Q3FY25
IndusInd Bank Ltd.

Result Update

03rd February 2025

IndusInd Bank Ltd.

MFI segment continued to build near term pressure on growth and asset quality

CMP*	Target	Potential Upside	Market Cap (INR Mn)	Recommendation	Sector
INR 1,009	INR 1,031	2.1%	7,86,063	HOLD	Banking

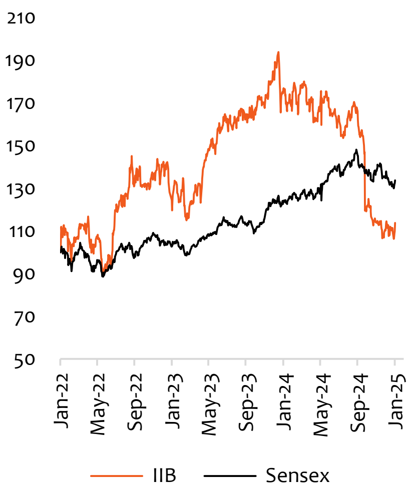
Result Highlights Q3FY25:

- In Q3FY25, Net Interest Income (NII) decreased by 1.3% YoY (-2.2% QoQ) to INR 52,281 Mn. The NII was lower by 3.6%. Pre-Provision Operating Profits (PPOP) declined by 10.9% YoY (flat QoQ) in Q3FY25 to INR 36,007 Mn. The PPOP was a 2.6% miss compared to our estimates. The net profit for Q3FY25 stood at INR 14,023 Mn, a decline of 39.1% YoY (+5.3% QoQ).
- Near-term growth remains constrained by macroeconomic stress, elevated credit costs, and cautious lending in unsecured and microfinance segments, impacting margins and asset quality.
- **We revise our Adjusted Book Value (ABV) downward by 4.3% for FY26E and 6.0% for FY27E, factoring in multiple stress points and a slower-than-anticipated recovery in the near to medium term. Rolling forward our valuation to FY27E, we assign a P/B multiple of 0.95x to the FY27E ABVPS of INR 1,084.8, leading to a revised target price of INR 1,031 (earlier INR 1,305). Given the current risk-reward dynamics, we maintain our "HOLD" rating on IndusInd Bank.**

MARKET DATA

Shares outs (Mn)	779
Mkt Cap (INR Mn)	7,86,063
52 Wk H/L (INR)	1,576/ 924
Volume Avg (3m K)	5,405
Face Value (INR)	2
Bloomberg Code	IIB IN

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	77,506
NIFTY	23,482

KEY FINANCIALS

Particulars (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
NII	175,921	206,159	213,906	239,291	276,707
PPOP	144,189	158,641	149,325	167,056	191,282
PAT	74,433	89,773	64,689	82,508	98,965
EPS (INR / Share)	96.0	115.3	83.0	105.9	127.0
ABVPS (INR / Share)	686.3	785.5	859.3	961.3	1,084.8
NIM (%)	5.0%	4.8%	4.3%	4.3%	4.3%
Advances Growth YoY (%)	21.3%	18.4%	10.4%	14.4%	14.4%

Source: Company, DevenChoksey Research

Growth continued to see a slowdown on the back of a decline in the MFI portfolio:

