

March 11, 2025

Event Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	HOLD		BUY	
Target Price	1,000		1,500	
NII (Rs. m)	2,43,249	2,78,531	2,43,938	2,79,773
% Chng.	(0.3)	(0.4)		
Op. Profit (Rs. m)	1,71,866	1,99,628	1,75,064	2,06,760
% Chng.	(1.8)	(3.4)		
EPS (Rs.)	111.9	135.2	114.9	142.1
% Chng.	(2.7)	(4.8)		

Key Financials - Standalone

Y/e Mar	FY24	FY25E	FY26E	FY27E
NII (Rs m)	2,06,159	1,99,403	2,43,249	2,78,531
Op. Profit (Rs m)	1,57,403	1,29,149	1,71,866	1,99,628
PAT (Rs m)	89,498	48,617	87,142	1,05,330
EPS (Rs.)	115.0	62.4	111.9	135.2
Gr. (%)	20.7	(45.7)	79.2	20.9
DPS (Rs.)	16.5	8.7	14.5	17.6
Yield (%)	1.8	1.0	1.6	2.0
NIM (%)	4.5	3.9	4.3	4.3
RoAE (%)	15.3	7.5	12.4	13.3
RoAA (%)	1.8	0.9	1.4	1.5
P/BV (x)	1.1	1.1	0.9	0.8
P/ABV (x)	1.2	1.1	1.0	0.9
PE (x)	7.8	14.4	8.0	6.7
CAR (%)	17.2	16.3	15.7	15.6

Key Data INBK.BO | IIB IN

52-W High / Low	Rs.1,576 / Rs.881
Sensex / Nifty	74,115 / 22,460
Market Cap	Rs.702bn/ \$ 8,033m
Shares Outstanding	779m
3M Avg. Daily Value	Rs.5215.07m

Shareholding Pattern (%)

Promoter's	16.29
Foreign	24.74
Domestic Institution	42.81
Public & Others	16.16
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(15.7)	(37.3)	(42.4)
Relative	(12.0)	(30.7)	(42.4)

Gaurav Jani

gauravjani@plindia.com | 91-22-66322235

Aditya Modani

adityamodani@plindia.com | 91-22-66322257

Harshada Gite

harshadagite@plindia.com | 91-22-66322237

Accounting irregularity and MD&CEO tenure extension only by 1-yr to drag valuations

Quick Pointers:

- Derivative accounting irregularity to hit Dec'24 equity by 2.35%.
- Cut FY25 PAT by 25%; stock may underperform in near term.

We downgrade IIB to 'HOLD' from 'BUY' as we cut multiple to 1.0x from 1.4x driven by uncertainties relating to earnings quality and future leadership. Woes continue for IIB since an irregularity was unearthed in derivative accounting. This discrepancy spanned across a 5-7yr period till 31st Mar'24, however, due to an RBI directive, there are no irregularities w.e.f. 1st Apr'24. While an external review is underway to ascertain the exact impact, internal review suggests a 2.35% hit to equity. Impact on Q4FY25 PAT may be Rs15.8bn post-tax or Rs21bn pre-tax which could be split into interest expense and treasury suggesting a cut of ~25% in FY25 PAT and a CET-1 hit of 37bps to 14.8%. In our view, this episode had a bearing on RBI's decision to extend MD&CEO's tenure only for 1yr. Valuation is 0.9x on FY27 ABV and we trim TP to Rs1,000 from Rs1,400.

