

May 22, 2025

Q4FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	HOLD		HOLD	
Target Price	780		860	
NII (Rs. m)	1,92,603	2,18,566	2,25,504	2,52,211
% Chng.	(14.6)	(13.3)		
Op. Profit (Rs. m)	1,23,826	1,43,083	1,56,122	1,76,440
% Chng.	(20.7)	(18.9)		
EPS (Rs.)	70.1	88.0	101.1	118.6
% Chng.	(30.6)	(25.9)		

Key Financials - Standalone

Y/e Mar	FY24	FY25	FY26E	FY27E
NII (Rs m)	2,06,159	1,90,313	1,92,603	2,18,566
Op. Profit (Rs m)	1,57,403	1,06,449	1,23,826	1,43,083
PAT (Rs m)	89,498	8,761	54,621	68,521
EPS (Rs.)	115.0	11.2	70.1	88.0
Gr. (%)	20.7	(90.2)	523.4	25.4
DPS (Rs.)	16.5	1.6	9.1	11.4
Yield (%)	2.1	0.2	1.2	1.5
NIM (%)	4.5	3.8	3.6	3.8
RoAE (%)	15.3	1.4	8.2	9.5
RoAA (%)	1.8	0.2	1.0	1.1
P/BV (x)	1.0	0.9	0.9	0.8
P/ABV (x)	1.0	1.0	0.9	0.8
PE (x)	6.7	68.5	11.0	8.8
CAR (%)	17.2	15.8	14.6	14.0

Key Data INBK.BO | IIB IN

52-W High / Low	Rs.1,550 / Rs.605
Sensex / Nifty	81,597 / 24,813
Market Cap	Rs.600bn/ \$ 7,004m
Shares Outstanding	779m
3M Avg. Daily Value	Rs.12473.21m

Shareholding Pattern (%)

Promoter's	15.83
Foreign	29.53
Domestic Institution	36.70
Public & Others	17.94
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(7.0)	(21.5)	(45.3)
Relative	(9.5)	(25.8)	(50.4)

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Accounting correction and MFI stress affects PAT

Quick Pointers:

- Net loss due to rectification of accounting irregularities.
- Loan growth likely to pick-up from H2FY26.

IIB saw an abnormal but weak quarter as it reported a net loss of Rs22.4bn due to recognition of accounting lapses. While forex loss of Rs19.6bn and interest reversal on MFI loans Rs5.7bn were expected, increased MFI stress of Rs19.7bn led to QoQ spike of 81bps in provisions to 281bps; contingent provisions of Rs13.25bn were fully utilized. Our sense is that most of the lapses have been corrected, and no significant deviations are expected. For FY26/27E we trim loan growth by 5%/2% to 8%/11% and subsequently due to cascading effect cut NII by 15%/13%. This would result in earnings cut of 31%/26% and ABV reduction of avg. 8.6%. RBI has requested proposals for new CEO appointment by 30th Jun'25; near to medium term performance would hinge on the pedigree of the prospective CEO and the respective strategy to improve governance, credibility and fundamentals. Stock is trading at 0.8x on Mar'27 ABV; we maintain multiple at 0.9x but cut TP to Rs780 from Rs860. Retain HOLD.

- Weak quarter due to accounting irregularities in NII/provisions:** NII sharply fell by 42%/43% QoQ/YoY to Rs30.5bn due to one-time accounting impact. Adjusting the same, NII was Rs47bn (-10.1% QoQ/-12.6% YoY) and reported NIM contracted by 46bps QoQ to 3.47%. Loan growth was lower at 0.5% YoY (PLe 1.4%) and deposit accretion was in-line at 6.8% YoY. CASA ratio fell QoQ to 32.8% from 34.9%. Other income was Rs7.1bn after effecting forex loss of Rs20bn and reclassification of Rs7.6bn of interest. Normalized other income was Rs25bn. Opex was Rs42.3bn that was 6% above PLe led by higher other opex. Thus the reported operating loss of Rs4.73bn; adjusted PPop was Rs30.6bn (-15% QoQ/-24% YoY). Asset quality worsened; while GNPA was 3.13% (PLe 2.5%) due to higher net slippages mainly led by MFI. Provisions were a drag at Rs24.2bn (PLe Rs17.1bn) and contingent provisions of Rs13.25bn were fully utilized. Reported loss was Rs22.4bn; while normal loss was Rs5.3bn.
- NII for Q4FY25 impacted by one-offs:** Normal NII at Rs47bn was impacted by 35% driven by (1) Rs5.7bn pertaining to incorrect recording of interest income on MFI portfolio (2) Rs1.78bn of interest reversal on MFI loans that were re-classified to NPA from standard (3) Rs1.0bn of interest on borrowings not recognized in earlier years (4) Rs7.61bn reclassification from interest income to other income. As these effects were one-time, NII may normalize from Q1FY26 also given that excess liquidity could be utilised. Hence, we expect the quarterly reported NIM in FY26 to be higher than 3.46% (Q4FY25).
- Loan growth may pick-up in H2FY26:** Loan growth was soft at -6.0% QoQ owing to decline in corporate by 15.7% QoQ. However, the concern of higher LDR has been addressed as LDR decreased QoQ to 83.9% from 89.6%. Owing to persisting challenges in MFI, likely slower credit offtake in VF and deposit crunch, loan growth H1FY26 could be affected. Hence, we trim loan growth for FY26/27E by 500/200bps to 8%/11%.

