

IndusInd Bank

Estimate change

TP change

Rating change



Bloomberg	IIB IN
Equity Shares (m)	779
M.Cap.(INRb)/(USD\$)	599.8 / 7
52-Week Range (INR)	1550 / 605
1, 6, 12 Rel. Per (%)	-10/-28/-55
12M Avg Val (INR M)	7241

Financials & Valuations (INR b)

Y/E MARCH	FY25	FY26E	FY27E
NII	190.3	188.1	208.3
OP	106.6	102.4	111.4
NP	25.8	34.5	44.4
NIM (%)	3.6	3.3	3.4
EPS (INR)	33.1	44.2	57.0
EPS Gr. (%)	-71.4	33.8	28.8
BV/Sh. (INR)	830	865	910
ABV/Sh. (INR)	801	837	883

Ratios

RoA (%)	0.5	0.6	0.7
RoE (%)	4.0	5.2	6.4

Valuations

P/E (X)	23.2	17.3	13.5
P/BV (X)	0.9	0.9	0.8
P/ABV (X)	1.0	0.9	0.9

Shareholding Pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	15.1	15.1	15.1
DII	35.0	39.7	26.3
FII	32.8	30.3	45.0
Others	17.1	15.0	13.6

FII includes depository receipts

CMP: INR770

TP: INR650 (-16%)

Neutral

Multiple accounting lapses; discrepancy drags earnings

Cut earnings sharply; estimate FY27E RoA at 0.72%

- IndusInd Bank (IIB) reported a loss of INR23.3b (vs our est. of INR1.4b loss), led by muted NII (interest reversal of INR6.7b and higher slippages) and tepid other income amid the reversal of derivative loss of INR19.6b. The bank also reversed the fee income of INR1.72b. Adjusting for all one-offs amounting to INR46.6b (*refer to Exhibit 1*), adj. PAT would have been INR12.4b.
- NII declined 41.7% QoQ to INR30.5b (our est of INR35.7b), while adjusted for all one-offs, NII would have been at INR47b (down 10% QoQ). Reported NIMs contracted to 2.25% (down 168bp QoQ), while adjusted NIMs stood at 3.47% vs our estimate of 3.78%. PPoP loss, thus, stood at INR4.9b. Management indicated an adjusted PPoP run-rate of INR30.6b after adjusting for all one-offs.
- Loan book declined sharply 6% QoQ to INR3.45t, led by a reduction in the corporate book for liquidity and balance sheet management efforts. Consumer book grew at a modest 2.5% QoQ, despite the MFI book declining 5.1% QoQ. Deposits book stood flat at 0.3% QoQ, while the CASA ratio declined 208bp QoQ to 32.8%.
- Fresh slippages stood elevated, up 128% QoQ to INR50.1b, driven by the rise of slippages in the consumer finance book to INR47.9b. GNPA/NNPA ratio increased 88bp/27bp QoQ to 3.13%/0.95%. The bank has utilized full contingent provisions of INR13.2b on 4Q.
- **We cut our earnings estimate sharply by 45% for both FY26 and FY27E, and estimate the RoA/RoE at 0.6%/5.2% for FY26E and 0.72%/6.4% for FY27E. Reiterate NEUTRAL with a TP of INR650 (premised on 0.8x FY27E ABV).**

Operating performance remains sluggish; asset quality deteriorates

- IIB reported 4QFY25 loss of INR23.3b (vs our est of INR1.4b loss), driven by a sharp NII miss due to a one-off of INR6.7b and higher slippages, while derivative accounting discrepancy and fee income reversal led to a 70% QoQ decline in other income. Adjusting for all one-offs of INR46.6b, adj. PAT would have been at INR12.4b.
- NII declined 43.3% YoY/41.7% QoQ to INR30.5b (14% miss to MOFSLe). Other income declined 70% QoQ to INR7.1b (due to the reversal of derivative impact of INR19.6b as well as the reversal of fee income of INR1.72b).
- Reported NIMs contracted to 2.25% (down 168bp QoQ), while adjusted NIMs stood at 3.47% vs our estimate of 3.78%.
- Opex grew 11.7% YoY/ 6.7% QoQ to INR42.5b. As a result, the C/I ratio increased to 113.1% (vs 52.5% in 3QFY25). PPoP loss, thus, stood at INR4.9b. Adjusted PPoP would have been at INR30.6b (down 15% QoQ).
- On the business front, loans declined 6% QoQ (up 0.5% YoY), driven by a sharp decline in the corporate and commercial books, as the bank exited certain corporate assets to manage liquidity and balance sheet, leading to a decline of 16% QoQ /6% YoY in the books. Meanwhile, the consumer book grew modestly by 2.5% QoQ, despite the MFI book declining 5.1% QoQ. In the consumer business, the VF business grew 8.1% YoY/ 2.1% QoQ, while the cards business grew at a modest 1.3% QoQ.

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- Deposits stood flat at 0.3% QoQ (up 6.8% YoY), while the CASA book declined 7.5% YoY/ 5.6% QoQ. CASA ratio declined 208bp QoQ to 32.8%. Retail deposits as per LCR declined to 45.1%.
- Fresh slippages stood elevated, up 128% QoQ to INR50.1b, driven by the rise of slippages in the consumer finance book to INR47.9b. GNPA/NNPA ratio increased 88bp/27bp QoQ to 3.13%/0.95%. The bank has utilized full contingent provisions of INR13.2b in 4Q. Restructured book declined 6bp QoQ to 0.12%.

Highlights from the management commentary

- Considering the derivative-related issue, the Board undertook an enhanced review and identified the following: 1) In the MFI segment, incorrect recording of fee and interest income over 9MFY25 led to under-provisioning of INR18.85b; and 2) INR7.6b was incorrectly classified as interest income instead of other income under Other Assets & Other Liabilities.
- NIM stood at 2.25% in 4QFY25. Excluding the impact of these discrepancies, it would have been 3.47%.
- On a BAU basis, NII would have been INR47b, other income INR25b, and opex INR42b, resulting in a PPOP of INR30.60b.
- The bank is in advanced stages of finalizing its CEO candidate and plans to submit the names to RBI by 30th Jun'25. In the interim, a committee of executives under the Board's oversight has been entrusted with managing the bank's operations.

