

INDUSIND BANK

RESULT UPDATE

KEY DATA

Rating	REDUCE
Sector relative	Neutral
Price (INR)	802
12 month price target (INR)	600
52 Week High/Low	1,499/605
Market cap (INR bn/USD bn)	625/7.2
Free float (%)	84.3
Avg. daily value traded (INR mn)	6,473.5

SHAREHOLDING PATTERN

	Jun-25	Dec-24	Sep-24
Promoter	15.8%	15.8%	16.3%
FII	33.7%	29.5%	24.7%
DII	33.6%	36.7%	42.8%
Pledge	50.9%	50.9%	50.9%

FINANCIALS

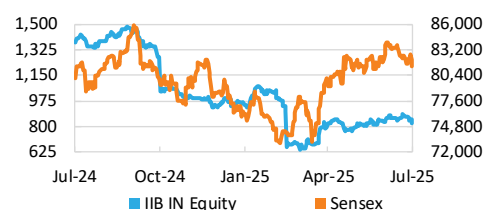
(INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Revenue	300038	267155	265251	302316
PPoP	157403	106449	91688	111396
Adjusted profit	89498	26429	24690	35883
Diluted EPS (INR)	115.0	33.9	31.7	46.1
EPS growth (%)	20.7	(70.5)	(6.6)	45.3
RoAE (%)	15.2	4.2	3.8	5.2
P/E (x)	7.0	23.6	25.3	17.4
P/BV (x)	1.0	1.0	0.9	0.9

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	2,65,251	3,02,316	-7.0%	-8.0%
PPoP	91,688	1,11,396	-10.5%	-7.7%
Adjusted profit	24,690	35,883	-20.1%	-12.8%
Diluted EPS (INR)	31.7	46.1	-20.1%	-12.8%

PRICE PERFORMANCE



Fees crash, uptick in NPL; RoA at 45bp

IIB reported a weak Q1FY26 with pressure on growth, uptick in NPLs and a crash in fee income of 35% YoY with a steep fall in every line item. Core PPOP plunged 47% YoY/32% QoQ. RoA slid to 45bp from 103bp in Q3FY25 and 168bp YoY. Core NIM at 3.35% is lower than 3.47% in Q4FY25, 3.9% in Q3FY25 and 4.25% YoY. While core MFI slippage reduced 48% QoQ, CV slippage rose 13% each QoQ and YoY, and other retail and corporate slippage rose 11% QoQ each.

We are cutting earnings and reiterate 'REDUCE', maintaining the TP of INR600/0.7x BV FY26E. With RoA unlikely to get close to 1% through FY27E, we see the risk-reward as unfavourable. Management clarified there is no one-off in fee and that Q1FY26 is the new base.

Crash in fees; growth weak

Loans fell 4% YoY/3% QoQ with MFI and corporate each declining 8% QoQ. MFI disbursals slid 36% QoQ. Reported NIM stood at 3.46%. Core NIM at 3.35% is much lower than 3.47% in Q4FY25, 3.93% in Q3FY25 and 4.25% in Q4FY25. Core NII dipped 17% YoY/4% QoQ. Core fees declined 34% QoQ/35% YoY with a sharp fall in every line item. Management explained that Q1FY26 fees should be taken as the new base and pointed that some of it was impacted due to slower growth in VF/MFI and decline in corporate. The new reset of fees/asset at 1.1% is lower than the normalised 1.6%. Trading gains were high, up 72% QoQ. While reported PPOP improved QoQ, core PPOP (adjusting for one-offs in NII and non-interest income in Q4FY25) fell sharply by 32% QoQ/47% YoY. Total provisions rose 65% YoY. PAT came off 68% YoY. RoA slid to 45bp from 103bp in Q3FY25 and 168bp YoY. Consolidated profit is lower than standalone profit by INR800mn due to a loss in BFIL, its wholly owned microfinance subsidiary. ~26% of loans are EBLR-linked. CET-1: 15.48%.