- Advances grew at 12.2% YoY/ 2.7% QoQ at INR 3,668,890 Mn, driven by sustained expansion in the corporate loan book and strong traction in the non-vehicle finance consumer portfolio. Vehicle finance loans grew by 8.7% YoY, in line with industry trends, with sequential loan growth accelerating to 3.3% from 1.0% QoQ. Disbursements for Q3FY25 stood at INR 133,880 Mn, reflecting a strong 25.0% QoQ rebound, reversing the declining trend observed over the past several quarters. The vehicle finance segment is expected to benefit from a recovery in industry volumes, supported by government infrastructure spending and a potentially lower interest rate environment. With improved diversification across product categories, IIB is well-positioned to capitalize on industry revival, leveraging its strong market presence and risk-calibrated lending approach.
- The MFI loan book continued to decline by 8.9% YoY/ 0.5% QoQ. However, while incremental stress formation is showing early signs of stability, IIB continues to be cautious in the microfinance segment.
- The Corporate loan book grew by 16.1% YoY/ 2.5% QoQ. Within corporate, large corporates grew by 14.0% YoY, and mid & small corporate grew by 18.0% YoY each. Looking ahead, IIB will continue to focus on building granular and diversified corporate bank franchises, leveraging on selective areas of competitive advantage.
- The other retail assets maintained robust growth momentum with 19.0% YoY/ 4.0% QoQ growth. The bank continues to scale its home loan book at a healthy pace, with outstanding at INR 31,440 Mn as of December 31, 2024, growing by 128.0% YoY. Credit card spending rose by 12.0% QoQ. The share of unsecured credit cards and PL has been maintained prudently at 5.0-6.0% of the loan book.
- Deposits grew 11.0% YoY (-0.7% QoQ) to INR 4,094,380 Mn as of December 31, 2024. CASA ratio was lower by 360 bps YoY/ 99 bps QoQ due to the outflow of some short-term flows, such as dividend mandates. Savings Account deposits saw a growth of 2.0% QoQ. IIB maintained healthy growth momentum in retail deposits as per LCR of 4.0% QoQ and 14.0% YoY.

SHARE HOLDING PATTERN (%)

Particulars	Dec-24	Sep-24	Jun-24
Promoters	16.3	16.4	16.4
FIIs	24.7	34.1	38.4
DIIs	42.8	35.1	30.2
Others	16.2	14.4	15.0
Total	100.0	100.0	100.0

*Based on previous closing
Note: All the market data is as of previous closing

10.3%

NII CAGR between FY24 and FY27E

3.3%

PAT CAGR between FY24 and FY27E

IndusInd Bank Ltd.

Operating income saw sluggishness with NIM contraction:

- Net Interest Margin (NIM) moderated to 3.93% in Q3FY25, down 15 bps QoQ and 36 bps YoY, driven by lower average balances in microfinance and EBLR repricing impact. The yield on advances declined to 12.21% (vs 12.31% in Q2FY25), reflecting pressure from a changing loan mix and softer pricing in certain segments. Meanwhile, the cost of funds increased sequentially, impacted by higher deposit costs and increased borrowings, though the rise in the cost of deposits was contained at 3 bps QoQ, primarily due to a shift in the funding mix.
- The non-interest income for the quarter stood at INR 23,550 Mn, a fall of 1.7% YoY but increased by 7.8% QoQ. The core fee income was INR 21,230 Mn. The fee income was driven by a healthy sequential pick-up in vehicles as well as microfinance disbursements.
- The trading income for the quarter grew 286.7% QoQ to INR 2,320 Mn,
- IIB continued to optimize its operating expenditures. The YoY growth in opex has been moderated to single digits at 9.1% vs 14.0% in the previous quarter. The sequential growth, too, remains contained at 1.3% QoQ. The cost-to-income, however, inched up by 507 bps YoY/ 31 bps QoQ due to slower revenue growth.
- Profit after tax for the quarter was INR 14,023 Mn, marking a decline primarily due to higher provisions and lower operating profits. However, return ratios showed a marginal improvement sequentially, with RoA and RoE at 1.03% and 8.45%, respectively, compared to 1.0% and 8.11% in Q2FY25.

Asset quality remained under pressure due to an increase in the fresh slippages in MFI and vehicle finance, particularly in the tractor segment:

- As of December 31, 2024, GNPA and NNPA were 2.25% and 0.68%, respectively, as against 2.11% and 0.64% as of September 30, 2024. The Provision Coverage Ratio stood at 70.2%.
- The gross slippage ratio stood at 0.62%, compared to 0.56% in the previous year. Segment-wise, gross slippages were led by Bharat Financial Inclusion Ltd at INR 6,950 Mn, followed by Vehicle Finance at INR 6,710 Mn, Other Retail at INR 5,530 Mn, and Corporate at INR 2,810 Mn. Gross slippages in the corporate book were mainly contributed by one restructured real estate account, which passed the DCCO deadline.
- The provisions for the quarter stood at INR 17,436 Mn, an increase of 79.9% YoY (-4.2% QoQ). Total loan-related provisions are at 2.4% of loans or 105.0% of the GNPAs.
- The contingent provisions for the quarter stood at INR 13,250 Mn, compared to INR 15,250 Mn in the previous quarter. The bank wrote off INR 3,440 Mn in microfinance loans, a significant increase from INR 730 Mn in the previous quarter. Additionally, there was a corporate account slippage from the restructured book, with the contingent provisions being primarily utilized to cover these write-offs.
- The upgrades for the quarter stood at 1,500 Mn, while the recoveries were INR 3,300 Mn. The restructured book continued to see a reduction during the quarter to 0.18% from 0.29% QoQ. The write-offs for the quarter stood at INR 9,840 Mn as against INR 6,670 Mn in Q2FY25.

Key Concall Highlights:

- IIB saw YoY growth in disbursements for MHCV, construction equipment, and two wheelers. Passenger Vehicles and SCV saw a YoY decline in disbursements. Tractors and LCV, too, saw robust improvement sequentially, albeit it's still lower YoY.
- The gross slippages in Vehicle Finance were stable at 0.74% vs 0.73% YoY, and 0.77% QoQ. The Commercial Vehicles, Passenger Vehicles and Construction Equipment saw YoY and QoQ improvement in slippages, whereas Tractors and 2-wheelers saw comparatively higher slippages.
- The microfinance segment witnessed sequential improvement in disbursements driven by pent-up demand, as well as improved eligibility of centers and customers.
- IIB remains cautious about growth, with disbursements well below its historical run rates and customer eligibility. Geographically, amongst the key states, the portfolio grew sequentially in Maharashtra and Odisha, whereas it grew in Karnataka and Uttar Pradesh.
- For the MFI segment, IIB continues to believe in its approach of focusing on 1) funding requirements of vintage customers and centers, 2) being conservative on overall customer industry indebtedness, 3) investing in collection infrastructure, and 4) continued diversification of the loan book.
- The diamond business remained robust in asset quality, while growth was subdued due to weak industry demand.
- The proportion of A and above-rated customers for the corporate segment has been at 79.0% vs 77.0% YoY, with the weighted average rating improving to 2.47 vs 2.54 YoY.
- MSME book under business banking stood at INR 177,690 Mn, a growth of 12.0% YoY. New acquisitions momentum saw an uptick with 10.0% QoQ growth driven by the maturing of the branch operating model & new product adoptions. ~80.0% of New to Bank customers are from a granular less than INR 20 Mn segment catered via its fully enabled digital lending platform specifically designed for MSME customers.
- IIB will continue to scale up its other retail assets at a faster pace, with a focus on improving the diversification of the overall loan book while increasing the retail secured mix of home loans and MSME.
- IIB's initiatives for affluent and NRI banking are showing robust traction amidst the challenging deposit environment. Affluent segment deposits at INR 603 Bn grew by 20.0% YoY, and 6.0% QoQ and AUM at INR 99Bn grew by 28.0% YoY.
- The liquidity position remained healthy during the quarter, with an average LCR of 118.0% and an average surplus liquidity of INR 408 Bn.
- INDIE continued to scale as the app was opened to all bank customers. As the upgraded digital application for all, it has seen an extremely positive trend among early adopters. The first set of 0.15 Mn clients who have migrated have shown 20.0% deepening within a month of adoption.
- IIB remains cautious about the microfinance segment. While the slippages may get elevated for another quarter, the bank's customer base is showing early signs of stability, which is expected to start reflecting from Q1FY26E onwards.

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IndusInd Bank Ltd.