Exhibit 1: PAT was miss due to lower NII, other income and higher provisions

Financial Statement (Rs mn)	Q4FY25	Q4FY24	YoY gr. (%)	Q3FY25	QoQ gr. (%)	Q4FY25E	Var. (%)
Interest Income	106,339	121,985	(12.8)	128,008	(16.9)	130,947	(18.8)
Interest Expense	75,855	68,221	11.2	75,727	0.2	93,526	(18.9)
Net interest income (NII)	30,483	53,764	(43.3)	52,281	(41.7)	37,421	(18.5)
Other income	7,088	25,005	(71.7)	23,502	(69.8)	18,754	(62.2)
Fee income	23,050	22,930	0.5	21,230	8.6	17,504	31.7
Other Non-interest income	(15,962)	2,075	(869.3)	2,272	(802.4)	1,250	(1,377.0)
Total income	37,571	78,769	(52.3)	75,783	(50.4)	56,175	(33.1)
Operating expenses	42,297	38,498	9.9	39,794	6.3	39,901	6.0
-Staff expenses	10,995	10,491	4.8	10,695	2.8	10,802	1.8
-Other expenses	31,302	28,007	11.8	29,099	7.6	29,099	7.6
Operating profit	(4,725)	40,271	(111.7)	35,989	(113.1)	16,274	(129.0)
Core operating profit	11,237	38,196	(70.6)	33,717	(66.7)	15,024	(25.2)
Total provisions	24,166	8,991	168.8	17,436	38.6	17,074	41.5
Profit before tax	(28,891)	31,280	(192.4)	18,553	(255.7)	(801)	3,507.5
Tax	(6,531)	7,812	(183.6)	4,540	(243.9)	(200)	3,161.9
Profit after tax	(22,360)	23,468	(195.3)	14,013	(259.6)	(601)	3,622.6
Deposits (Rs bn)	4,111	3,848	6.8	4,094	0.4	4,111	(0.0)
Advances (Rs bn)	3,450	3,433	0.5	3,669	(6.0)	3,479	(0.8)
Profitability ratios							
RoAA	(1.7)	1.9	(364)	1.0	(277)	(0.0)	(169)
RoAE	(14.1)	15.2	(2,935)	8.5	(2,257)	(0.4)	(1,375)
NIM (calc.)	2.4	4.7	(227)	4.3	(185)	3.0	(58)
Yield on IEA	8.5	10.7	(219)	10.5	(201)	10.5	(207)
Cost of Funds	6.8	6.7	9	7.0	(21)	7.0	(26)
Asset Quality ratios							
Gross NPL (Rs m)	110,464	66,934	65.0	83,753	31.9	88,553	24.7
Net NPL (Rs m)	32,871	19,689	67.0	24,958	31.7	26,566	23.7
Gross NPL ratio	3.1	1.9	121	2.2	88	2.5	63
Net NPL ratio	1.0	0.6	38	0.7	27	0.8	19
Coverage ratio	70.2	70.6	(34)	70.2	4	70.0	24
Business & Other Ratios							
Low-cost deposit mix	32.8	37.9	(507)	34.9	(209)	36.6	(380)
Cost-income ratio	112.6	48.9	6,370	52.5	6,007	71.0	4,155
Non int. inc / total income	18.9	31.7	(1,288)	31.0	(1,215)	33.4	(1,452)
Credit deposit ratio	83.9	89.2	(529)	89.6	(568)	84.6	(70)
CAR	16.2	17.2	(99)	16.5	(22)		
Tier-I	15.1	15.8	(72)	15.2	(8)		