Valuation and view

IIB's 4QFY25 was marked by multiple one-offs, including the reversal of several accounting lapses, resulting in a reported RoA of (-1.7%). The bank recognized the full impact of these issues during the quarter, leading to a negative hit of INR46.6b on PBT. The advances book declined as the bank strategically reduced its corporate lending to manage liquidity and optimize the balance sheet. Deposit growth remained muted in light of the ongoing corporate governance concerns. Yields continued to moderate as the bank maintained elevated liquidity buffers to manage deposit outflows, while recent high-cost CD issuances have kept funding costs elevated. Given the evolving situation, we believe the outlook for FY26E remains weak, with subdued return ratios; we, therefore, factor in tepid business growth for the year. **We sharply cut our earnings estimates by 45% for both FY26E and FY27E, and estimate RoA/RoE at 0.6%/5.2% for FY26E and 0.72%/6.4% for FY27E. Reiterate NEUTRAL rating with a TP of INR650 based on 0.8x FY27E ABV from INR850 earlier. The appointment of a new CEO and the pace of business recovery will be key near-term monitorable.**

Quarterly performance

(INR b)

	FY24				FY25				FY25	FY26E	FY25E	V/S our
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	Est
Net Interest Income	48.7	50.8	53.0	53.8	54.1	53.5	52.3	30.5	190.3	188.1	35.6	-14%
% Change (YoY)	18.0	18.0	17.8	15.1	11.1	5.3	-1.3	-43.3	-7.7	-1.2	-33.7	
Other Income	22.1	22.8	24.0	25.1	24.4	21.8	23.6	7.1	76.9	92.3	18.1	-61%
Total Income	70.8	73.6	76.9	78.8	78.5	75.3	75.8	37.6	267.2	280.4	53.8	-30%
Operating Expenses	32.5	34.5	36.5	38.0	39.0	39.3	39.8	42.5	160.6	178.0	40.6	5%
Operating Profit	38.3	39.1	40.4	40.8	39.5	36.0	36.0	-4.9	106.6	102.4	13.2	NA
% Change (YoY)	11.7	10.3	9.7	8.6	3.1	-7.9	-10.9	NA	-32.8	-3.9	-67.8	
Provisions	9.9	9.7	9.7	9.5	10.5	18.2	17.4	25.2	71.4	56.4	18.7	35%
Profit before Tax	28.4	29.3	30.7	31.3	29.0	17.8	18.6	-30.1	35.3	46.0	-5.6	NA
Tax	7.2	7.3	7.7	7.8	7.3	4.5	4.5	NA	9.5	11.6	NA	NA
Net Profit	21.2	22.0	23.0	23.5	21.7	13.3	14.0	-23.3	25.8	34.5	-1.4	NA
% Change (YoY)	30.3	22.0	17.2	15.0	2.2	-39.5	-39.1	NA	-71.3	33.9	NA	
Operating Parameters												
Deposit (INR b)	3,470	3,595	3,688	3,846	3,985	4,124	4,094	4,109	4,109	4,380	4,188	
Loan (INR b)	3,013	3,155	3,271	3,433	3,479	3,572	3,669	3,450	3,450	3,709	3,749	
Deposit Growth (%)	14.5	13.9	13.4	14.4	14.8	14.7	11.0	6.8	6.8	6.6	8.9	
Loan Growth (%)	21.5	21.3	19.9	18.4	15.5	13.2	12.2	0.5	0.5	7.5	9.2	
Asset Quality												
Gross NPA (%)	1.9	1.9	1.9	1.9	2.0	2.1	2.3	3.1	3.1	2.8	2.4	
Net NPA (%)	0.6	0.6	0.6	0.6	0.6	0.6	0.7	1.0	1.0	0.9	0.8	
PCR (%)	70.6	70.6	70.6	70.6	70.6	70.1	70.2	70.2	70.2	70.3	68.7	