- Accounting discrepancy in derivatives:** Derivatives are used by treasury to convert forex deposits/borrowings into INR. Prior to 1st Apr'24, both internal and external trades were conducted. Internal trades were being hedged basis swap-cost while external trades were marked-to-market (MTM). If forex borrowings were repaid during the contract, internal trades were unwound triggering differences between swap-cost and MTM which was unaccounted. This practice of swap-cost accounting for internal trades was followed for the past 5-7 years till 31st Mar'24. However, as per RBI directive issued in Sep'23, internal trades were discontinued from 1st April'24 and as per an internal review the bank noted some discrepancies in derivative account balances. While an external agency has been hired to review the same, the internal review estimated a net worth impact (one-time) of 2.35%.
- Management comments relating to the irregularity:** Bank started reviewing the internal trade book and discrepancies were identified by Sep/Oct'24, post which an external agency was hired for a review. Management expects the final amount to be crystallised by Mar/Apr'25. Reversal of an accumulated amount cannot be routed through the general reserve. Hence prima-facie the P&L would be hit by Rs21bn (pre-tax), mainly effected in interest expense while the remaining would be adjusted against trading income although an exact split has not been given. As per the bank, this irregularity would not impact the overall growth and business prospects.
- Our analysis of the financial impact:** Bank's internal review has estimated an adverse one-time impact of ~2.35% of Bank's net worth as of Dec'24 which was Rs671bn suggesting a post-tax impact of Rs15.77bn or Rs21bn pre-tax. Hence Q4FY25 could report a loss (previous PLe Rs15.7bn) which would hit overall FY25 earnings by ~25%. CET-1 for Dec'24 would decline by 37bps to 14.8%. Our ABV for FY25/26/27E has been revised downwards by 2.3-2.7%; we have not materially cut FY26/27E earnings.

CV, 2W and car loans growth improved, while tractor degrew QoQ.

LAP business delivered a 14.5% YoY growth.

Cautious approach in MFI lead to degrowth. Credit card growth slowed down due to stress environment

Corporate book share increased during the quarter.

Exhibit 1: Consumer finance saw a muted growth sequentially

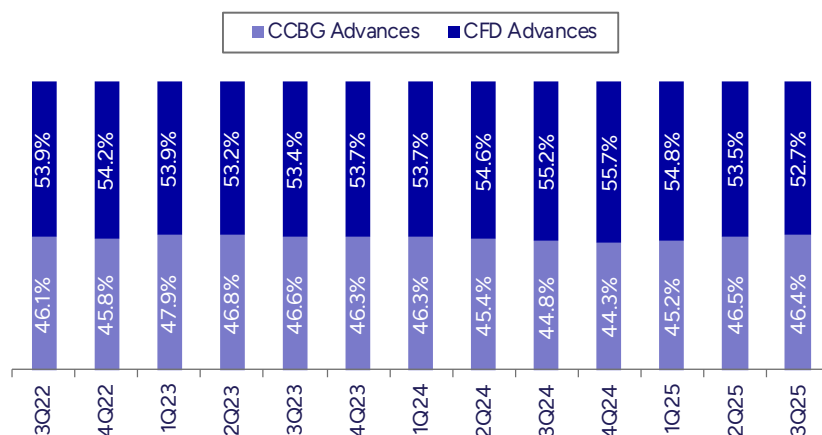
Loan Book mix	Q3FY25	Q3FY24	YoY gr. (%)	Q2FY25	QoQ gr. (%)
CV Loans	348,190	318,630	9.3	341,830	1.9
3W/Small CV	42,130	39,400	6.9	40,910	3.0
2W Loans	52,910	51,840	2.1	49,140	7.7
Car Loans	287,880	246,220	16.9	274,380	4.9
Tractors	79,770	94,460	(15.6)	81,560	(2.2)
Equipment Financing	124,980	110,370	13.2	118,370	5.6
Credit Card	109,410	102,390	6.9	109,320	0.1
LAP	119,860	104,700	14.5	114,010	5.1
Others	266,630	220,140	21.1	278,670	(4.3)
MFI	325,640	357,610	(8.9)	327,230	(0.5)
BBG	177690	158940	11.8	174990	1.5
Consumer Finance (incl BBG)	1,935,090	1,804,700	7.2	1,910,410	1.3
Corporate Finance	1,702,360	1,465,870	16.1	1,661,180	2.5

Loan Mix

Vehicle Finance	25.7%	26.3%	(0.6)	25.4%	0
Non-Vehicle Consumer	27.5%	28.9%	(1.4)	28.1%	(1)
Consumer Finance	53.2%	55.2%	(2.0)	53.5%	(0)
Corporate Finance	46.8%	44.8%	2.0	46.5%	0

