.3 | 1,167.2 | 1,474.1 |
| Net Profit | 8,977.0 | 2,575.4 | 3,597.0 | 4,542.7 |
| Growth (%) | 20.6 | -71.3 | 39.7 | 26.3 |
| EPS (₹) | 115.3 | 33.1 | 46.2 | 58.3 |

*Source: Company, ICICI Direct Research*

**Exhibit 3: Key ratios**

| (Year-end March) | FY24 | FY25 | FY26E | FY27E |
|---|---|---|---|---|
| Valuation | | | | |
| No. of shares (crore) | 77.8 | 77.9 | 77.9 | 77.9 |
| EPS (₹) | 115.3 | 33.1 | 46.2 | 58.3 |
| DPS (₹) | 16.5 | 3.7 | 5.2 | 6.5 |
| BV (₹) | 807.0 | 826.6 | 875.8 | 926.7 |
| ABV (₹) | 781.7 | 784.4 | 834.7 | 880.4 |
| P/E | 13.0 | 23.5 | 16.8 | 13.3 |
| P/BV | 2.1 | 0.9 | 0.9 | 0.8 |
| P/ABV | 1.0 | 1.0 | 0.9 | 0.9 |
| Yields & Margins (%) | | | | |
| Net Interest Margins | 4.8 | 4.3 | 4.0 | 4.1 |
| Yield on assets | 10.5 | 10.3 | 10.2 | 10.3 |
| Avg. cost on funds | 6.2 | 6.6 | 6.3 | 6.3 |
| Yield on average advances | 12.0 | 11.8 | 11.4 | 11.5 |
| Avg. Cost of Deposits | 6.0 | 6.3 | 6.2 | 6.1 |
| Quality and Efficiency (%) | | | | |
| Cost to income ratio | 47.1 | 60.1 | 62.7 | 63.8 |
| Credit/Deposit ratio | 89.3 | 84.0 | 84.4 | 84.2 |
| GNPA | 1.9 | 3.2 | 3.0 | 2.7 |
| NNPA | 0.6 | 1.0 | 0.9 | 0.9 |
| RoE | 15.2 | 4.0 | 5.4 | 6.4 |
| RoA | 1.9 | 0.5 | 0.6 | 0.7 |

*Source: Company, ICICI Direct Research*

**Exhibit 4: Balance sheet** ₹ crore

| (Year-end March) | FY24 | FY25 | FY26E | FY27E |
|---|---|---|---|---|
| Sources of Funds | | | | |
| Capital | 778.0 | 779.1 | 779.1 | 779.1 |
| Employee Stock Options | 103.5 | 142.9 | 142.9 | 142.9 |
| Reserves and Surplus | 62,325.7 | 63,913.8 | 67,747.5 | 71,712.6 |
| Networth | 63,207.2 | 64,835.7 | 68,669.4 | 72,634.5 |
| Deposits | 384,585.7 | 410,862.3 | 442,939.0 | 493,572.6 |
| Borrowings | 47,611.4 | 53,703.6 | 58,573.9 | 63,740.1 |
| Other Liabilities & Provisions | 19,689.3 | 24,705.6 | 27,128.5 | 29,776.7 |
| Total | 515,093.7 | 554,107.1 | 597,310.9 | 659,723.8 |
| Application of Funds | | | | |
| Fixed Assets | 2,324.0 | 2,496.4 | 2,841.5 | 3,256.2 |
| Investments | 106,486.5 | 114,456.7 | 126,032.8 | 138,782.9 |
| Advances | 343,298.3 | 345,018.6 | 374,006.5 | 415,766.8 |
| Other Assets | 26,077.8 | 32,759.9 | 43,672.4 | 53,439.5 |
| Cash with RBI & call money | 36,907.4 | 59,375.5 | 50,757.8 | 48,478.4 |
| Total | 515,094.0 | 554,107.1 | 597,310.9 | 659,723.8 |

*Source: Company, ICICI Direct Research*

**Exhibit 5: Growth ratios**

| (Year-end March) | FY24 | FY25 | FY26E | FY27E |
|---|---|---|---|---|
| Total assets | 12.5 | 7.6 | 7.8 | 10.4 |
| Advances | 18.4 | 0.5 | 8.4 | 11.2 |
| Deposit | 14.4 | 6.8 | 7.8 | 11.4 |
| Total Income | 16.5 | 2.2 | 5.4 | 9.9 |
| Net interest income | 17.2 | -7.7 | 2.6 | 11.9 |
| Operating expenses | 24.7 | 13.5 | 12.7 | 12.7 |
| Operating profit | 20.6 | -32.8 | 1.1 | 7.2 |
| Net profit | 20.6 | -71.3 | 39.7 | 26.3 |
| Net worth | 14.6 | 2.5 | 6.0 | 5.8 |
| EPS | 21.0 | -71.3 | 39.7 | 26.3 |

*Source: Company, ICICI Direct Research*

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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