Quarterly snapshot

INR b	FY24				FY25				Variation (%)	
Profit and Loss	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	YoY	QoQ
Net Interest Income	48.7	50.8	53.0	53.8	54.1	53.5	52.3	30.5	-43	-42
Other Income	22.1	22.8	24.0	25.1	24.4	21.8	23.6	7.1	-72	-70
Trading profits	0.9	1.6	2.3	2.2	0.9	0.6	2.3	3.6	69	57
Total Income	70.8	73.6	76.9	78.8	78.5	75.3	75.8	37.6	-52	-50
Operating Expenses	32.5	34.5	36.5	38.0	39.0	39.3	39.8	42.5	12	7
Employee	12.4	13.4	13.9	14.1	14.4	15.0	14.8	16.0	14	8
Others	20.1	21.1	22.6	23.9	24.6	24.3	25.0	26.5	11	6
Operating Profits	38.3	39.1	40.4	40.8	39.5	36.0	36.0	-4.9	NA	NA
Core PPOp	37.4	37.5	38.1	38.7	38.6	35.4	33.7	-8.5	NA	NA
Provisions	9.9	9.7	9.7	9.5	10.5	18.2	17.4	25.2	165	45
PBT	28.4	29.3	30.7	31.3	29.0	17.8	18.6	-30.1	NA	NA
Taxes	7.2	7.3	7.7	7.8	7.3	4.5	4.5	-6.8	NA	NA
PAT	21.2	22.0	23.0	23.5	21.7	13.3	14.0	-23.3	NA	NA
Balance Sheet (INR b)										
Loans	3,013	3,155	3,271	3,433	3,479	3,572	3,669	3,450	1	-6
- CCBG Advances	1,394	1,432	1,466	1,521	1,566	1,679	1,688	1,449	-5	-14
- CFD Advances	1,619	1,723	1,805	1,912	1,913	1,893	1,981	2,001	5	1
Deposits	3,470	3,595	3,688	3,846	3,985	4,124	4,094	4,109	7	0
CASA Deposits	1,384	1,414	1,419	1,457	1,461	1,479	1,428	1,348	-7	-6
- Savings	891	915	919	987	977	953	969	940	-5	-3
- Current	493	499	500	470	485	526	459	408	-13	-11
Loan mix (%)										
Consumer	53.7	54.6	55.2	55.7	54.8	45.8	45.8	49.8	-588	408
- of which Vehicle	26.0	26.0	26.3	25.7	25.8	17.7	17.7	19.1	-663	146
- of which Unsecured	8.9	9.6	9.9	10.5	10.3	10.9	10.2	11.6	106	133
- of which MFI	10.6	10.9	10.9	11.4	10.6	9.2	8.9	9.0	-246	8
- others	8.2	8.1	8.1	8.0	8.0	8.1	9.0	10.2	215	121
Corporate & Commercial	46.3	45.4	44.8	44.3	45.2	46.5	46.4	41.6	-271	-482
Asset Quality (INR b)										
GNPA	59.41	61.64	63.77	66.93	71.27	76.39	83.75	110.46	65	32
NNPA	17.47	18.14	18.75	19.69	20.95	22.82	24.96	32.87	67	32
Slippages	13.8	14.7	17.7	14.3	15.4	18.0	22.0	50.1	251	128
Asset Quality Ratios (%)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	YoY (Bp)	QoQ (Bp)
GNPA	1.9	1.9	1.9	1.9	2.0	2.1	2.3	3.1	121	88
NNPA	0.6	0.6	0.6	0.6	0.6	0.6	0.7	1.0	38	27
PCR (Cal.)	70.6	70.6	70.6	70.6	70.6	70.1	70.2	70.2	-34	4
Slippage	2.0	2.0	2.4	1.8	1.9	2.1	2.5	5.8	402	329
Business Ratios (%)										
CASA	39.9	39.4	38.5	37.9	36.7	35.9	34.9	32.8	-507	-208
Loan/Deposit	86.8	87.7	88.7	89.3	87.3	86.6	89.6	84.0	-529	-563
Other income/Total Income	31.2	31.0	31.2	31.8	31.1	29.0	31.1	18.9	-1,294	-1,219
Cost to Income	45.9	46.9	47.4	48.2	49.7	52.2	52.5	113.1	6,483	6,055
Cost to Assets	3.0	3.1	3.1	3.1	3.1	3.1	3.1	3.2	5	11
Tax Rate	25.2	25.0	25.1	25.0	25.2	25.2	24.5	22.7	-228	-178
Capitalisation Ratios (%)										
CAR	18.4	18.2	17.7	17.2	17.6	16.5	16.5	16.2	-99	-22
Tier 1	16.6	16.8	16.1	15.8	16.2	15.2	15.2	15.1	-72	-8
- CET 1	16.4	16.3	16.1	15.8	16.2	15.2	15.2	15.1	-72	-8
RWA / Total Assets	71.6	73.3	75.8	74.5	73.3	77.4	78.1	75.7	123	-239
LCR	132.0	117.0	122.1	118.0	122.0	118.0	118.0	118.0	5	0
Profitability Ratios (%)										
Yield on loans	12.2	12.3	12.5	12.7	12.6	12.3	12.2	9.5	-321	-276
Yield on funds	9.6	9.7	9.8	9.9	9.9	9.7	9.6	7.9	-200	-178
Cost of deposits	6.1	6.4	6.4	6.5	6.5	6.6	6.6	6.5	2	-8
Cost of funds	5.3	5.4	5.5	5.6	5.6	5.6	5.7	5.6	1	-10
Margins	4.29	4.29	4.29	4.26	4.25	4.08	3.93	2.25	-201	-168
Other details										
Branches	2,606	2,631	2,728	2,984	3,013	3,040	3,063	3,081	97	18
ATMs	2,875	2,903	2,939	2,956	2,988	3,011	2,993	3,027	71	34



Highlights from the management commentary

Opening remarks

- The Board was initially unaware of the discrepancies. However, upon being informed, it took prompt steps to enhance transparency.
- It has devoted considerable time conducting an internal review, along with external experts and statutory auditors, using a broader sample size to detect accounting anomalies for FY25.
- The Board and its committees are working with advisors to identify the root cause of these lapses.
- The bank aims to reinforce its governance culture by strengthening processes and taking the necessary steps to improve staff accountability and implement a code of conduct.
- The derivative issue has been reviewed with utmost seriousness, with staff accountability being enforced across various levels.
- Considering the derivative issue, the Board has undertaken an enhanced review and identified the following: 1) In the MFI segment, incorrect recording of fee and interest income led to under-provisioning of INR18.85b over 9MFY25, and the bank is in the process of enforcing staff accountability; and 2) INR7.6b was incorrectly classified as interest income instead of other income under Other Assets & Other Liabilities.
- The Board suspects an occurrence of fraud against the bank and expects the involvement of certain staff members.
- The financial impact of all identified issues have been taken into account for FY25. The bank aspires to start FY26 on a clean slate.
- To elect the MD & CEO, the bank is required to submit its recommendation to the RBI by 30th Jun'25. Accordingly, the bank is in advanced stages of identifying the candidate. In the interim, a committee of executives under the Board's oversight, has been entrusted with managing the bank's operations.
- The financial impact related to 4QFY25 has been fully accounted for in FY25. The bank's approach is to begin FY26 with a clean slate.
- The bank's BS remained healthy after taking into account all the irregularities, with the CRAR at 16.24%, PCR at 70%, and LCR at 118%.