Uptick in non-MFI slippage and MFI SMA

Core MFI slippage fell 48% QoQ. But incremental stress in MFI rose in Q1FY26, leading to a spike in SMA loans. CE edged down to 99% in Jun-25 from 99.5% in Mar-25 due to new guardrails and the Karnataka issue. It will take six months for the MFI stress to fully resolve. Vehicle slippage jumped 13% each QoQ and YoY. Other retail slippage: up 11% QoQ. Corporate slippage rose 11% QoQ. NPL spiked in all retail segments. NPLs in CVs—including MHCV, PV, CE and small CVs—shot up 28% QoQ/100% YoY. Management stated IIB is not seeing undue stress in CV. Tractor NPLs rose 41% QoQ/205% YoY. NPLs for HL/PL rose 15% QoQ while MFI NPLs rose 17% QoQ. Total retail NPLs: up 16% QoQ; total NPLs: up 13% QoQ. NNPA of 1.12% is higher than normalised 0.6—0.93% QoQ. PCR: steady at 70%. Credit cost: 2% versus 1.2% YoY.

Financials

Year to March	Q1FY26	Q1FY25	% Change	Q4FY25	% Change
Net Revenue	67,961	78,489	-13.4	37,571	80.9
Pre-provisioning Profits	26,522	39,267	-32.5	-4,725	N.M.
Reported Profits	6,843	21,522	-68.2	-22,360	N.M.
EPS	8.8	27.6		-28.7	

Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Net interest income	2,06,159	1,90,313	1,89,487	2,16,669
Non interest income	93,879	76,842	75,764	85,647
Fee and forex income	76,970	79,320	57,764	66,197
Misc. income	9,919	9,690	9,500	10,450
Investment profits	6,990	(12,168)	8,500	9,000
Net revenues	3,00,038	2,67,155	2,65,251	3,02,316
Operating expense	1,42,635	1,60,707	1,73,563	1,90,919
Employee exp	38,953	43,014	46,455	51,100
Other opex	1,03,682	1,17,693	1,27,108	1,39,819
Preprovision profit	1,57,403	1,06,449	91,688	1,11,396
Provisions	37,987	70,301	58,636	63,361
PBT	1,19,415	36,147	33,052	48,036
Taxes	29,918	9,718	8,362	12,153
PAT	89,498	26,429	24,690	35,883
Extraordinaries	0	0	0	0
Reported PAT	89,498	26,429	24,690	35,883
Diluted EPS (INR)	115.0	33.9	31.7	46.1

Important Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Net interest margins	4.3	3.7	3.5	3.8
Cost-income	47.5	60.2	65.4	63.2
Tax rate	25.1	26.9	25.3	25.3

Valuation Metrics

Year to March	FY24A	FY25A	FY26E	FY27E
Diluted PE (x)	7.0	23.6	25.3	17.4
Price/BV (x)	1.0	1.0	0.9	0.9

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Equity capital	7,783	7,791	7,791	7,791
Reserves	6,20,188	6,37,135	6,60,710	6,91,336
Net worth	6,27,971	6,44,926	6,68,501	6,99,127
Deposits	38,47,929	41,10,781	43,57,428	48,36,745
Borrowings	4,76,114	5,37,036	5,90,739	6,49,813
Other liabilities	1,97,337	2,47,442	2,72,186	3,04,848
Total	51,49,351	55,40,184	58,88,854	64,90,533
Assets				
Loans	34,32,983	34,50,186	36,57,197	40,22,917
Investments	10,65,267	11,44,968	13,97,187	16,84,437
Cash & equi	3,68,016	5,91,658	4,39,635	3,41,982
Fixed assets	21,977	23,558	25,443	27,478
Other assets	2,61,108	3,29,814	3,69,392	4,13,719
Total	51,49,351	55,40,184	58,88,854	64,90,533
BV/share (INR)	806.8	827.8	858.1	897.4

Balance Sheet Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Credit growth	18.4	0.5	6.0	10.0
Deposit growth	14.4	6.8	6.0	11.0
Gross NPA ratio	1.9	3.1	3.6	3.3

ROA Decomposition (%)

Year to March	FY24A	FY25A	FY26E	FY27E
NII/Assets	4.2	3.6	3.3	3.5
Fees/Assets	1.6	1.5	1.0	1.1
Inv profits/Assets	0.1	(0.2)	0.1	0.1
Net revenues/assets	6.0	5.2	4.5	4.7
Opex/Assets	(2.9)	(3.0)	(3.0)	(3.1)
Provisions/Assets	(0.8)	(1.3)	(1.0)	(1.0)
Taxes/Assets	(0.6)	(0.2)	(0.1)	(0.2)
Total costs/Assets	(4.3)	(4.5)	(4.2)	(4.3)
RoA	1.8	0.5	0.4	0.6
Equity/Assets	12.1	11.9	11.5	11.0
RoAE	15.2	4.2	3.8	5.2

