

09 March 2025

India | Equity Research | Company Update

IndusInd Bank

Banking

RBI curtails term extension of incumbent MD&CEO

As opposed to the three-year term requested by IndusInd Bank's (IIB) board for its incumbent MD & CEO, Mr Sumant Kathpalia, RBI has approved a term renewal for only one year. This is the second consecutive instance, when Mr Kathpalia has been denied full term by RBI. We believe this may lead to deliberation on how the regulator could be construing individual capability/suitability or governance of the institution, or both. We believe the board could begin considering an MD & CEO succession plan, which may include external candidates as well. We see heightened uncertainty in the near term on possible kitchen sinking, and probable names of MD&CEO candidate. We downgrade IIB to **REDUCE** (from *Buy*) with a revised TP of INR 850 (INR 1,350), valuing the stock at ~0.9x FY26E ABV. **Risks:** Better-than-expected growth; and seamless management transition.

RBI curtails incumbent MD & CEO term extension to one year

As against the three years term requested by the board, RBI has approved term renewal for the incumbent MD & CEO, Mr Sumant Kathpalia, for only one year). This is second consecutive time, when Mr Kathpalia has been denied full term by RBI, as he was permitted a 'two-year' term in 2023.

Downgrade to REDUCE (from BUY) on near-term uncertainty and likely MD&CEO succession

We are given to understand that the regulator does not give public rationale for limited term extension. Nonetheless, we believe this may lead to deliberation on how the regulator could be construing individual capability/suitability or governance of the institution, or both. In the next few months, we believe, the board will likely deliberate over its MD & CEO succession plans, which may include external candidate as well.

We see heightened uncertainty in the near term on likely kitchen sinking, and the probable names for the MD & CEO candidature. In the near term, we believe the bank could enter soft growth patch along with bias on prudence. We cut our growth estimates to 9% YoY (vs. ~13% YoY) for FY26E. We prune our FY25/26/27 PAT estimates by 4/7/8%. We downgrade the stock to **REDUCE** (from *Buy*) with a revised TP of INR 850 (INR 1,350), valuing the stock at ~0.9x FY26E ABV. **Risks:** Better-than-expected growth; and seamless management transition.

Financial Summary

Y/E March	FY24A	FY25E	FY26E	FY27E
NII (INR bn)	206.2	211.8	239.0	281.4
Op. profit (INR bn)	157.4	145.7	159.4	192.5
Net Profit (INR bn)	89.5	60.6	75.2	96.0
EPS (INR)	115.0	77.8	96.6	123.4
EPS % change YoY	20.7	(32.3)	24.2	27.7
ABV (INR)	784.1	844.2	924.1	1,025.4
P/BV (x)	1.2	1.1	1.0	0.9
P/ABV (x)	1.2	1.1	1.0	0.9
Return on Assets (%)	1.8	1.1	1.3	1.4
Return on Equity (%)	15.3	9.3	10.6	12.3

Jai Prakash Mundhra

jai.mundhra@icicisecurities.com
+91 22 6807 7572

Hardik Shah

hardik.shah@icicisecurities.com

Market Data

Market Cap (INR)	730bn
Market Cap (USD)	8,395mn
Bloomberg Code	IIB IN
Reuters Code	INBK.BO
52-week Range (INR)	1,576 /923
Free Float (%)	85.0
ADTV-3M (mn) (USD)	59.7

Price Performance (%)	3m	6m	12m
Absolute	(5.4)	(33.5)	(40.1)
Relative to Sensex	3.6	(25.1)	(40.4)

ESG Score	2023	2024	Change
ESG score	80.4	80.2	(0.2)
Environment	75.2	77.6	2.4
Social	74.5	74.6	0.1
Governance	86.6	85.5	(1.1)

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY25E	FY26E
EPS	(4)	(7)

Previous Reports

20-02-2025: [Banking: Q3FY25 review](#)

01-02-2025: [Q3FY25 results review](#)

Exhibit 1: Shareholding pattern

	Jun'24	Sep'24	Dec'24
Promoters	16.4	16.4	16.3
Institutional investors	65.8	69.1	65.0
MFs and others	19.9	22.7	30.3
FIs/Bank	0.8	2.5	0.7
Insurance Cos.	6.7	9.3	9.3
FIIIs	38.4	34.6	24.7
Others	17.8	14.5	18.7

Source: Bloomberg, I-Sec research

Exhibit 2: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 3: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Interest income	4,57,482	5,08,898	5,63,383	6,39,101
Interest expense	2,51,323	2,97,143	3,24,344	3,57,657
Net interest income	2,06,159	2,11,755	2,39,039	2,81,445
Non-interest income	93,879	94,740	1,04,277	1,21,476
Operating income	3,00,038	3,06,495	3,43,316	4,02,921
Operating expense	1,42,635	1,60,750	1,83,895	2,10,384
Staff expense	38,953	43,741	49,158	55,221
Operating profit	1,57,403	1,45,745	1,59,421	1,92,537
Core operating profit	1,53,319	1,42,745	1,56,421	1,88,037
Provisions & Contingencies	37,987	64,795	58,920	64,188
Pre-tax profit	1,19,415	80,950	1,00,501	1,28,349
Tax (current + deferred)	29,918	20,375	25,296	32,305
Net Profit	89,498	60,575	75,205	96,044
Adjusted net profit	89,498	60,575	75,205	96,044