Retail

- Growth in this segment was 17% YoY/6% QoQ.
- MSME book reached INR180b, posting 9% YoY/3% QoQ growth (key focus area).
- LAP maintained steady traction with growth of 15% YoY/3% QoQ.
- Another focus area is home loans, which registered 151% YoY growth.
- The bank's credit card market share stood at 5.31%. It aims to scale up secured other retail assets at a faster pace and improve diversification of the book.

MFI business

- The O/s book stood at INR380b, declining by 21% YoY/5% QoQ.
- This book observed stabilization in 4QFY25, leading to disbursements growth by 1.4% QoQ.

- The bank adopted a cautious approach, with 94% disbursements taking place through branches, with low flows from current arrears, and customers and centers with high vintage.
- The bank has implemented MFIN guardrails from Apr'25, and the impact has been limited so far.
- Update on Karnataka – asset quality is improving and the current book net off collection efficiency has improved from 96.4% in Feb'25 to 98.2% in Mar'25. 31-91DPD reduced to 2.3% as of Mar'25 vs 4.1% in Dec'24.
- Slippages were elevated due to accumulated stress in earlier periods and misclassification earlier. The stress is expected to remain elevated in 1HFY26, with some improvement expected from 2HFY26, subject to industry elections, potential monsoon uncertainties, and the implementation of MFIN guardrails.
- Bharat Super Store: Customers stood at 664m and the book stood at INR72.60b (up 30% YoY), resulting in the share of non-MFI book improving from 12% in Mar'24 to 19% in Mar'25. The liability book of Bharat Super Store came in at INR26b (up 3% QoQ) and has 19m accounts.

Vehicle segment

- Loan grew 8% YoY/2% QoQ, in 4QFY25, disbursements stood at INR122b (3% YoY). Industry volumes have grown by a single digit.
- The bank has maintained its market share in the PV and CV segments. It holds a consolidated position in tractors, as it has reinforced its underwriting standards and processes.
- Asset quality trends in this portfolio have been improving. Except for tractors, all segments saw improved gross slippages. The bank has refrained from selling any portfolio to ARCs and focused on collection, which led to an optically increasing GNPA.
- Restructured book showed reduction from INR5.47b in Mar'24 to INR1.19b in Mar'24; majority reduction has been from upgrade and recoveries.
- Going forward, improving fiscal, benign oil prices, falling interest rates, and expectations of good monsoons would support recovery in industry volumes

Corporate

- During the quarter, the bank exited the corporate book for liquidity and balance sheet management, resulting in a decline of book by 16% QoQ /6% YoY. Management highlighted this as a tactical decision for better management during the quarter; however, it has resumed selective disbursements in 1QFY26.
- The bank continues its endeavor to scale up granular small corporates and while being selective to large companies.
- A+ and above rates at 77% remained steady YoY, with a slight decline QoQ (79% in Dec'24).
- Weighted average rating stood at 2.75 in Mar'25 vs 2.51 in Mar'24.
- Diamond Portfolio – Asset quality remains healthy and there is no SMA. Growth is subdued due to weak industry demand.
- Gross slippages in this portfolio were elevated at INR2.2b, majorly on account of one restructured real estate account of INR1.4b.
- Corporate restructured book reduced to INR1.47b vs INR 5.83b YoY.
- SMA 1 & 2 improved from 24bp vs 20bp QoQ.

Deposits

- Deposits grew 7% YoY/steady QoQ. Deposit book was resilient in turbulent conditions.
- Retail deposits grew 9% YoY and stood at 45.1% of overall deposits.
- LCR as of 31.03.25 was 156%, reflecting a surplus liquidity of INR620b.
- Affluent book stood at INR583b, growing 9% YoY, with the AUM of INR1t (up 24% YoY).
- NRI deposits grew 28% YoY.
- The top 20 depositors' concentration was 14.87% in Mar'25 vs 17.4% in Mar'24. CD – 8.2% of overall deposit and borrowings.
- Retaliation of deposits has been a core strategy, and the one bank approach is new initiative.

Loans and deposits related

- Bank remains confident of building up the deposit franchise well while keep COD good.
- 100% of PL and CC are originated digitally.
- Average LCR 118% and excess SLR INR 396bn; LCR in the first half of 1QFY26 was 139%.
- Sequential improvement in all loan segments other than MFI.
- Derivative related issue: a) Reversed other income by INR 19.60bn; b)MFI business: Reversed revenue of INR 4.23bn, net of interim provisions and actual interest income (Interest Income – INR 6.73bn, fee income of INR 1.72bn, adjusted for interim provision of INR 3.2bn and actual interest income of INR 1.01bn; c)Unsubstantiated other assets and other liabilities – INR 5.95bn (no P&L impact); d)MFI book slippages: Recognized higher slippages of INR 35.09bn, leading to interest reversal of INR 1.78bn; and e) Regrouping P&L items of INR 7.6bn from Interest income to Other income and INR1.58bn from provisions to other opex.
- CRAR is at 16.24%, ~15.10% is CET-1 .
- The bank continues to invest in new businesses like home loans and affluent business.
- The search process for new CEO is in an advanced stage.
- Retail deposit growing, with no slowdown expected.
- The approach of disbursement is taking into account vintage and prioritizes customers who are fast paying. The bank will remain cautious on MFI.
- Bared on quantification of accounting discrepancies identified, other assets amounting to INR19.59bn being accumulated notional profit since FY16 have been written-off as prior period item in current FY.
- Corporate run off was there to strategically build up the liquidity.
- Normal interest reversals have occurred due to slippages, impacting normal business. Additionally, a reduction in the MFI mix led to lower yield and NIM was affected apart from these one-offs.

Margins, yields, cost

- The bank will comply with all laws for finding out accountability for such discrepancies.
- NIM stood at 2.25% in 4QFY25. If these discrepancies would not have happened then NIM would be 3.47%.
- On a BAU basis, NII would be INR 47bn, Other income - INR 25bn, opex at INR 42bn, resulting in PPOP – INR 30.60bn.
- Some parts of interest income have been classified to fee income and therefore fee income has remained as it is.