Source: Company, PL

Q4FY25 conference call highlights

Balance Sheet/Others

- Disbursals in FY25 stood at Rs476bn while maintaining market share in CV, CE and PV segment. Going ahead, bank aims to scale up retail and MSME segment, remain cautious on corporate and ramp up retail liabilities.
- Overall business is impacted due to interest reversals because of slippages and events occurred in March leading to excess liquidity
- MFin guidelines are implemented from 1st April 2025 which restricts disbursements to customers with not more than 3 lenders.
- Bank undertook rigorous accounting review process that identified 1) incorrect recording of MFI interest and fee income, 2) under-provisioning and non-recognition of NPA amounting to Rs18.9bn, 3) Rs7.6bn incorrectly classified as interest income instead of other income and 4) Rs5.95bn of unsubstantiated balances in other assets and other liabilities were offset.
- LCR stood at 118% with an excess liquidity of Rs396bn
- RBI has requested proposals for new CEO appointment by 30th June 2025 and the board is at an advanced stage in this process.

Profit & Loss

- Reported margin adjusted for one-off was 3.47%. Adjusted NII came in at Rs47bn. Fall in margins was due to excess liquidity.
- Bank has reversed Rs4.23bn from interest earned (net of provisions and accrued interest) due to MFI business accounting error.
- Rs7.6bn was regrouped from interest income to other income and Rs1.58bn was provisions to other expenses.
- Adjusted non-interest income was Rs25bn
- Derivative accounting issue amount is crystalized at Rs19.6bn. Bank has discontinued internal accounting trade since 1st April 2024 and is in process to improve internal controls.
- Adjusted adjusted PPoP came in at Rs30.6bn

Asset Quality

- **Restructured book** in vehicle finance reduced from Rs5.5bn to Rs1.2bn YoY.
- Higher slippages was due to MFI stress amounting to Rs35.1bn was recognized in Q4FY25 resulting in interest income reversal of Rs1.78bn. It was partly attributable to Karnataka issue as well.
- **Collection efficiency** in Karnataka improved from 96.4% in Feb'25 to 98.2% in Mar'25. 31-90 DPD reduced to 2.3% (vs 4.1% QoQ)
- **Contingent provisions** amounting to Rs13.25bn were utilized.

Exhibit 2: Consumer finance saw a muted growth

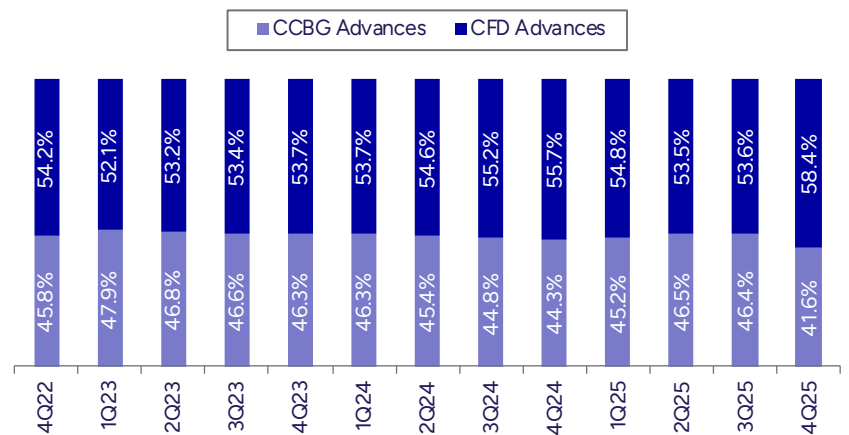
Loan Book mix	Q4FY25	Q4FY24	YoY gr. (%)	Q3FY25	QoQ gr. (%)
CV Loans	356,790	332,390	7.3	348,190	2.5
3W/Small CV	43,110	40,180	7.3	42,130	2.3
2W Loans	53,300	51,030	4.4	52,910	0.7
Car Loans	296,310	256,580	15.5	287,880	2.9
Tractors	76,910	89,550	(14.1)	79,770	(3.6)
Equipment Financing	129,530	114,220	13.4	124,980	3.6
Credit Card	110,850	107,310	3.3	109,410	1.3
LAP	123,870	108,110	14.6	119,860	3.3
Others	288,570	253,840	13.7	266,630	8.2
MFI	309,090	391,920	(21.1)	325,640	(5.1)
BBG	182320	167320	9.0	177690	2.6
Consumer Finance (incl BBG)	1,970,650	1,912,450	3.0	1,935,090	1.8
Corporate Finance	1,434,630	1,520,530	(5.6)	1,702,360	(15.7)