Valuation Drivers

Year to March	FY24A	FY25A	FY26E	FY27E
EPS growth (%)	20.7	(70.5)	(6.6)	45.3
RoAE (%)	15.2	4.2	3.8	5.2

Q1FY26 conference call: Key takeaways

Focus on stability and governance post-Q4 one-Offs

- After the negative Q4FY25 one-offs, management's major focus will be to regain trust in the bank and to ensure continued execution of all core businesses.
- The bank has taken decisive action on all legacy, treasury, and MFI issues identified in Q4FY25.
- On the treasury side, the bank has stopped all internal deals and started upgradation of software for enhanced control and monitoring.
- While on the MFI side, the bank has increased oversight over the board and operational control in the subsidiary.
- The bank has submitted its recommendation for CEO within the prescribed time, and the application is under RBI assessment.
- In line with management's assessment, Q1FY26 does not have any financial impact or carryover of prior period legacy issues.

Key strategic priorities

The bank has identified five key focus areas, which are as follows:

- **Profitability-first approach:** The bank reduced savings account rates and curtailed growth in lower-return businesses.
- **Stringent cost management:** A robust cost management plan is being implemented across all segments. The bank has had an opex CAGR of 20% over the last three years, which management is now working to bring down to single-digit YoY growth.
- **Heightened focus on recoveries:** Efforts are being made to scale up collections and improve recoveries, with the aspiration to achieve a recovery run rate in FY26 that is better than in previous years.
- **Building One-IndusInd bank franchise:** With a range of diverse business segments, management is actively working to ensure that the collective service offering is made available to customers.
- **Effective engagement with stakeholders:** The bank continues its proactive engagement with all stakeholders, including regulators, employees and customers.

Soft vehicle loan growth amid seasonality

- Vehicle finance saw muted growth of 7% YoY/1% QoQ due to Q1 seasonality. Management stated that Q2 generally witnesses a trend of better disbursements and recoveries, and they expect the same for Q2FY26.
- Management guided that tractor finance will pick up from Q2FY26, even though the segment saw a year-on-year decline in disbursements in the current quarter.
- Management guided that overall vehicle demand for FY26 is expected to be muted, but support will come from a rural uptick due to strong monsoons, government spending and rate cuts.

Asset quality

- Net slippages for the quarter improved to 0.58% versus 0.62% YoY. Management expects slippages to remain range-bound in FY26.
- GNPA increased to 3.64% versus 2.02% YoY/3.13% QoQ as the bank has not sold any NPAs to ARCs in the last six months and is focused on internal collections.
- MFI slippage declined sequentially from INR160bn to INR90bn, but is still elevated and expected to normalize by Q3FY26.
- Gross slippages in the corporate book stood at INR2.45bn, mainly contributed by one manufacturing account of INR1.18bn, which is 50% provided for.

Yields, costs and margins

- In the wake of the recent repo rate actions, the bank has cut savings and term deposit rates by 200bp and 100bp, respectively. It sees further scope for a 40–50 bps cut in savings deposits, which will help improve the cost of funds in the coming quarter.
- NIM improved to 3.46% for the quarter; of this, 11bps was contributed by one of the past NPA recoveries and interest on an income tax refund.
- On the corporate side, yields are down 20bp due to repricing of the EBLR book. Of the total loan book, 55–58% is on a fixed rate. 40% of the total corporate book is floating, of which two-thirds is external benchmark-linked and the remaining one-third is MCLR-linked.

Other highlights

- Total core fee income for the quarter was INR15.32 bn, down 35% YoY/34% QoQ. Management guided that Q1FY26 quantum would be the new base for growth.
- Fee income decreased sequentially due to the cautious decision by management to reduce the commercial card segment and because Q4 is seasonally better for insurance fees.
- Employee expense for the quarter was INR13 bn, growing 11.5% YoY and 5.5% QoQ. This was impacted by a change in accounting policy, which amounted to INR 1.14 bn for Q1FY26.
- With a focus on granularity, the bank has reduced active issuance of certificates of deposit.
- Management explained that the recent fundraise notification is just an enabling resolution and does not necessarily require the bank to raise funds, as it is adequately capitalised.