Valuation and view:

IndusInd Bank's Q3FY25 performance was largely in line with expectations on operational metrics, with a net profit beat driven by lower-than-expected provisions. However, near-term stress persists due to elevated slippages in the microfinance segment, rising credit costs, and muted growth in unsecured lending, impacting asset quality and margins. Loan growth remained calibrated at 12% YoY, but stress in microfinance and cautious lending in unsecured credit cards and personal loans weighed on overall performance. Net Interest Margins (NIM) declined 15 bps QoQ to 3.93%, reflecting pressure from microfinance book runoff and higher funding costs.

We revise our net profit estimates downward by 17.6% for FY26E and 17.5% for FY27E, factoring in a slowdown in operating growth and rising credit costs, particularly due to stress in unsecured loans and the microfinance segment. We project NII/ PPOP/ PAT to grow at a CAGR of 10.8%/ 6.4%/ 3.3% over FY24-27E, reflecting margin pressures and moderated earnings growth. ROE/ROA is expected to decline to 11.3%/1.3% in FY27E, down from 14.2%/1.7% in FY24, respectively. While the bank remains well-capitalized (CET1 at 15.18%), macro uncertainty, asset quality concerns, and muted near-term earnings visibility warrant a cautious stance.

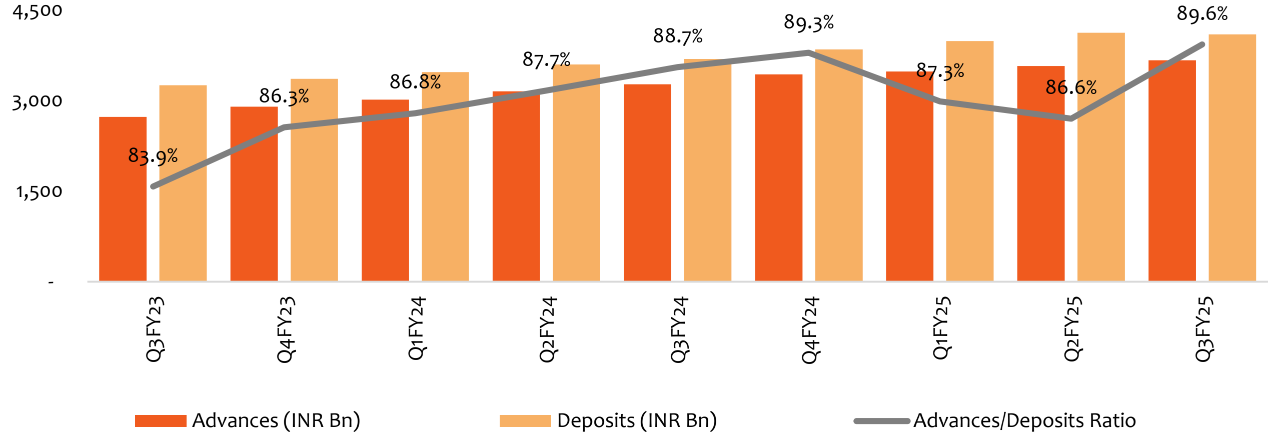
Rolling forward our valuation to FY27E, we assign a P/B multiple of 0.95x (earlier 1.3x FY26E) to the FY27E Adjusted BVPS of INR 1,084.8, leading to a revised target price of INR 1,031 (earlier INR 1,305), implying a 2.1% upside from the current market price. We maintain our "HOLD" rating on the stock of IndusInd Bank, awaiting clearer signs of stability and growth recovery before turning constructive.

