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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

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

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
<b>Total assets</b>	<b>51,49,352</b>	<b>56,61,217</b>	<b>62,66,101</b>	<b>71,38,234</b>
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
<b>Total equity &amp; liabilities</b>	<b>51,49,352</b>	<b>56,61,217</b>	<b>62,66,101</b>	<b>71,38,234</b>
% 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
<b>No. of shares and per share data</b>				
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
<b>Valuation ratio</b>				
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
<b>Profitability ratios (%)</b>				
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
<b>Dupont Analysis (as % of Avg Assets)</b>				
Interest Income	9.4	9.4	9.4	9.5
Interest expended	5.2	5.5	5.4	5.3
<b>Net Interest Income</b>	<b>4.2</b>	<b>3.9</b>	<b>4.0</b>	<b>4.2</b>
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
<b>Total Income</b>	<b>6.2</b>	<b>5.7</b>	<b>5.8</b>	<b>6.0</b>
<b>Total Cost</b>	<b>2.9</b>	<b>3.0</b>	<b>3.1</b>	<b>3.1</b>
Staff costs	0.8	0.8	0.8	0.8
Non-staff costs	2.1	2.2	2.3	2.3
<b>Operating Profit</b>	<b>3.2</b>	<b>2.7</b>	<b>2.7</b>	<b>2.9</b>
Core Operating Profit	3.2	2.6	2.6	2.8
Non-tax Provisions	0.8	1.2	1.0	1.0
<b>PBT</b>	<b>2.5</b>	<b>1.5</b>	<b>1.7</b>	<b>1.9</b>
Tax Provisions	0.6	0.4	0.4	0.5
<b>Return on Assets (%)</b>	<b>1.8</b>	<b>1.1</b>	<b>1.3</b>	<b>1.4</b>
Leverage (x)	8.3	8.3	8.4	8.6
<b>Return on Equity (%)</b>	<b>15.3</b>	<b>9.3</b>	<b>10.6</b>	<b>12.3</b>
<b>Asset quality ratios (%)</b>				
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
<b>Capitalisation ratios (%)</b>				
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

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