Source Company data, I-Sec research

Exhibit 4: Balance sheet

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Cash and balance with RBI/Banks	3,68,016	4,18,489	4,81,546	5,49,798
Investments	10,65,267	11,55,496	12,55,752	14,03,857
Advances	34,32,983	37,48,246	41,14,582	46,73,480
Fixed assets	21,977	25,111	28,324	34,623
Other assets	2,61,108	3,13,875	3,85,896	4,76,477
Total assets	51,49,352	56,61,217	62,66,101	71,38,234
Deposits	38,47,929	42,87,090	48,01,721	54,99,376
Borrowings	4,76,114	4,94,601	5,48,793	6,09,488
Other liabilities and provisions	1,97,337	1,99,460	1,70,845	2,02,030
Share capital	7,783	7,783	7,783	7,783
Reserve & surplus	6,20,188	6,72,282	7,36,958	8,19,556
Total equity & liabilities	51,49,352	56,61,217	62,66,101	71,38,234
% Growth	12.5	9.9	10.7	13.9

Source Company data, I-Sec research

Exhibit 5: Key ratios

(Year ending March)

	FY24A	FY25E	FY26E	FY27E
No. of shares and per share data				
No. of shares (mn)	778	778	778	778
Adjusted EPS	115.0	77.8	96.6	123.4
Book Value per share	803	870	953	1,059
Adjusted BVPS	784	844	924	1,025
Valuation ratio				
PER (x)	8.1	12.0	9.7	7.6
Price/ Book (x)	1.2	1.1	1.0	0.9
Price/ Adjusted book (x)	1.2	1.1	1.0	0.9
Dividend Yield (%)	1.8	1.2	1.4	1.8
Profitability ratios (%)				
Yield on advances	12.0	11.6	11.8	12.0
Yields on Assets	9.4	9.4	9.4	9.5
Cost of deposits	6.0	6.4	6.3	6.2
Cost of funds	5.2	5.5	5.4	5.3
NIMs	4.5	4.2	4.3	4.5
Cost/Income	47.5	52.4	53.6	52.2
Dupont Analysis (as % of Avg Assets)				
Interest Income	9.4	9.4	9.4	9.5
Interest expended	5.2	5.5	5.4	5.3
Net Interest Income	4.2	3.9	4.0	4.2
Non-interest income	1.9	1.8	1.7	1.8
Trading gains	0.1	0.1	0.1	0.1
Fee income	1.8	1.7	1.7	1.7
Total Income	6.2	5.7	5.8	6.0
Total Cost	2.9	3.0	3.1	3.1
Staff costs	0.8	0.8	0.8	0.8
Non-staff costs	2.1	2.2	2.3	2.3
Operating Profit	3.2	2.7	2.7	2.9
Core Operating Profit	3.2	2.6	2.6	2.8
Non-tax Provisions	0.8	1.2	1.0	1.0
PBT	2.5	1.5	1.7	1.9
Tax Provisions	0.6	0.4	0.4	0.5
Return on Assets (%)	1.8	1.1	1.3	1.4
Leverage (x)	8.3	8.3	8.4	8.6
Return on Equity (%)	15.3	9.3	10.6	12.3
Asset quality ratios (%)				
Gross NPA	1.9	2.3	2.6	2.9
Net NPA	0.6	0.7	0.7	0.8
PCR	70.6	70.0	72.0	75.0
Gross Slippages	2.1	2.3	2.0	2.0
LLP / Avg loans	1.0	1.2	1.3	1.3
Total provisions / Avg loans	1.2	1.8	1.5	1.5
Net NPA / Networth	3.1	3.9	4.0	4.2
Capitalisation ratios (%)				
Core Equity Tier 1	15.8	15.0	15.0	14.7
Tier 1 cap. adequacy	15.8	15.0	15.0	14.7
Total cap. adequacy	17.2	16.3	16.1	15.7

Source Company data, I-Sec research

This report may be distributed in Singapore by ICICI Securities, Inc. (Singapore branch). Any recipients of this report in Singapore should contact ICICI Securities, Inc. (Singapore branch) in respect of any matters arising from, or in connection with, this report. The contact details of ICICI Securities, Inc. (Singapore branch) are as follows: Address: 10 Collyer Quay, #40-92 Ocean Financial Tower, Singapore - 049315, Tel: +65 6232 2451 and email: navneet_babbar@icicisecuritiesinc.com, Rishi_agrawal@icicisecuritiesinc.com and Kadambari_balachandran@icicisecuritiesinc.com.

"In case of eligible investors based in Japan, charges for brokerage services on execution of transactions do not in substance constitute charge for research reports and no charges are levied for providing research reports to such investors."

New I-Sec investment ratings (all ratings based on absolute return; All ratings and target price refers to 12-month performance horizon, unless mentioned otherwise)
BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return

ANALYST CERTIFICATION

I/We, Jai Prakash Mundhra, MBA; Hardik Shah, CA; authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of the ICICI Securities Inc. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager, Research Analyst and Alternative Investment Fund. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities AIF Trust's SEBI Registration number is IN/AIF3/23-24/1292 ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Institutional Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Retail Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances. This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as an entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

This report has not been prepared by ICICI Securities, Inc. However, ICICI Securities, Inc. has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal, Contact number: 022-40701000, E-mail Address : complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Bhavesh Soni Email address: headservicequality@icicidirect.com Contact Number: 18601231122