Exhibit 1: Changes in estimates

	FY26E Old	FY27E	FY26E New	FY27E	FY26E % Change	FY27E
Revenue, INR M	2,85,272	3,28,557	2,65,251	3,02,316	-7.0%	-8.0%
PAT, INR M	30,885	41,170	24,690	35,883	-20.1%	-12.8%
EPS, INR	40	53	32	46	-20.1%	-12.8%
Target price, INR		600		600		0.0%
CMP				802		
% Downside				-25.2%		
Rating		Reduce		Reduce		

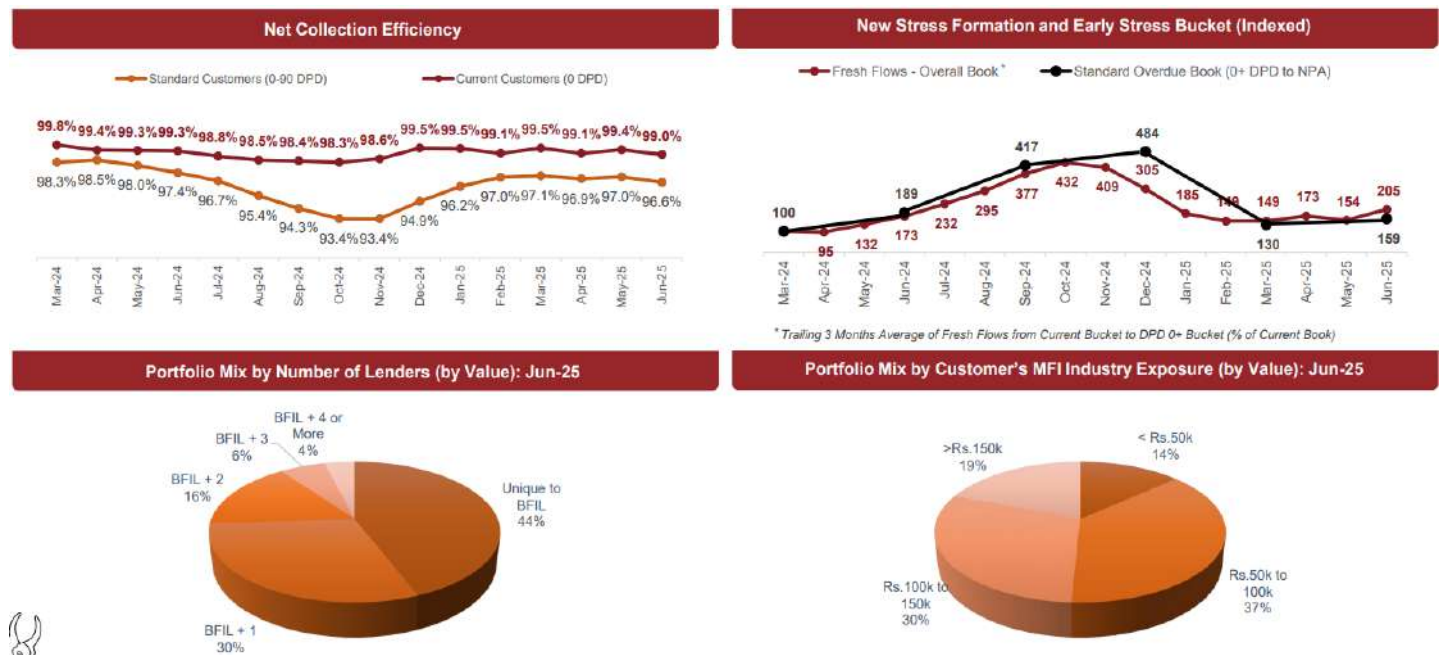
Source: Company, Nuvama Research

Exhibit 2: Lagged slippage ratio in microfinance

	%
Q1FY26	9.6
Q4FY25	35.8
Q3FY25	7.8
Q2FY25	4.6
Q1FY25	4.2
Q4FY24	4.2
Q3FY24	4.9
Q2FY24	4.7
Q1FY24	5.0

Source: Company, Nuvama Research

Exhibit 3: MFI – Asset quality analysis



Source: Company, Nuvama Research

Exhibit 4: NPA composition – Consumer banking

Q1 FY26	CV	CE	Small CV	TW	PV	Tractor	BBG/LAP	Cards	Micro Loans	Others	Total
Gross NPA	678	157	110	569	221	361	1,004	391	5,298	1,032	9,821
Gross NPA %	1.88%	1.20%	2.50%	10.21%	0.73%	4.67%	3.24%	3.50%	16.39%	2.88%	4.74%