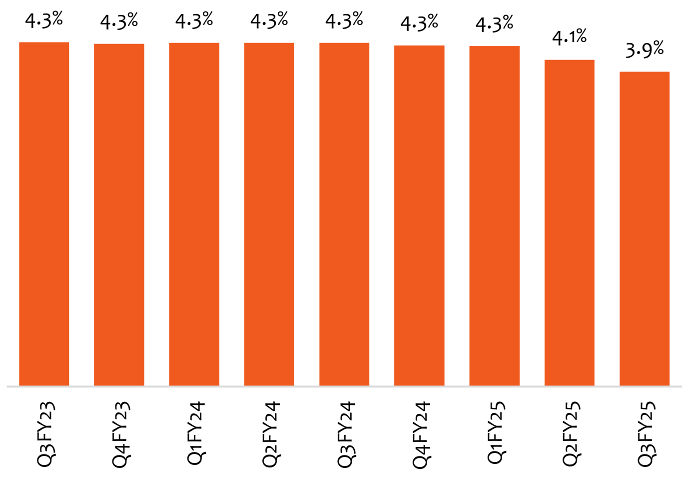
Result Snapshot Q3FY25

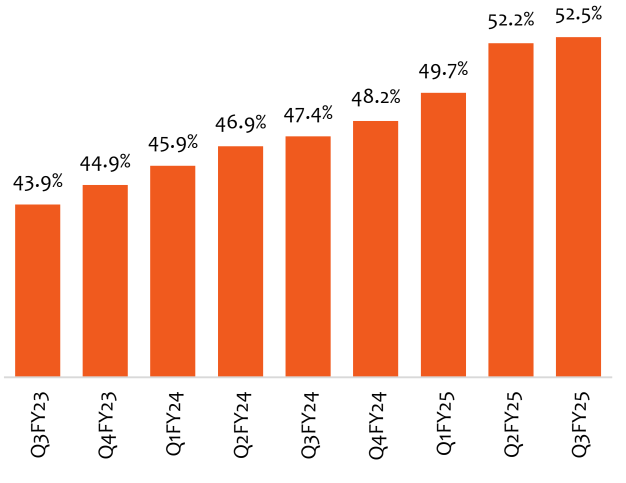
Particulars (INR in Mn)	Q3FY25	Q2FY25	Q3FY24	Q-o-Q	Y-o-Y	9MFY25	9MFY24	Y-o-Y
Income Statement								
Interest income	128,008	126,863	115,723	0.9%	10.6%	380,338	335,497	13.4%
Interest expense	75,727	73,390	62,766	3.2%	20.6%	220,508	183,102	20.4%
Net interest income	**52,281**	**53,473**	**52,956**	**-2.2%**	**-1.3%**	**159,830**	**152,395**	**4.9%**
Non-interest income	23,550	21,850	23,959	7.8%	-1.7%	69,816	68,876	1.4%
Total income	**75,831**	**75,322**	**76,916**	**0.7%**	**-1.4%**	**229,646**	**221,271**	**3.8%**
Employee costs	14,828	15,049	13,907	-1.5%	6.6%	44,262	39,637	11.7%
Other operating expenses	24,997	24,275	22,585	3.0%	10.7%	73,862	63,809	15.8%
Operating expenses	39,825	39,324	36,492	1.3%	9.1%	118,123	103,446	14.2%
Pre-provision profit	**36,007**	**35,998**	**40,423**	**0.0%**	**-10.9%**	**111,523**	**117,825**	**-5.3%**
Provisions	17,436	18,201	9,693	-4.2%	79.9%	46,136	29,346	57.2%
Profit before tax	**18,570**	**17,797**	**30,731**	**4.3%**	**-39.6%**	**65,387**	**88,479**	**-26.1%**
Tax expense	4,547	4,484	7,716	1.4%	-41.1%	16,343	22,197	-26.4%
Net profit	**14,023**	**13,313**	**23,015**	**5.3%**	**-39.1%**	**49,044**	**66,282**	**-26.0%**
Balance sheet analysis								
Deposits	4,094,380	4,123,968	3,687,930	-0.7%	11.0%	4,094,380	3,687,930	11.0%
CASA Deposits	1,428,180	1,479,440	1,419,240	-3.5%	0.6%	1,428,180	1,419,240	0.6%
CASA (%)	34.9%	35.9%	38.5%	-99bps	-360bps	34.9%	38.5%	-360bps
Advances	3,668,890	3,571,586	3,270,570	2.7%	12.2%	3,668,890	3,270,570	12.2%
Capital adequacy ratio (%)	16.5%	16.5%	17.9%	-5bps	-140bps	16.5%	17.9%	-140bps
Net Interest Margins (NIM)	3.9%	4.1%	4.29%	-15bps	-36bps	4.2%	4.3%	-10bps
Asset quality								
Gross NPA	83,753	76,385	63,771	9.6%	31.3%	83,753	63,771	31.3%
Net NPA	24,958	22,820	18,752	9.4%	33.1%	24,958	18,752	33.1%
GNPA (%)	2.25%	2.11%	1.92%	14bps	33bps	2.25%	1.92%	33bps
NNPA (%)	0.68%	0.64%	0.57%	4bps	11bps	0.68%	0.57%	11bps
PCR (%)	70.2%	70.1%	70.6%	8bps	-39bps	70.2%	70.6%	-39bps
RoA (%) (Annualized)	1.0%	1.0%	1.9%	3bps	-90bps	1.2%	1.9%	-67bps