Asset quality-related

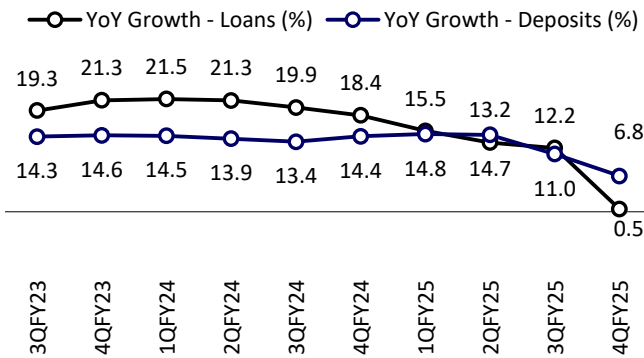
- Ex-MFI, slippages credit cost in other segment has been stable or better. In MFI, additional slippage has been taken.
- In FY26, MFI slippages still remain elevated and normalcy is at least six months away.
- Provisions increased sharply by 165% YoY/ 44.6% QoQ to INR25.2b, while the bank also utilized the outstanding contingent provisions entirely.
- Gross Slippages: VF – INR 6.57bn, Corporate – INR 2.2bn, other retail - INR 6.28bn, MFI 35.09bn.
- Improvement in SRs stood at 27bps and restructured book 12bps and stable SMA 24bps.

Story in charts

Exhibit 1: Key adjustments (due to accounting lapses and discrepancies)

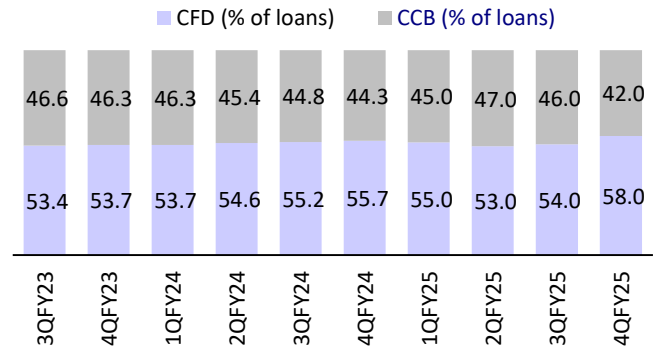
Descriptions	INRb	Remarks	Adjustment done by bank
Derivative trade profit written off in FY25 (since FY16)	19.60	Impact on P&L	
Set-off of incorrect entries (other asset/liabilities)	5.95	No impact on P&L	
Reversal of incorrect cumulative interest income	6.74	Impact on P&L	❖ Impact of INR4.23b, net of interim provision of INR3.22b and actual int income for the period of INR1.014b
Reversal of incorrect fee income	1.73	Impact on P&L	
Interim provision and actual interest income to be netted	-4.24	Impact on P&L	
Additional NPA provisioning impact (due to misclassification as standard assets along with an accrual of interest income)	19.69	Impact on P&L	❖ 95% of additional NPA is at INR17.91b + reversal of int income of INR1.78b
Interest payment on borrowing not recognized earlier	1.00	Impact on P&L	
Provisions with respect to other assets not expected to be realized	1.33	Impact on P&L	❖ Net adverse impact of these corrections would be INR3.12b
Prior period opex	2.06	Impact on P&L	
Prior period income	-1.27	Impact on P&L	
Reclassification from int income to other income	7.61	No impact on P&L	
Reclassification from provisions to other opex	1.58	No impact on P&L	
Total adverse impact on P&L	46.64		
Reported PBT in 4QFY25	-30.1		
PBT adjusted for discrepancies	16.5		
Tax	4.1		
PAT adjusted for discrepancies	12.4		