Q4 FY25	CV	CE	Small CV	TW	PV	Tractor	BBG/LAP	Cards	Micro Loans	Others	Total
Gross NPA	546	123	84	503	159	257	968	366	4,531	897	8,434
Gross NPA %	1.52%	0.95%	1.93%	9.17%	0.54%	3.31%	3.11%	3.27%	13.18%	2.66%	4.08%

Source: Company, Nuvama Research

Exhibit 5: Breakdown of slippages

INR bn	Q1FY26		Q4FY25	
	Total Slippage	As % of lagged loans	Total slippage	As % of lagged loans
Vehicles	7.43	3.3%	6.57	3.0%
Other retail	6.92	5.2%	6.20	4.7%
MFI	8.88	9.6%	35.09	35.8%
Retail	23.23	4.9%	47.86	10.0%
Corporate	2.45	0.6%	2.20	0.6%
Total	25.68	3.0%	50.06	5.8%

Source: Company, Nuvama Research

Exhibit 6: Movement in NPA – Consumer and corporate

INR mn	Q1FY26			Q4FY25		
	Corporate	Consumer	Total	Corporate	Consumer	Total
Opening Balance	26,050	84,400	1,10,450	24,830	58,910	83,740
Fresh Addition	2,450	23,220	25,670	2,200	47,940	50,140
from Standard	2,450	23,220	25,670	2,200	47,940	50,140
from Restructured	-	-	-	-	-	-
Deductions	1,980	9,350	11,330	980	22,450	23,430
Write-offs	1,220	5,420	6,640	60	18,100	18,160
Upgrades	720	1,580	2,300	410	1,750	2,160
Recoveries	40	2,350	2,390	510	2,600	3,110
Gross NPA	26,520	98,270	1,24,790	26,050	84,400	1,10,450
Net NPA	-	-	37,215	-	-	32,871
% of GNPA	-	-	3.64%	-	-	3.13%
% of NNPA	-	-	1.12%	-	-	0.95%
PCR	-	-	70%	-	-	70%
Restructured Advances	-	-	0.10%	-	-	0.12%

Source: Company, Nuvama Research

Exhibit 7: Breakdown of provisions and stressed loans

INR bn	Q1FY26	Q4FY25	Q1FY25
PCR	87.6	77.6	50.3
- Of which Floating	0.7	0.7	0.7
Contingency	0.0	0.0	10.0
Total provisions	87.6	77.6	60.3
Mandatory provisions	17.1	17.9	15.1
Total provisions incl mandatory	104.7	95.5	75.4
GNPLs	124.8	110.5	71.3
PCR on GNPLs	70%	70%	71%
Total prov / total loans	3.1%	2.8%	2.2%
Std prov incl mandatory / total loans	0.5%	0.5%	0.7%

Source: Company, Nuvama Research

Exhibit 8: Movement in NPLs

INR mn	Q1FY26	Q4FY25	Q1FY25	YoY (%)	QoQ (%)
Gross NPA (Opening)	1,10,460	83,750	66,930	65.0%	31.9%
Add: NPA Additions	25,670	50,140	15,360	67.1%	-48.8%
Less: Reductions	11,330	23,430	11,020	2.8%	-51.6%
Gross NPA (Closing)	1,24,800	1,10,460	71,270	75.1%	13.0%
GNPA (%)	3.64%	3.13%	2.02%	162bps	51bps