Loan Mix

Vehicle Finance	28.1%	25.7%	2.3	25.7%	2
Non-Vehicle Consumer	29.8%	30.0%	(0.2)	27.5%	2
Consumer Finance	58.4%	55.7%	2.7	53.6%	5
Corporate Finance	41.6%	44.3%	(2.7)	46.4%	-5

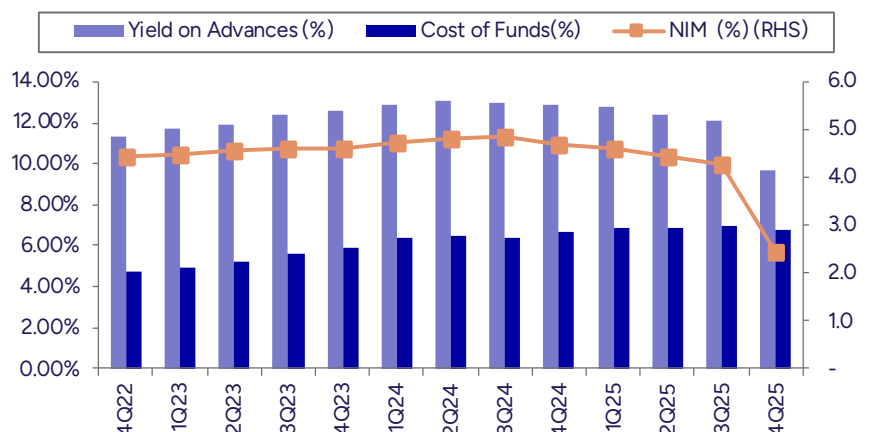
Source: Company, PL Research; Note – Car Loans includes Utility Vehicles