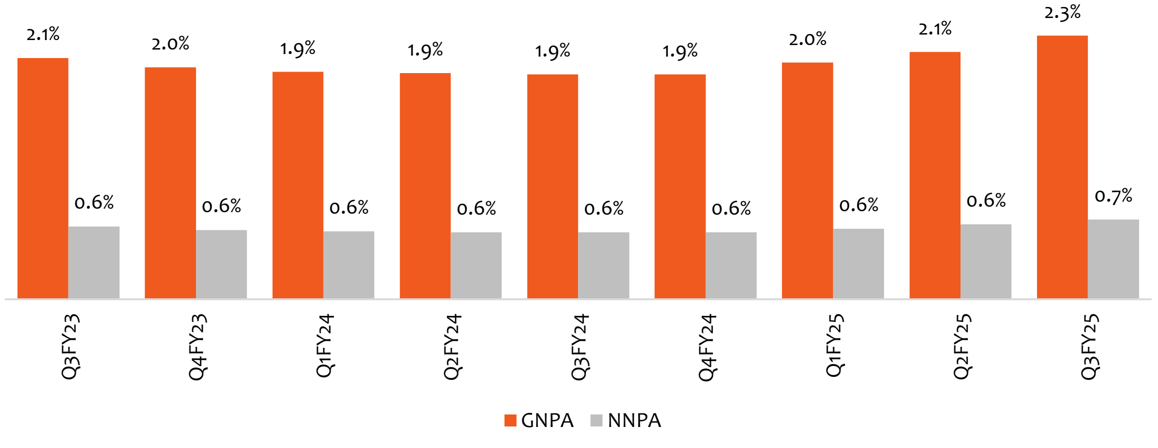
Source: Company, DevenChoksey Research

IndusInd Bank Ltd.









Source: Company, DevenChoksey Research

IndusInd Bank Ltd.

Financials:

Exhibit 1: Profit & Loss Statement

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	363,679	457,482	512,261	574,774	660,893
Interest Expense	187,758	251,323	298,356	335,483	384,186
Net Interest Income	**175,921**	**206,159**	**213,906**	**239,291**	**276,707**
Non-interest income	81,728	93,958	95,399	104,939	113,334
Operating income	257,649	300,117	309,305	344,230	390,041
Operating Expense	113,460	141,476	159,980	177,174	198,759
PPOP	**144,189**	**158,641**	**149,325**	**167,056**	**191,282**
Provisions	44,868	38,849	63,078	57,049	59,331
PBT	**99,320**	**119,792**	**86,247**	**110,008**	**131,950**
Share of Profit/(Loss) in Associates	3.60	3.10	0.90	2.00	2.00
Tax Expense	24,887	30,022	21,559	27,502	32,988
PAT	**74,437**	**89,773**	**64,689**	**82,508**	**98,965**
Diluted EPS (INR)	**96.0**	**115.3**	**83.0**	**105.9**	**127.0**