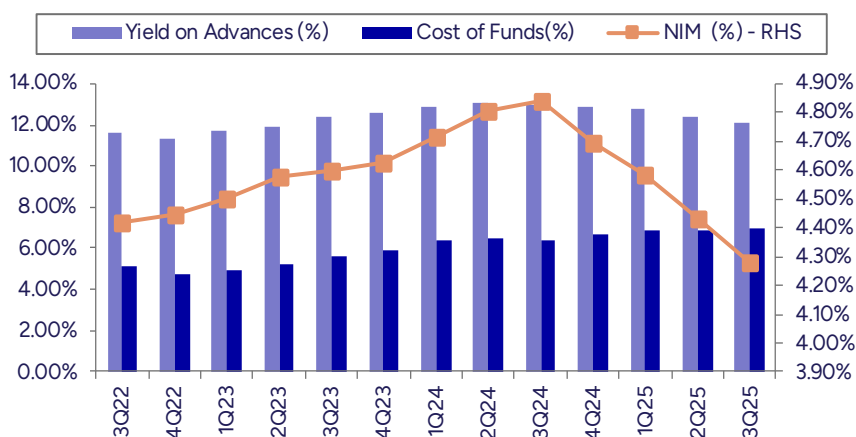
Source: Company, PL; Note – Car Loans includes Utility Vehicles