Exhibit 3: CCBG share fell to 41.6% due to slower corporate disburseals



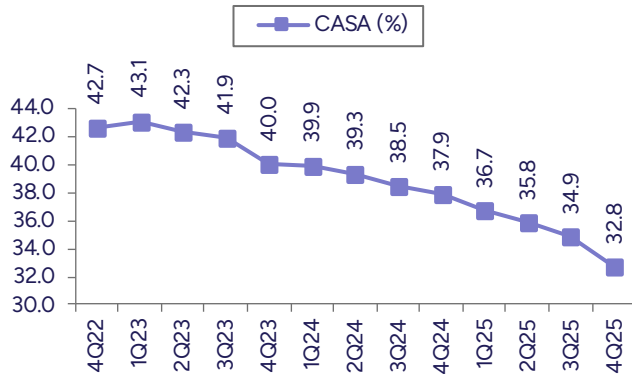
Source: Company, PL Research

Exhibit 4: Margins (calc) fell further due to reversals in interest income



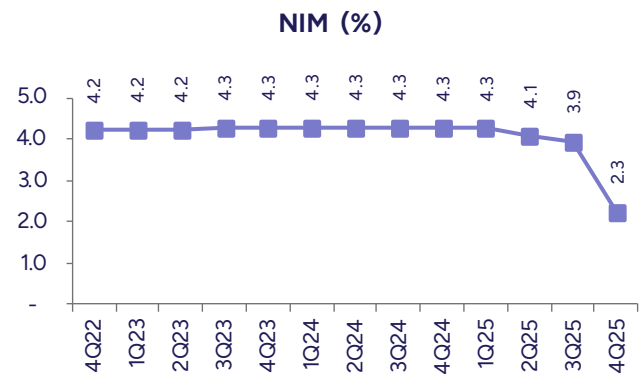
Source: Company, PL

Exhibit 5: CASA further declined to 32.8%



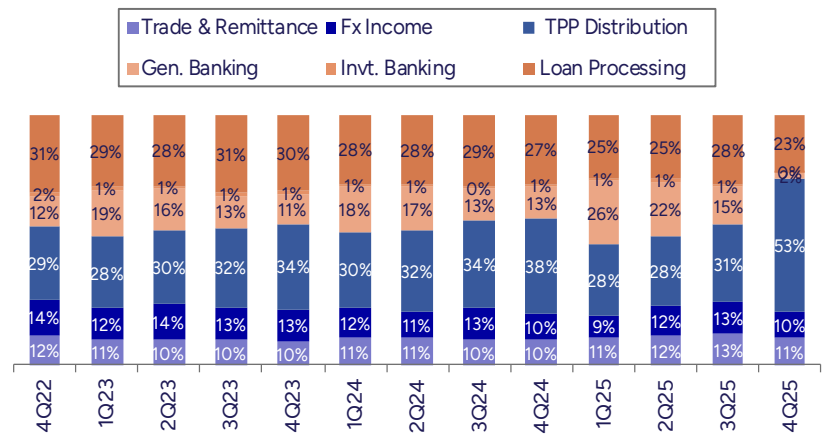
Source: Company, PL

Exhibit 6: NIM (reported) fell by 168bps due to one-offs



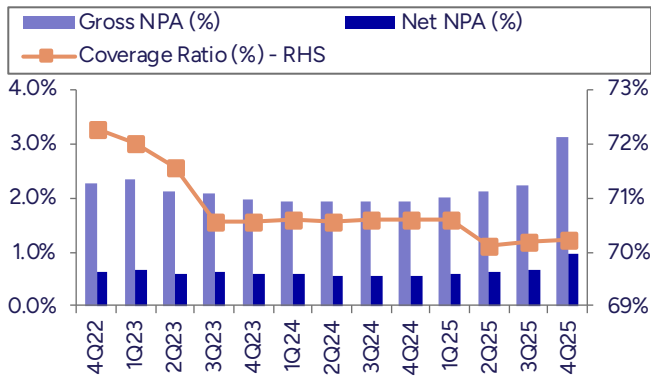
Source: Company, PL

Exhibit 7: TPP distribution+loan proc fee account for 76% of other income



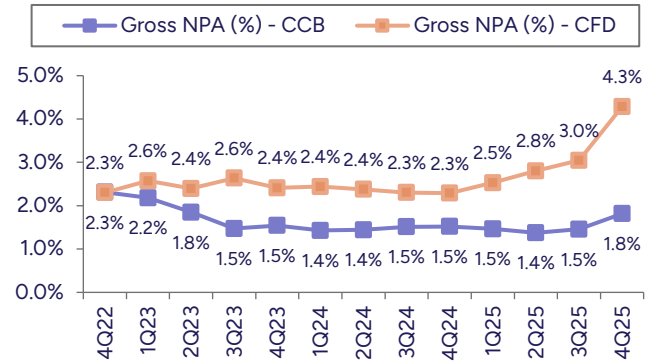
Source: Company, PL

Exhibit 8: GNPA/NNPA increased to 3.13%/0.95%



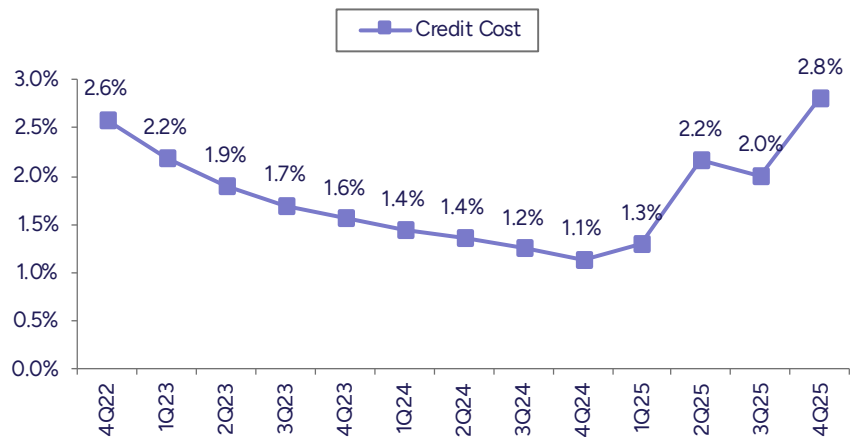
Source: Company, PL

Exhibit 9: GNPA ratios worsened for both CCB/CFD book



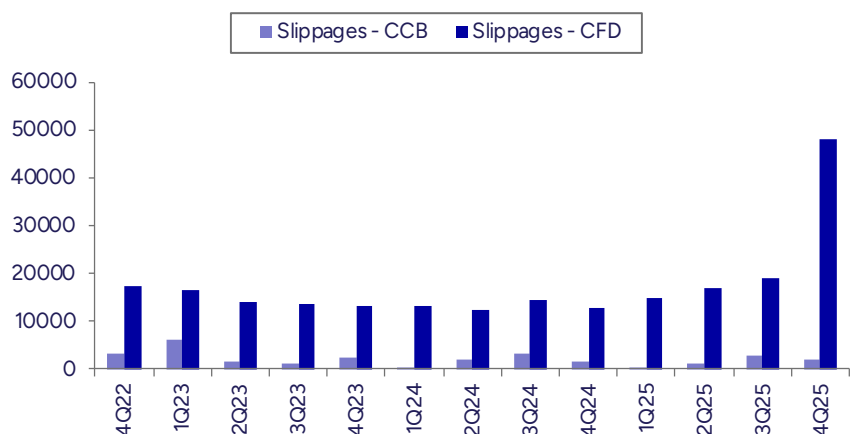
Source: Company, PL

Exhibit 10: Credit cost (calc) increased by 124bps to 2.8%