Exhibit 2: Loans/deposits grew 0.5%/6.8% YoY



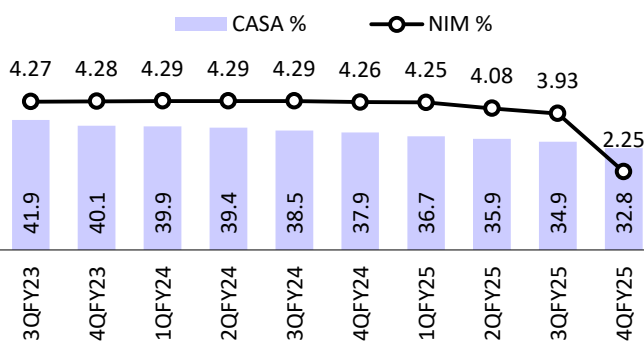
Source: MOFSL, Company

Exhibit 3: CFD mix stood at 58%, while CCB stood at 42%



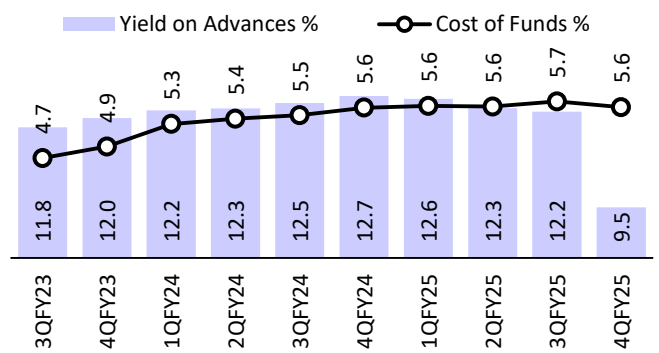
Source: MOFSL, Company

Exhibit 4: NIM contracted sharply to 2.25%; CASA ratio declined to 32.8%



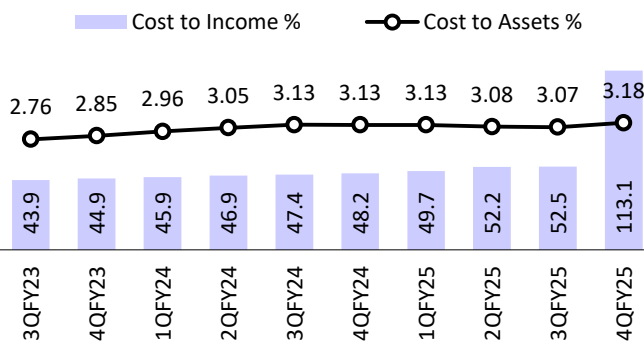
Source: MOFSL, Company

Exhibit 5: YoA moderated to 9.5%; CoF stood at 5.6%



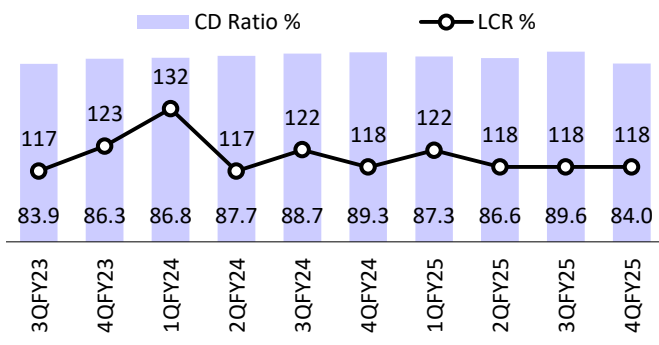
Source: MOFSL, Company

Exhibit 6: C/I ratio increased to 113.1%; C/A stood at 3.18%



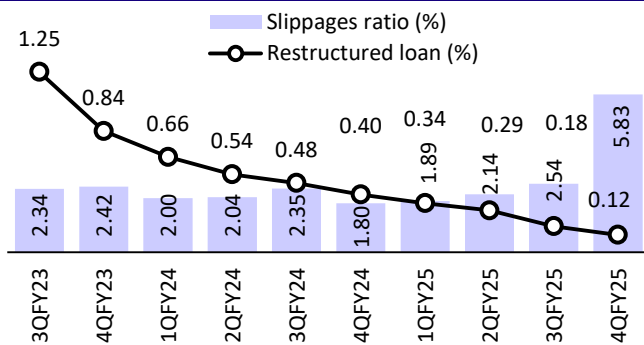
Source: MOFSL, Company

Exhibit 7: CD ratio declined to 84%; LCR ratio stood at 118%



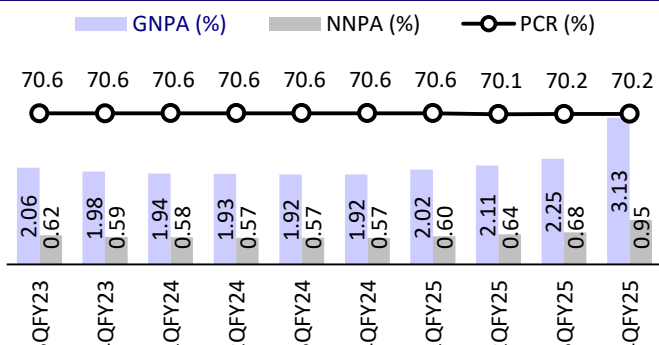
Source: MOFSL, Company

Exhibit 8: Slippage ratio increased sharply to 5.8%



Source: MOFSL, Company

Exhibit 9: GNPA/NNPA ratios increased to 3.13%/0.95%



Source: MOFSL, Company

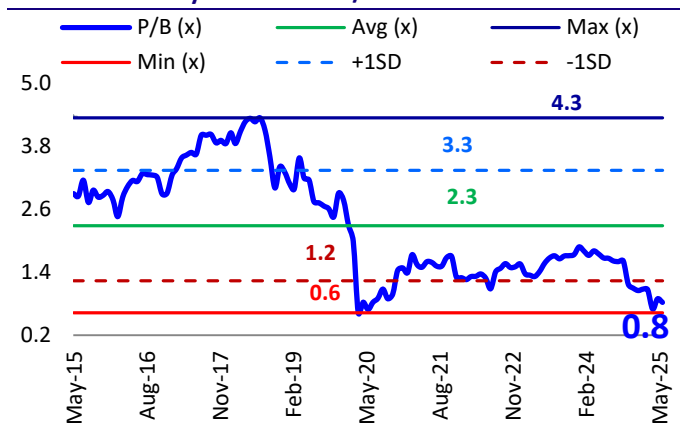
Valuation and view: Reiterate NEUTRAL with TP of INR650

- IIB's 4QFY25 was marked by multiple one-offs, including the reversal of several accounting lapses, resulting in a reported RoA of (-1.7%). The bank recognized the full impact of these issues during the quarter, leading to a negative hit of INR46.6b on PBT.
- The advances book declined as the bank strategically reduced its corporate lending to manage liquidity and optimize the balance sheet. Deposit growth remained muted in light of the ongoing corporate governance concerns. Yields continued to moderate as the bank maintained elevated liquidity buffers to manage deposit outflows, while recent high-cost CD issuances kept funding costs elevated.
- Given the evolving situation, we believe the outlook for FY26E remains weak, with subdued return ratios; we, therefore, factor in tepid business growth for the year.
- **We sharply cut our earnings estimates by 45% for both FY26E and FY27E, and estimate RoA/RoE at 0.6%/5.2% for FY26E and 0.72%/6.4% for FY27E. Reiterate NEUTRAL rating with a TP of INR650 based on 0.8x FY27E ABV from INR850 earlier. The appointment of a new CEO and the pace of business recovery will be key near-term monitorable.**

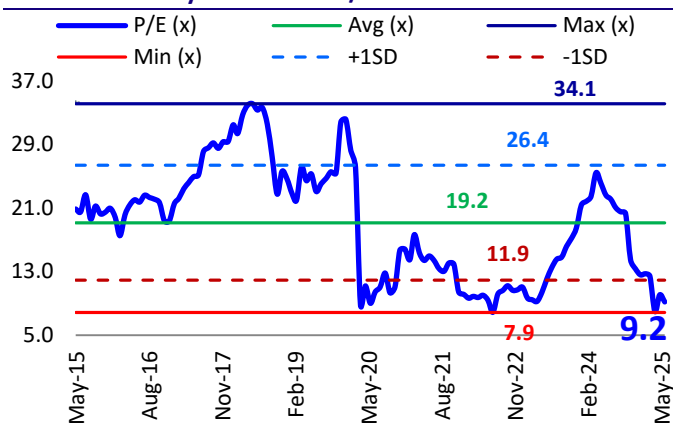
Exhibit 10: Changes in our earnings estimate