Exhibit 2: CCBG:CFD mix stable at 46:54



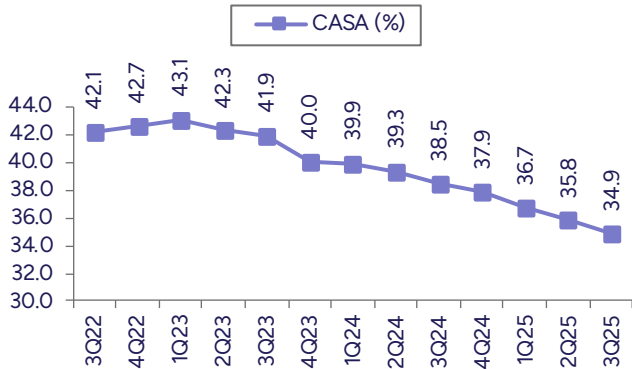
Source: Company, PL Research

Exhibit 3: Margins (calc) fell further due to fall in yields and rise in CoFs



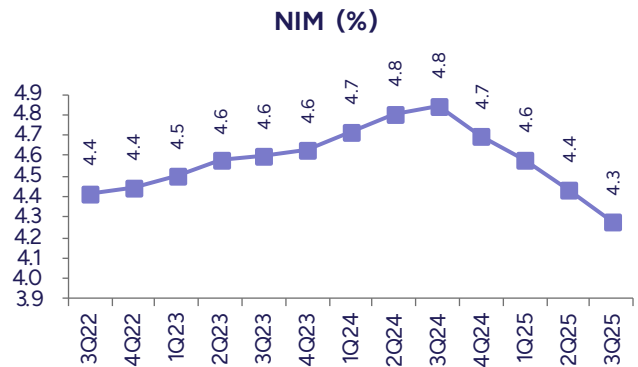
Source: Company, PL

Exhibit 4: CASA further declined to 34.9%



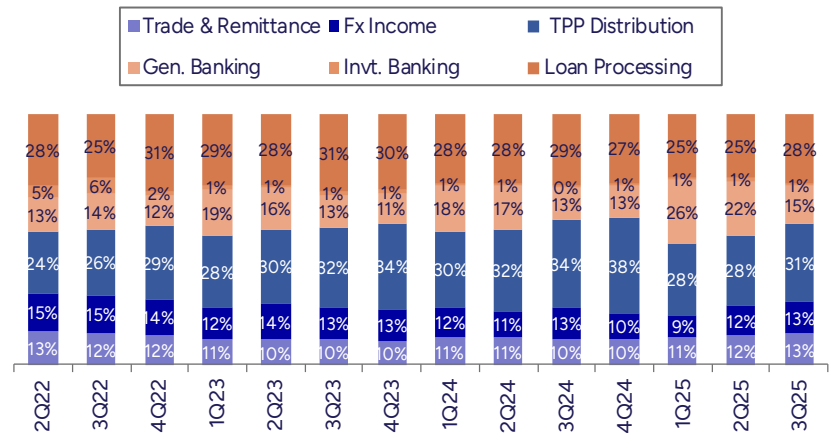
Source: Company, PL

Exhibit 5: NIM (calc) fell by 16bps due to lower yields



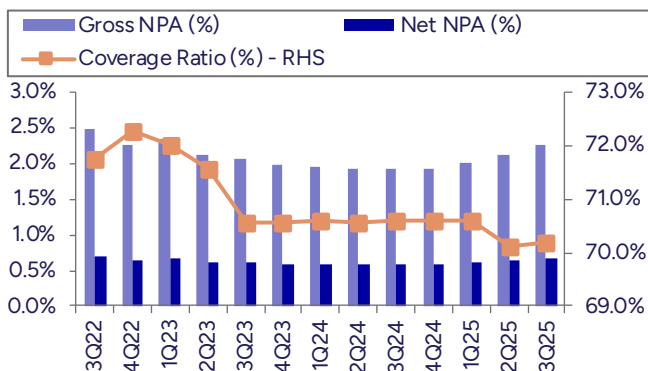
Source: Company, PL

Exhibit 6: TPP distribution+loan proc fee account for 59% of other income



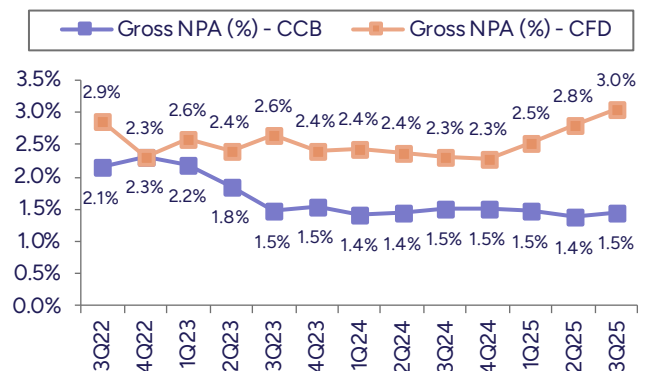
Source: Company, PL

Exhibit 7: GNPA/NNPA increased to 2.2%/0.7%



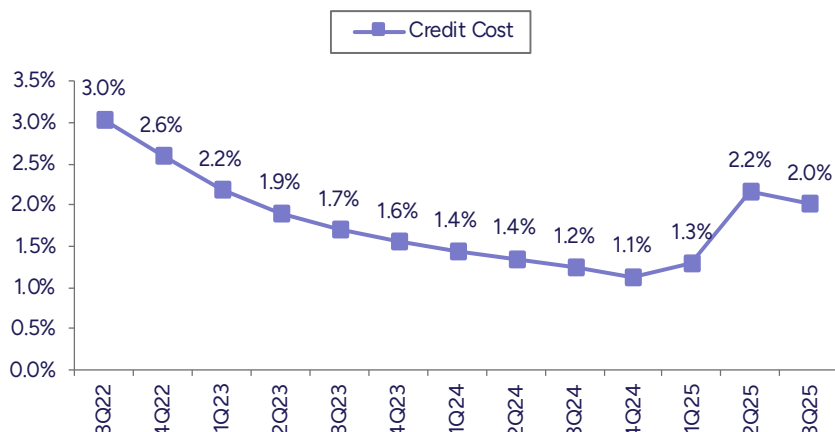
Source: Company, PL

Exhibit 8: GNPA ratios worsened for both CCB/CFD book



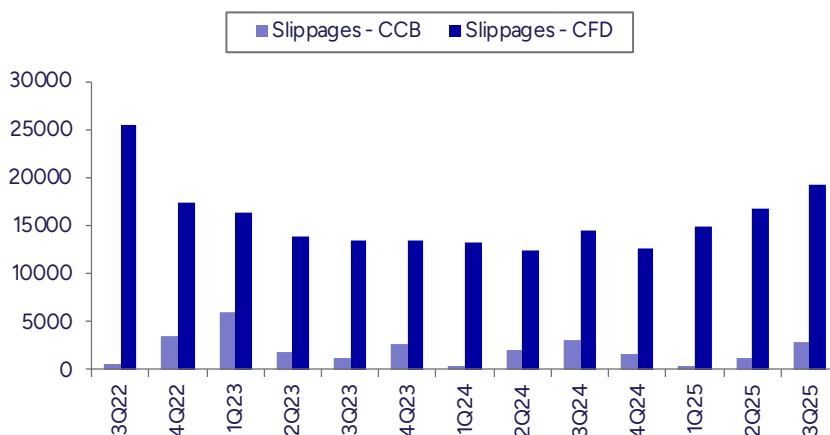
Source: Company, PL

Exhibit 9: Credit cost (calc) reduced by 15bps to 2.0%



Source: Company, PL

Exhibit 10: Slippages increased in both the portfolios



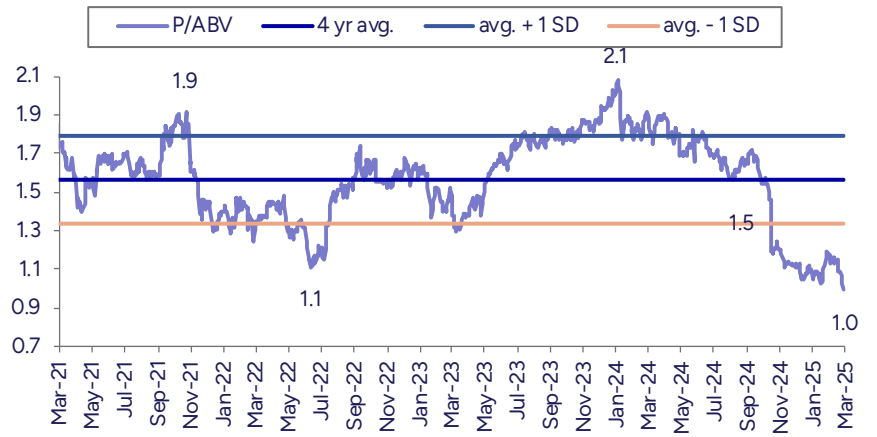
Source: Company, PL

Exhibit 11: ROE to be impacted in FY25; FY26-27E may see an improvement

RoE decomposition (%)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Interest income	9.7	8.7	8.1	8.5	9.4	9.5	9.6	9.4
Interest expenses	5.6	4.6	4.1	4.4	5.2	5.9	5.5	5.4
Net interest income	4.1	4.0	3.9	4.1	4.2	3.7	4.0	4.0
Other Inc. from operations	2.3	2.0	1.9	1.9	1.9	1.6	1.8	1.8
Total income	6.4	6.0	5.9	6.0	6.2	5.3	5.8	5.8