Source: Company, Nuvama Research

Exhibit 9: Breakdown of loan book

INR bn	Q1FY26	Q4FY25	Q1FY25	YoY (%)	QoQ (%)
Corporate & Investment	727	767	850	-14.5%	-5.2%
Commercial Banking	459	499	542	-15.3%	-8.0%
Loan to small business	138	168	180	-23.4%	-18.2%
Total corporate & commercial	1,324	1,435	1,573	-15.8%	-7.7%
CV	360	357	338	6.4%	0.9%
Tractor	76	77	86	-11.2%	-1.1%
PV (includes cars and Utility vehicles)	301	296	266	13.1%	1.7%
3 Wheeler + Small CV	44	43	41	7.5%	1.3%
2 Wheeler	53	53	50	4.2%	-1.5%
Equipment financing	130	130	117	11.4%	0.5%
Credit Cards	111	111	108	2.5%	-0.2%
LAP	125	124	112	11.7%	0.8%
Home loan, PL etc.	350	333	251	39.3%	4.9%
Microfinance	284	309	370	-23.3%	-8.1%
BBG	180	182	167	7.7%	-1.4%
Total consumer	2,013	2,016	1,906	5.6%	-0.1%
Total advances	3,337	3,450	3,479	-4.1%	-3.3%

Source: Company, Nuvama Research

Exhibit 10: Movement of yields, cost and margins

%	Q1FY26	Q4FY25	Q3FY25	Q2FY25	Q1FY25	YoY (bps)	QoQ (bps)
NIM	3.5	2.3	3.9	4.1	4.3	-79bps	121bps
Yield on advances	11.6	9.5	12.2	12.3	12.6	-95bps	217bps
Yield on assets	9.2	7.9	9.6	9.7	9.9	-72bps	130bps
Cost of deposits	6.4	6.5	6.6	6.6	6.5	-9bps	-6bps

Source: Company, Nuvama Research

Exhibit 11: Breakdown of deposits

INR mn	Q1FY26	Q4FY25	Q3FY25	Q2FY25	Q1FY25	YoY (%)	QoQ (%)
Current Deposits	3,38,920	4,07,640	4,58,720	5,26,060	4,84,750	-30.1	-16.9
Savings Deposits	9,11,130	9,40,250	9,69,460	9,53,380	9,76,590	-6.7	-3.1
CASA Deposits	12,50,050	13,47,890	14,28,180	14,79,440	14,61,340	-14.5	-7.3
Term Deposits	27,21,390	27,60,730	26,66,200	26,47,352	25,23,790	7.8	-1.4
Total Deposits	39,71,440	41,08,620	40,94,380	41,26,792	39,85,130	-0.3	-3.3
CASA Ratio (%)	31.5	32.8	34.9	35.8	36.7	-519bps	-133bps

Source: Company, Nuvama Research

Exhibit 12: Income statement summary

INR mn	Q1FY26	Q4FY25	Q1FY25	YoY (%)	QoQ (%)
Interest on advances	96,506	83,398	1,03,520	-6.8	15.7
Income on investments	18,944	19,980	18,023	5.1	-5.2
Interest on balances with RBI	5,723	2,423	3,443	66.2	136.2
Others	1,467	538	482	204.3	172.5
Interest Income	1,22,639	1,06,339	1,25,468	-2.3	15.3
Interest expended	76,241	75,855	71,391	6.8	0.5
Net Interest Income	46,398	30,483	54,076	-14.2	52.2
Trading gains	6,250	3,640	930	572.0	71.7
Fees	15,320	23,050	23,480	-34.8	-33.5
Total Non-interest income	21,562	7,088	24,413	-11.7	204.2
Employee expenses	12,958	12,287	11,616	11.5	5.5
Other Operating expenses	28,481	30,009	27,606	3.2	-5.1
Total Operating expenses	41,439	42,297	39,222	5.7	-2.0
Operating Profit	26,522	-4,725	39,267	-32.5	-661.3
Provisions	17,378	24,166	10,498	65.5	-28.1
PBT	9,144	-28,891	28,769	-68.2	-131.6
Tax	2,301	-6,531	7,247	-68.2	-135.2
Net Profit	6,843	-22,360	21,522	-68.2	-130.6

Source: Company, Nuvama Research

Company Description

IndusInd Bank commenced its operations in 1994 and had a transformational management change in 2008. Since management change, the bank has successfully completed three phases of planning cycle and is currently undergoing the fourth phase of planning cycle.

The market has consistently rewarded IIB for its delivery on improvement in profitability metrics – ROA, ROE. Currently bank caters to the needs of both consumer and corporate customers. It has a robust technology platform supporting multi-channel delivery capabilities.