Exhibit 2: Balance Sheet

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Source of Funds					
Share capital	7,759	7,783	7,791	7,791	7,791
Reserves & Surplus	541,844	623,257	687,946	770,454	869,419
Networth	549,603	631,041	695,737	778,245	877,209
ESOP	443	1,035	1,035	1,035	1,035
Borrowings	490,112	476,114	465,760	506,086	583,458
Deposits	3,361,202	3,845,857	4,234,179	4,819,862	5,556,741
Other liabilities & provisions	177,006	196,893	366,201	458,080	485,677
Total Equity & Liabilities	**4,578,366**	**5,150,940**	**5,762,911**	**6,563,307**	**7,504,120**
Uses of Funds					
Balances w/ banks & others	138,019	185,605	211,709	240,993	277,837
Investments	830,757	1,064,865	1,227,912	1,445,959	1,667,022
Loans & advances	2,899,237	3,432,983	3,791,224	4,337,003	4,962,316
Fixed assets	20,789	23,240	26,726	30,735	35,345
Other assets	259,816	260,778	314,802	339,922	367,113
Total Assets	**4,578,366**	**5,150,940**	**5,762,911**	**6,563,307**	**7,504,120**

Exhibit 3: Key Ratios

Key Ratio	FY23	FY24	FY25E	FY26E	FY27E
Growth Rates					
Advances (%)	21.3%	18.4%	10.4%	14.4%	14.4%
Deposits (%)	14.6%	14.4%	10.1%	13.8%	15.3%
Total assets (%)	13.9%	12.5%	11.9%	13.9%	14.3%
NII (%)	17.3%	17.2%	3.8%	11.9%	15.6%
Pre-provisioning profit (%)	10.1%	10.0%	-5.9%	11.9%	14.5%
PAT (%)	52.9%	20.6%	-27.9%	27.5%	19.9%
B/S Ratios					
Credit/Deposit (%)	86.3%	89.3%	89.5%	90.0%	89.3%
CASA (%)	40.1%	37.9%	34.5%	35.2%	35.3%
Advances/Total assets (%)	63.3%	66.6%	65.8%	66.1%	66.1%
Leverage - Total Assets to Equity	8.33	8.16	8.28	8.43	8.55
Operating efficiency					
Cost/income (%)	44.0%	47.1%	51.7%	51.5%	51.0%
Opex/total assets (%)	2.5%	2.7%	2.8%	2.7%	2.6%
Opex/total interest earning assets	3.3%	3.4%	3.4%	3.3%	3.2%
Profitability					
NIM (%)	5.0%	4.8%	4.3%	4.3%	4.3%
RoA (%)	1.6%	1.7%	1.1%	1.3%	1.3%
RoE (%)	13.5%	14.2%	9.3%	10.6%	11.3%
Asset quality					
Gross NPA (%)	2.0%	1.9%	2.3%	2.2%	2.2%
Net NPA (%)	0.6%	0.6%	0.7%	0.7%	0.6%
PCR (%)	69.4%	69.5%	70.0%	70.0%	71.0%
Slippage (%)	2.9%	2.1%	0.9%	0.7%	0.6%
Credit cost (%)	1.3%	0.9%	1.3%	1.1%	1.0%
Per share data / Valuation					
EPS (INR)	95.9	115.3	83.0	105.9	127.0
BVPS (INR)	708.3	810.8	893.1	999.0	1,126.1
ABVPS (INR)	686.3	785.5	859.3	961.3	1,084.8
P/E (x)	14.9	13.5	12.2	9.5	7.9
P/BV (x)	2.0	1.9	1.1	1.0	0.9
P/ABV (x)	2.1	2.0	1.2	1.1	0.9

Source: Company, DevenChoksey Research

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IndusInd Bank Ltd.

IndusInd Bank Limited			
Date	CMP (INR)	TP (INR)	Recommendation
03-Feb-25	1,009	1,031	HOLD
24-Oct-24	1,280	1,305	HOLD
01-Aug-24	1,428	1,785	BUY
30-Apr-24	1,516	1,850	BUY
19-Jan-24	1,561	1,950	BUY
20-Oct-23	1,469	1,705	BUY

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

ANALYST CERTIFICATION:

I, **Dipak Saha** (MBA, Finance), Research Analyst, author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. I 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.

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