INRb	Old Estimates		New Estimates		Change (%/bps)	
	FY26	FY27	FY26	FY27	FY26	FY27
Net Interest Income	226.0	258.5	188.1	208.3	(16.8)	(19.4)
Other Income	97.6	110.7	92.3	103.4	(5.5)	(6.6)
Total Income	323.6	369.2	280.4	311.6	(13.3)	(15.6)
Operating Expenses	178.0	201.2	178.0	200.3	(0.0)	(0.5)
Operating Profits	145.5	168.0	102.4	111.4	(29.6)	(33.7)
Provisions	61.1	60.0	56.4	52.1	(7.6)	(13.2)
PBT	84.5	108.0	46.0	59.3	(45.5)	(45.1)
Tax	21.2	27.1	11.6	14.9	(45.5)	(45.1)
PAT	63.3	80.9	34.5	44.4	(45.5)	(45.1)
Loans	4,187.4	4,740.2	3,709.0	4,094.7	(11.4)	(13.6)
Deposits	4,707.5	5,352.4	4,379.8	4,791.5	(7.0)	(10.5)
Margins (%)	3.80	3.86	3.28	3.36	(51.5)	(49.9)
Credit Cost (%)	1.5	1.3	1.6	1.3	5.0	-
RoA (%)	1.06	1.21	0.60	0.72	(46.2)	(49.1)
RoE (%)	9.1	10.7	5.2	6.4	(386.0)	(422.5)
BV	931.3	1,023.3	865.4	910.4	(7.1)	(11.0)
ABV	906.7	998.0	837.0	883.2	(7.7)	(11.5)
EPS	81.3	104.0	44.2	57.0	(45.6)	(45.2)

Source: MOFSL, Company

Exhibit 11: One-year forward P/B ratio


Source: MOFSL, Company

Exhibit 12: One-year forward P/E ratio


Source: MOFSL, Company

Exhibit 13: DuPont Analysis – Return ratios are expected to remain subdued for FY26E and FY27E

Y/E March (%)	FY22	FY23	FY24	FY25	FY26E	FY27E
Interest Income	8.06	8.46	9.40	9.10	8.62	8.56
Interest Expense	4.14	4.37	5.17	5.54	5.34	5.21
Net Interest Income	3.92	4.09	4.24	3.56	3.28	3.36
Core Fee Income	1.77	1.89	1.85	1.35	1.52	1.57
Trading and others	0.16	0.02	0.08	0.09	0.09	0.10
Non Interest income	1.92	1.90	1.93	1.44	1.61	1.67
Total Income	5.84	5.99	6.17	5.00	4.89	5.02
Operating Expenses	2.43	2.64	2.91	3.00	3.11	3.23
- Employee cost	0.91	0.97	1.10	1.13	1.17	1.21
- Others	1.53	1.67	1.80	1.88	1.94	2.01
Operating Profit	3.41	3.35	3.26	1.99	1.79	1.79
Core operating Profits	3.25	3.34	3.18	1.91	1.69	1.69
Provisions	1.73	1.04	0.80	1.33	0.98	0.84
NPA	1.08	0.90	0.63	1.33	0.97	0.82
Others	0.64	0.14	0.16	0.00	0.02	0.02
PBT	1.68	2.31	2.46	0.66	0.80	0.96
Tax	0.43	0.58	0.62	0.18	0.20	0.24
RoA	1.26	1.73	1.85	0.48	0.60	0.72
Leverage (x)	8.4	8.4	8.3	8.4	8.7	9.0
RoE	10.6	14.5	15.3	4.0	5.2	6.4