Source: Company, PL

Exhibit 11: Slippages increased in the consumer finance portfolio due to MFI



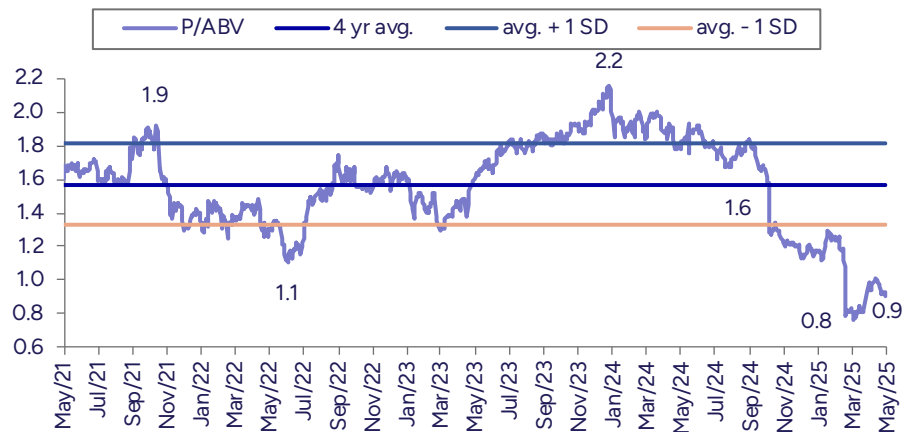
Source: Company, PL

Exhibit 12: ROE may remain <10% over FY26/27E

RoE decomposition (%)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Interest income	9.7	8.7	8.1	8.5	9.4	9.1	8.8	8.7
Interest expenses	5.6	4.6	4.1	4.4	5.2	5.5	5.4	5.2
Net interest income	4.1	4.0	3.9	4.1	4.2	3.6	3.4	3.6
Other Inc. from operations	2.3	2.0	1.9	1.9	1.9	1.4	1.8	1.9
Total income	6.4	6.0	5.9	6.0	6.2	5.0	5.2	5.5
Employee expenses	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.9
Other operating expenses	2.0	1.8	1.8	1.9	2.1	2.2	2.2	2.3
Operating profit	3.6	3.5	3.4	3.3	3.2	2.0	2.2	2.3
Tax	0.6	0.3	0.4	0.6	0.6	0.2	0.3	0.4
Loan loss provisions	1.6	2.4	1.7	1.0	0.8	1.6	0.9	0.8
RoAA	1.5	0.8	1.2	1.7	1.8	0.2	1.0	1.1
RoAE	13.6	7.3	10.2	14.5	15.3	1.4	8.2	9.5