Employee expenses	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.8
Other operating expenses	2.0	1.8	1.8	1.9	2.1	2.1	2.2	2.2
Operating profit	3.6	3.5	3.4	3.3	3.2	2.4	2.8	2.9
Tax	0.6	0.3	0.4	0.6	0.6	0.3	0.5	0.5
Loan loss provisions	1.6	2.4	1.7	1.0	0.8	1.2	0.9	0.9
RoAA	1.5	0.8	1.2	1.7	1.8	0.9	1.4	1.5
RoAE	13.6	7.3	10.2	14.5	15.3	7.5	12.4	13.3

Source: Company, PL

Exhibit 12: One year forward P/ABV of IIB trades at 1.0x



Source: Company, PL

Income Statement (Rs. m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Int. Earned from Adv.	3,81,193	4,23,876	4,76,622	5,40,061
Int. Earned from invt.	62,022	77,528	88,243	99,238
Others	2,696	2,106	2,481	2,847
Total Interest Income	4,57,482	5,15,577	5,77,289	6,51,422
Interest Expenses	2,51,323	3,16,173	3,34,040	3,72,890
Net Interest Income	2,06,159	1,99,403	2,43,249	2,78,531
Growth(%)	17.2	(3.3)	22.0	14.5
Non Interest Income	93,878	88,508	1,07,844	1,24,290
Net Total Income	3,00,038	2,87,911	3,51,092	4,02,822
Growth(%)	23.8	9.6	13.4	13.2
Employee Expenses	38,953	42,981	47,833	53,650
Other Expenses	99,435	1,15,781	1,31,393	1,49,544
Operating Expenses	1,42,635	1,58,763	1,79,226	2,03,194
Operating Profit	1,57,403	1,29,149	1,71,866	1,99,628
Growth(%)	9.7	(18.0)	33.1	16.2
NPA Provision	30,838	57,336	48,279	50,494
Total Provisions	37,987	64,339	55,676	59,189
PBT	1,19,415	64,809	1,16,190	1,40,439
Tax Provision	29,918	16,192	29,047	35,110
Effective tax rate (%)	25.1	25.0	25.0	25.0
PAT	89,498	48,617	87,142	1,05,330
Growth(%)	21.1	(45.7)	79.2	20.9

