

## More uncertainty ahead

In a key development, Mr. Sumant Kathpalia, who has served as the MD and CEO of IndusInd Bank (IIB IN) for the past five years, has resigned with immediate effect. This follows the resignation of Deputy CEO Mr. Arun Khurana just yesterday. This potentially raises concerns on several aspects but more importantly two critical facets: (1) uncertainty in leadership, further contributing to an already ambiguous environment regarding the bank's strategic direction, and 2) potential financial implications given the hit to customer confidence. Additionally, the likelihood of further transitions in key managerial positions in the coming months adds to the instability. We believe this could elongate the recovery trajectory. Thus, we maintain Sell on the stock with TP at INR 830 and remain watchful of further developments.

**Leadership exits – Domino effect:** Recently, IIB has witnessed a series of negative events. These include: (1) the resignation of CFO Mr. Gobind Jain and ongoing attrition at senior levels, (2) the MD and CEO receiving a shorter tenure extension for a second time, (3) deficiencies identified in derivatives accounting practices, (4) the resignation of Deputy CEO Mr. Arun Khurana and 5) the most recent and significant development – the resignation of Mr. Kathpalia (MD and CEO).

**Transitory challenges persist:** Following the exit of the MD and CEO and the Deputy CEO, the Board has approached the Reserve Bank of India (RBI) seeking an approval to form a "Committee of Executives" to carry out the responsibilities of the CEO in the interim. This is a temporary measure to ensure operational continuity, but uncertainty during the transition period persists. This puts IIB in a position of vulnerability and raises many open-ended questions – viz., would there be an RBI nominated director? How long would the entire transition last? Could there be further transitions?

**Financial implication likely:** With multiple negative events raising credibility issues, the possibility of the deposit being hit cannot be ruled out as customer confidence is affected. Core profitability would be hit and more importantly, recovery will take time.

**Maintain Sell with a TP of INR 830:** Past year has been challenging for IIB, considering constant fall-outs. There has been a >20% correction in the past six months. The stock currently trades at 0.8x FY27E P/BV. We shall monitor related changes before revising estimates basis this development, as concerns are material. We continue to maintain Sell on [IIB](#) with TP at INR 830, and remain watchful of further developments.

**Prakhar Agarwal**

Banking & Financials  
+91 22 6164 8502  
prakhar.agarwal@elaracapital.com

Associate  
Kartik Solanki  
kartik.solanki@elaracapital.com  
Palak Shah  
palak.shah@elaracapital.com



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**India**

**Elara Securities (India) Private Limited**  
One International Center, Tower 3,  
21st Floor, Senapati Bapat Marg,  
Elphinstone Road (West)  
Mumbai – 400 013, India  
Tel : +91 22 6164 8500

**Europe**

**Elara Capital Plc.**  
6th Floor, The Grove,  
248A Marylebone Road,  
London, NW1 6JZ,  
United Kingdom  
Tel : +44 20 7486 9733

**USA**

**Elara Securities Inc.**  
230 Park Avenue, Suite 2415,  
New York, NY 10169, USA  
Tel: +1 212 430 5870  
Fax: +1 212 208 2501

**Asia / Pacific**

**Elara Capital (Asia) Pte.Ltd.**  
One Marina Boulevard,  
Level 20,  
Singapore 018989  
Tel : +65 6978 4047


**Managing  
Director**

**Harendra Kumar** | harendra.kumar@elaracapital.com | +91 22 6164 8571


**Head of  
Research**

**Dr Bino Pathiparampil** | bino.pathiparampil@elaracapital.com | +91 22 6164 8572

**Sales Team**

**India**

**Hitesh Danak** - hitesh.danak@elaracapital.com - +91 22 6164 8543  
**Ashok Agarwal** - ashok.agarwal@elaracapital.com - +91 22 6164 8558


**India, APAC &  
Australia**

**Sudhanshu Rajpal** - sudhanshu.rajpal@elaracapital.com - +91 22 6164 8508  
**Joshua Saldanha** - joshua.saldanha@elaracapital.com - +91 22 6164 8541  
**Shraddha Shrikhande** - shraddha.shrikhande@elaracapital.com - +91 22 6164 8567


**India & UK**

**Prashin Lalvani** - prashin.lalvani@elaracapital.com - +91 22 6164 8544


**India & US**

**Karan Rathod** - karan.rathod@elaracapital.com - +91 22 6164 8570


**Corporate  
Access,  
Conference &  
Events**

**Anita Nazareth** - anita.nazareth@elaracapital.com - +91 22 6164 8520  
**Tina D'souza** - tina.dsouza@elaracapital.com - +91 22 6164 8595

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**Elara Securities (India) Private Limited**

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Investor Grievance Email ID: investor.grievances@elaracapital.com - Tel. +91 22 6164 8509  
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