Source: Company, PL

Exhibit 13: One year forward P/ABV of IIB trades at 0.9x



Source: Company, PL



Income Statement (Rs. m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Int. Earned from Adv.	3,81,193	3,95,912	4,04,315	4,33,811
Int. Earned from invt.	62,022	76,630	83,149	87,661
Others	2,696	2,069	2,320	2,662
Total Interest Income	4,57,482	4,86,677	5,01,592	5,35,097
Interest Expenses	2,51,323	2,96,364	3,08,989	3,16,531
Net Interest Income	2,06,159	1,90,313	1,92,603	2,18,566
Growth(%)	17.2	(7.7)	1.2	13.5
Non Interest Income	93,878	76,842	1,03,368	1,16,140
Net Total Income	3,00,038	2,67,155	2,95,971	3,34,707
Growth(%)	23.8	2.2	7.4	7.6
Employee Expenses	38,953	43,014	47,274	52,782
Other Expenses	99,435	1,17,693	1,24,871	1,38,841
Operating Expenses	1,42,635	1,60,707	1,72,145	1,91,624
Operating Profit	1,57,403	1,06,449	1,23,826	1,43,083
Growth(%)	9.7	(32.4)	16.3	15.6
NPA Provision	30,838	82,506	44,850	44,506
Total Provisions	37,987	87,969	50,998	51,721
PBT	1,19,415	18,480	72,829	91,362
Tax Provision	29,918	9,718	18,207	22,840
Effective tax rate (%)	25.1	52.6	25.0	25.0
PAT	89,498	8,761	54,621	68,521
Growth(%)	21.1	(90.2)	523.4	25.4

Balance Sheet (Rs. m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Face value	10	10	10	10
No. of equity shares	778	779	779	779
Equity	7,783	7,791	7,791	7,791
Networth	6,27,971	6,44,926	6,92,446	7,53,867
Growth(%)	15.0	2.7	7.4	8.9
Adj. Networth to NNPA's	19,689	32,871	36,529	38,439
Deposits	38,47,929	41,10,781	44,33,992	49,20,681
Growth(%)	14.4	6.8	7.9	11.0
CASA Deposits	14,58,728	13,47,890	15,91,615	18,63,232
% of total deposits	37.9	32.8	35.9	37.9
Total Liabilities	51,49,351	55,40,184	58,16,997	64,16,901
Net Advances	34,32,983	34,50,186	37,24,553	41,33,372
Growth(%)	18.4	0.5	8.0	11.0
Investments	10,65,267	11,44,968	12,85,858	13,77,791
Total Assets	51,49,351	55,40,184	58,16,997	64,16,901
Growth (%)	12.5	7.6	5.0	10.3

Asset Quality

Y/e Mar	FY24	FY25	FY26E	FY27E
Gross NPAs (Rs m)	66,934	1,10,454	1,21,753	1,27,980
Net NPAs (Rs m)	19,689	32,871	36,529	38,439
Gr. NPAs to Gross Adv.(%)	1.9	3.0	3.1	2.9
Net NPAs to Net Adv. (%)	0.6	0.9	1.0	0.9
NPA Coverage %	70.6	70.2	70.0	70.0

Profitability (%)

Y/e Mar	FY24	FY25	FY26E	FY27E
NIM	4.5	3.8	3.6	3.8
RoAA	1.8	0.2	1.0	1.1
RoAE	15.3	1.4	8.2	9.5
Tier I	15.8	14.4	13.6	13.1
CRAR	17.2	15.8	14.6	14.0

Source: Company Data, PL Research

Quarterly Financials (Rs. m)

Y/e Mar	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Interest Income	1,25,468	1,26,863	1,28,008	1,06,339
Interest Expenses	71,391	73,390	75,727	75,855
Net Interest Income	54,076	53,473	52,281	30,483
YoY growth (%)	11.1	5.3	(1.3)	(43.3)
CEB	23,480	21,250	21,230	23,050
Treasury	933	589	2,272	3,638
Non Interest Income	24,413	21,839	23,502	7,088
Total Income	1,49,880	1,48,702	1,51,510	1,13,427
Employee Expenses	10,397	10,927	10,695	10,995
Other expenses	28,825	28,467	29,099	31,302
Operating Expenses	39,222	39,394	39,794	42,297
Operating Profit	39,267	35,918	35,989	(4,725)
YoY growth (%)	2.5	(7.4)	(10.1)	(111.7)
Core Operating Profits	38,334	35,329	33,717	(8,363)
NPA Provision	-	-	-	-
Others Provisions	10,498	18,201	17,436	24,166
Total Provisions	10,498	18,201	17,436	24,166
Profit Before Tax	28,769	17,717	18,553	(28,891)
Tax	7,247	4,462	4,540	(6,531)
PAT	21,522	13,255	14,013	(22,360)
YoY growth (%)	1.3	(39.2)	(39.0)	(195.3)
Deposits	39,85,130	41,26,792	40,94,380	41,10,781
YoY growth (%)	14.8	14.7	11.0	6.8
Advances	34,78,980	35,71,586	36,68,890	34,50,186
YoY growth (%)	15.5	13.2	12.2	0.5