Balance Sheet (Rs. m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Face value	10	10	10	10
No. of equity shares	778	779	779	779
Equity	7,783	7,790	7,790	7,790
Networth	6,27,971	6,69,187	7,45,001	8,39,002
Growth(%)	15.0	6.6	11.3	12.6
Adj. Networth to NNPA's	19,689	26,779	28,751	31,525
Deposits	38,47,929	42,35,530	49,64,933	57,40,329
Growth(%)	14.4	10.1	17.2	15.6
CASA Deposits	14,58,728	15,04,176	17,73,800	20,73,815
% of total deposits	37.9	35.5	35.7	36.1
Total Liabilities	51,49,351	56,54,159	64,21,370	73,70,777
Net Advances	34,32,983	38,11,977	43,44,316	49,94,086
Growth(%)	18.4	11.0	14.0	15.0
Investments	10,65,267	11,85,948	13,40,532	15,49,889
Total Assets	51,49,351	56,54,159	64,21,370	73,70,777
Growth (%)	12.5	9.8	13.6	14.8

Asset Quality

Y/e Mar	FY24	FY25E	FY26E	FY27E
Gross NPAs (Rs m)	66,934	88,557	95,582	1,05,093
Net NPAs (Rs m)	19,689	26,779	28,751	31,525
Gr. NPAs to Gross Adv.(%)	1.9	2.2	2.1	2.0
Net NPAs to Net Adv. (%)	0.6	0.7	0.6	0.6
NPA Coverage %	70.6	69.8	69.9	70.0

Profitability (%)

Y/e Mar	FY24	FY25E	FY26E	FY27E
NIM	4.5	3.9	4.3	4.3
RoAA	1.8	0.9	1.4	1.5
RoAE	15.3	7.5	12.4	13.3
Tier I	15.8	14.9	14.7	14.6
CRAR	17.2	16.3	15.7	15.6

Source: Company Data, PL Research

Quarterly Financials (Rs. m)

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Interest Income	1,21,985	1,25,468	1,26,863	1,28,008
Interest Expenses	68,221	71,391	73,390	75,727
Net Interest Income	53,764	54,076	53,473	52,281
YoY growth (%)	15.1	11.1	5.3	(1.3)
CEB	22,930	23,480	21,250	21,230
Treasury	2,075	933	589	2,272
Non Interest Income	25,005	24,413	21,839	23,502
Total Income	1,46,990	1,49,880	1,48,702	1,51,510
Employee Expenses	10,491	10,397	10,927	10,695
Other expenses	28,007	28,825	28,467	29,099
Operating Expenses	38,498	39,222	39,394	39,794
Operating Profit	40,271	39,267	35,918	35,989
YoY growth (%)	7.3	2.5	(7.4)	(10.1)
Core Operating Profits	38,196	38,334	35,329	33,717
NPA Provision	-	-	-	-
Others Provisions	8,991	10,498	18,201	17,436
Total Provisions	8,991	10,498	18,201	17,436
Profit Before Tax	31,280	28,769	17,717	18,553
Tax	7,812	7,247	4,462	4,540
PAT	23,468	21,522	13,255	14,013
YoY growth (%)	15.0	1.3	(39.2)	(39.0)
Deposits	38,47,929	39,85,130	41,26,792	40,94,380
YoY growth (%)	14.4	14.8	14.7	11.0
Advances	34,32,983	34,78,980	35,71,586	36,68,890
YoY growth (%)	18.4	15.5	13.2	12.2

Key Ratios

Y/e Mar	FY24	FY25E	FY26E	FY27E
CMP (Rs)	901	901	901	901
EPS (Rs)	115.0	62.4	111.9	135.2
Book Value (Rs)	803	855	953	1,073
Adj. BV (Rs)	778	821	916	1,033
P/E (x)	7.8	14.4	8.0	6.7
P/BV (x)	1.1	1.1	0.9	0.8
P/ABV (x)	1.2	1.1	1.0	0.9
DPS (Rs)	16.5	8.7	14.5	17.6
Dividend Payout Ratio (%)	14.3	14.0	13.0	13.0
Dividend Yield (%)	1.8	1.0	1.6	2.0