Investment Theme

We cut earnings and reiterate Reduce maintaining our TP of INR 600/0.7x BVFY26E. With RoA unlikely to get close to 1% through FY27E, we see the risk reward as unfavourable. Management clarified that there is no one-off in fee and Q1FY26 is the new base.

Key Risks

- Retail deposit mobilization is a key monitorable.
- Strengthening of controls would slow down growth
- The new CEO could rejig the top management team which is positive in the long run but the new team could take time to settle in.

Additional Data

Management

Chairman	Sunil Mehta
CFO	Gobind Jain
Auditor	Haribhakti & Co. LLP

Holdings – Top 10*

% Holding		% Holding	
LIC	5.11	Dodge and Cox	2.35
ICICI Pru	4.93	Mirae MF	2.29
HDFC MF	4.47	Govt PF Global	2.19
Nippon Life	2.83	Kotak MF	2.11
SBI Nifty 50 ET	2.59	Govt of Singapore	2.03

*Latest public data

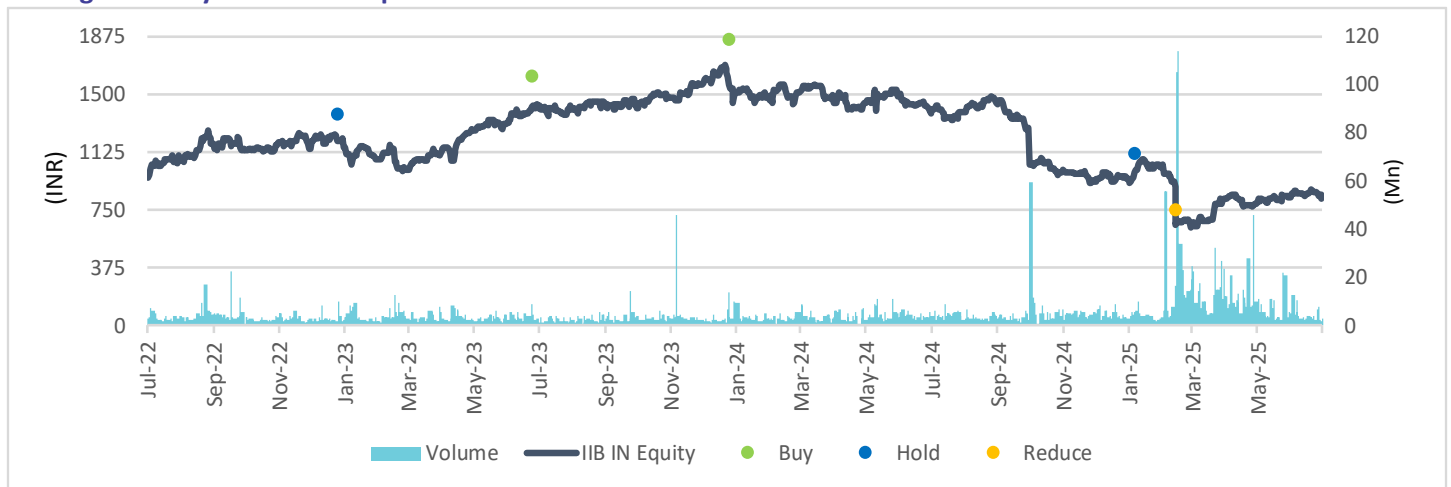
Recent Company Research

Date	Title	Price	Reco
21-May-25	Many one-offs; reconciliation shortfall; <i>Result Update</i>	769	Reduce
10-Mar-25	Derivatives' markdown hits credibility; <i>Company Update</i>	900	Reduce
07-Mar-25	RBI cuts short CEO reappointment; <i>Company Update</i>	971	Hold

Recent Sector Research

Date	Name of Co./Sector	Title
27-Jul-25	IDFC First Bank	MFI stress reduces; good progress on C/I; <i>Result Update</i>
27-Jul-25	Bank of Baroda	Q1FY26 – A mixed bag; <i>Result Update</i>
26-Jul-25	Kotak Mahindra Bank	NIM and credit cost disappoint; <i>Result Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	202
Hold	<15% and >-5%	66
Reduce	<-5%	36

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