Key Ratios

Y/e Mar	FY24	FY25	FY26E	FY27E
CMP (Rs)	770	770	770	770
EPS (Rs)	115.0	11.2	70.1	88.0
Book Value (Rs)	803	824	885	964
Adj. BV (Rs)	778	782	838	915
P/E (x)	6.7	68.5	11.0	8.8
P/BV (x)	1.0	0.9	0.9	0.8
P/ABV (x)	1.0	1.0	0.9	0.8
DPS (Rs)	16.5	1.6	9.1	11.4
Dividend Payout Ratio (%)	14.3	14.0	13.0	13.0
Dividend Yield (%)	2.1	0.2	1.2	1.5

Efficiency

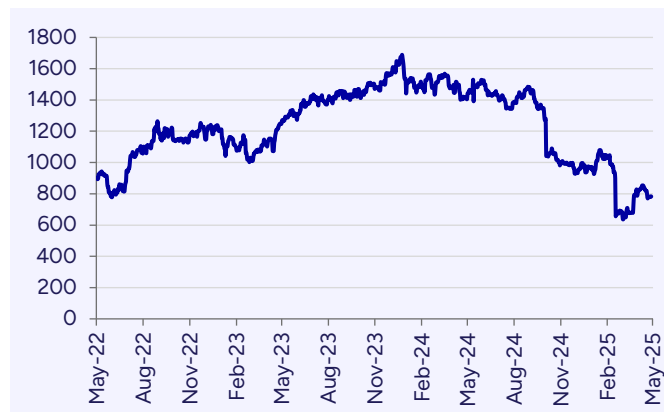
Y/e Mar	FY24	FY25	FY26E	FY27E
Cost-Income Ratio (%)	47.5	60.2	58.2	57.3
C-D Ratio (%)	89.2	83.9	84.0	84.0
Business per Emp. (Rs m)	160	148	145	148
Profit per Emp. (Rs lacs)	20	2	10	11
Business per Branch (Rs m)	2,440	2,275	2,236	2,287
Profit per Branch (Rs m)	30	3	15	17

Du-Pont

Y/e Mar	FY24	FY25	FY26E	FY27E
NII	4.24	3.56	3.39	3.57
Total Income	6.17	5.00	5.21	5.47
Operating Expenses	2.93	3.01	3.03	3.13
PPoP	3.24	1.99	2.18	2.34
Total provisions	0.78	1.65	0.90	0.85
RoAA	1.84	0.16	0.96	1.12
RoAE	15.32	1.38	8.20	9.51

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Apr-25	Hold	860	676
2	11-Mar-25	Hold	1,000	901
3	01-Feb-25	BUY	1,500	991
4	08-Jan-25	BUY	1,500	984
5	07-Jan-25	BUY	1,500	970
6	25-Oct-24	BUY	1,600	1,280
7	07-Oct-24	BUY	1,750	1,383
8	28-Jul-24	BUY	1,404	1,750
9	08-Jul-24	BUY	1,800	1,434

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	AAVAS Financiers	Accumulate	2,072	2,038
2	Axis Bank	BUY	1,500	1,207
3	Bank of Baroda	BUY	275	225
4	Can Fin Homes	BUY	860	723
5	City Union Bank	BUY	210	174
6	DCB Bank	BUY	155	113
7	Federal Bank	BUY	220	197
8	HDFC Asset Management Company	BUY	4,600	4,218
9	HDFC Bank	BUY	2,125	1,907
10	ICICI Bank	BUY	1,700	1,407
11	IndusInd Bank	Hold	860	676
12	Kotak Mahindra Bank	BUY	2,400	2,185
13	LIC Housing Finance	BUY	725	621
14	Nippon Life India Asset Management	BUY	700	638
15	State Bank of India	BUY	960	800
16	Union Bank of India	BUY	145	123
17	UTI Asset Management Company	BUY	1,300	1,019

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

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