Source: MOFSL, Company

Financials and valuations

Income Statement							(INRb)
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Net Interest Income	135.3	150.0	175.9	206.2	190.3	188.1	208.3
-growth (%)	12.2	10.9	17.3	17.2	-7.7	-1.2	10.7
Non Interest Income	65.0	73.4	81.7	94.0	76.9	92.3	103.4
Total Income	200.3	223.5	257.6	300.1	267.2	280.4	311.6
-growth (%)	5.4	11.6	15.3	16.5	-11.0	4.9	11.1
Operating Expenses	81.6	93.1	113.5	141.5	160.6	178.0	200.3
Pre Provision Profits	118.7	130.3	144.2	158.6	106.6	102.4	111.4
-growth (%)	10.2	9.8	10.6	10.0	-32.8	-3.9	8.7
Core PPOp	103.9	124.4	143.5	154.6	101.9	97.0	105.2
-growth (%)	1.6	19.8	15.4	7.7	-34.1	-4.8	8.4
Provisions	79.4	66.0	44.9	38.8	71.4	56.4	52.1
PBT	39.3	64.3	99.3	119.8	35.3	46.0	59.3
Tax	10.0	16.3	24.9	30.0	9.5	11.6	14.9
Tax Rate (%)	25.4	25.3	25.1	25.1	27.0	25.1	25.1
PAT	29.3	48.0	74.4	89.8	25.8	34.5	44.4
-growth (%)	-33.7	64.0	54.9	20.6	-71.3	33.9	28.8
Balance Sheet							
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	7.7	7.7	7.8	7.8	7.8	7.8	7.8
Reserves & Surplus	427.2	472.4	541.8	623.3	639.1	668.0	703.1
Net Worth	435.0	480.1	549.6	631.0	646.9	675.8	710.8
Deposits	2,558.7	2,933.5	3,361.2	3,845.9	4,108.6	4,379.8	4,791.5
-growth (%)	26.6	14.6	14.6	14.4	6.8	6.6	9.4
- CASA Dep	1,067.9	1,253.3	1,347.3	1,456.7	1,347.9	1,489.1	1,653.1
-growth (%)	30.9	17.4	7.5	8.1	-7.5	10.5	11.0
Borrowings	513.2	473.2	490.1	476.1	537.0	580.3	652.5
Other Liabilities & Prov.	122.1	132.7	177.0	196.9	247.1	286.6	332.4
Total Liabilities	3,629.0	4,019.7	4,578.4	5,150.9	5,541.1	5,922.5	6,487.3
Current Assets	566.1	685.8	567.8	369.1	593.8	535.7	533.5
Investments	696.5	709.3	830.8	1,064.9	1,144.6	1,259.0	1,397.5
-growth (%)	16.1	1.8	17.1	28.2	7.5	10.0	11.0
Loans	2,126.0	2,390.5	2,899.2	3,433.0	3,450.2	3,709.0	4,094.7
-growth (%)	2.8	12.4	21.3	18.4	0.5	7.5	10.4
Fixed Assets	18.8	19.3	20.8	23.2	25.0	27.1	29.7
Other Assets	221.7	214.7	259.8	260.8	327.6	391.7	431.9
Total Assets	3,629.0	4,019.7	4,578.4	5,150.9	5,541.1	5,922.5	6,487.3
Asset Quality							
GNPA	57.9	55.2	58.3	66.9	110.5	106.4	102.9
NNPA	14.8	15.3	17.8	20.4	32.9	31.6	30.3
Slippage	76.6	101.0	68.9	60.3	105.5	78.8	74.1
GNPA Ratio (%)	2.7	2.3	2.0	1.9	3.1	2.8	2.5
NNPA Ratio (%)	0.7	0.6	0.6	0.6	1.0	0.9	0.7
Slippage Ratio (%)	3.65	4.47	2.61	1.91	3.06	2.2	1.9
Credit Cost (%)	3.79	2.92	1.70	1.23	2.07	1.6	1.3
PCR (Excl Technical write off) (%)	74.5	72.3	69.4	69.5	70.2	70.3	70.6
E: MOFSL Estimates							

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Yield and Cost Ratios (%)							
Avg. Yield-Earning Assets	9.3	8.6	9.0	10.0	9.7	9.2	9.2
Avg. Yield on loans	11.5	11.1	11.3	12.0	11.5	11.2	11.1
Avg. Yield on Investments	6.8	7.2	6.0	5.8	6.2	6.6	6.9
Avg. Cost-Int. Bear. Liab.	5.4	4.9	5.2	6.1	6.6	6.4	6.2
Avg. Cost of Deposits	5.0	4.5	5.0	6.0	6.2	6.1	5.9
Interest Spread	4.3	4.1	4.0	4.0	3.5	3.1	3.3
Net Interest Margin	4.6	4.7	5.0	4.8	4.1	3.8	3.9
Capitalisation Ratios (%)							
CAR	17.4	18.4	17.9	17.2	16.9	16.2	15.0
Tier I	16.8	16.8	16.4	15.8	15.1	14.5	13.4
-CET-1	15.6	16.0	15.9	15.8	15.1	14.5	13.4
Tier II	0.6	1.6	1.5	1.4	1.8	1.7	1.6
Business Ratios (%)							
Loans/Deposit Ratio	83.1	81.5	86.3	89.3	84.0	84.7	85.5
CASA Ratio	41.7	42.7	40.1	37.9	32.8	34.0	34.5
Cost/Assets	2.2	2.3	2.5	2.7	2.9	3.0	3.1
Cost/Total Income	40.7	41.7	44.0	47.1	60.1	63.5	64.3
Cost/Core Income	44.0	42.8	44.1	47.8	61.2	64.7	65.6
Int. Expense/Int. Income	53.4	51.3	51.6	54.9	60.9	61.9	60.8
Fee Income/Total Income	25.0	30.2	31.5	29.9	27.0	31.0	31.2
Non Int. Inc./Total Income	32.5	32.9	31.7	31.3	28.8	32.9	33.2
Empl. Cost/Total Expense	37.3	37.3	36.8	38.0	37.5	37.6	37.6
Efficiency Ratios (INRm)							
Employee per branch (in nos)	14.7	14.9	14.7	15.3	16.0	16	17
Staff cost per employee	1.0	1.0	1.1	1.2	1.2	1	1
CASA per branch	530	553	517	488	426	440	456
Deposits per branch	1,270	1,295	1,290	1,289	1,299	1,294	1,323
Business per Employee	157.9	157.3	164.0	159.5	149.2	146.5	147.6
Profit per Employee	1.0	1.4	1.9	2.0	0.5	0.6	0.7

Profitability Ratios and Valuations

RoA	0.9	1.3	1.7	1.8	0.5	0.6	0.7
RoE	7.6	10.6	14.5	15.3	4.0	5.2	6.4
RoRWA	1.1	1.6	2.2	2.3	0.7	0.8	1.0
Book Value (INR)	560	618	707	810	830	865	910
-growth	12.5	10.3	14.4	14.6	2.5	4.2	5.2
Price-BV (x)	1.4	1.2	1.1	0.9	0.9	0.9	0.8
Adjusted BV (INR)	547	604	691	792	801	837	883
Price-ABV (x)	1.4	1.3	1.1	1.0	1.0	0.9	0.9
EPS (INR)	39.9	62.1	96.0	115.5	33.1	44.2	57.0
-growth	-41.4	55.4	54.7	20.3	-71.4	33.8	28.8
Price-Earnings (x)	19.2	12.4	8.0	6.6	23.2	17.3	13.5
Dividend Per Share (INR)	0.0	5.0	8.5	14.0	10.0	11.0	12.0
Dividend Yield	0.0	0.7	1.1	1.8	1.3	1.4	1.6

E: MOFSL Estimates

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