Efficiency

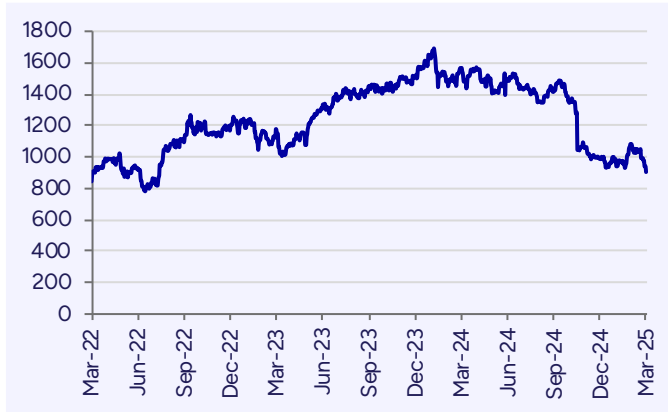
Y/e Mar	FY24	FY25E	FY26E	FY27E
Cost-Income Ratio (%)	47.5	55.1	51.0	50.4
C-D Ratio (%)	89.2	90.0	87.5	87.0
Business per Emp. (Rs m)	160	157	166	176
Profit per Emp. (Rs lacs)	20	10	16	17
Business per Branch (Rs m)	2,440	2,421	2,551	2,711
Profit per Branch (Rs m)	30	15	24	27

Du-Pont

Y/e Mar	FY24	FY25E	FY26E	FY27E
NII	4.24	3.69	4.03	4.04
Total Income	6.17	5.33	5.81	5.84
Operating Expenses	2.93	2.94	2.97	2.95
PPoP	3.24	2.39	2.85	2.89
Total provisions	0.78	1.19	0.92	0.86
RoAA	1.84	0.90	1.44	1.53
RoAE	15.32	7.53	12.38	13.35

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	01-Feb-25	BUY	1,500	991
2	08-Jan-25	BUY	1,500	984
3	07-Jan-25	BUY	1,500	970
4	25-Oct-24	BUY	1,600	1,280
5	07-Oct-24	BUY	1,750	1,383
6	28-Jul-24	BUY	1,404	1,750
7	08-Jul-24	BUY	1,800	1,434
8	26-Apr-24	BUY	1,800	1,496
9	09-Apr-24	BUY	1,740	1,568

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	AAVAS Financiers	Accumulate	1,900	1,705
2	Axis Bank	BUY	1,350	1,038
3	Bank of Baroda	BUY	285	222
4	Can Fin Homes	BUY	860	708
5	City Union Bank	BUY	200	171
6	DCB Bank	BUY	155	117
7	Federal Bank	BUY	210	180
8	HDFC Asset Management Company	BUY	4,450	3,763
9	HDFC Bank	BUY	1,950	1,666
10	ICICI Bank	BUY	1,550	1,209
11	IndusInd Bank	BUY	1,500	991
12	Kotak Mahindra Bank	BUY	2,230	1,759
13	LIC Housing Finance	BUY	650	558
14	Nippon Life India Asset Management	BUY	725	653
15	State Bank of India	BUY	900	754
16	UTI Asset Management Company	BUY	1,320	1,296

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

ANALYST CERTIFICATION

(Indian Clients)

We/I, Mr. Gaurav Jani- CA, Passed CFA Level II, Mr. Aditya Modani- CA, Passed CFA Level II, Ms. Harshada Gite- CA Research Analysts, 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.

(US Clients)

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

DISCLAIMER

Indian Clients

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at www.plindia.com.

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is a registered with SEBI under the SEBI (Research Analysts) Regulation, 2014 and having registration number INH000000271.

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

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

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Mr. Gaurav Jani- CA, Passed CFA Level II, Mr. Aditya Modani- CA, Passed CFA Level II, Ms. Harshada Gite- CA Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

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

The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

PL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

US Clients

This research report is a product of Prabhudas Lilladher Pvt. Ltd., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Prabhudas Lilladher Pvt. Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

www.plindia.com