



## **Q1 FY26 Earnings Conference Call**

**BOARD AND MANAGEMENT:**

**MR. SUNIL MEHTA – NON-EXECUTIVE INDEPENDENT, PART-TIME CHAIRMAN**

**MR. SOUMITRA SEN – HEAD, CONSUMER BANKING & MARKETING**

**MR. ANIL M. RAO - CHIEF ADMINISTRATIVE OFFICER**

**MR. INDRAJIT YADAV- HEAD, INVESTOR RELATIONS AND STRATEGY**

**+**

**MANAGEMENT TEAM MEMBERS**

**July 28, 2025**

**Moderator:** Ladies and gentlemen, good day, and welcome to IndusInd Bank Limited Q1 FY'26 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing '\*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sunil Mehta, Chairman along with the Management of IndusInd Bank. Thank you and over to you, sir.

**Sunil Mehta:** Dear all, very good evening to all of you. I, Sunil Mehta – Chairman of the Board of IndusInd Bank Limited, welcome you for this quarterly results call.

I am joined by our Committee of Executives, Soumitra Sen, and Anil Rao, along with the rest of our management team. We will follow a structure similar to the last quarterly call for today's call as well. I will begin by highlighting some of the key developments at the Bank, after which Soumitra and Anil will provide more detailed updates on our business performance and financial results.

At the outset, we had two main objectives in this quarter – first being restoring trust in the institution as our prime and immediate responsibility, and secondly ensuring continued execution of core businesses of the Bank. The Board and the management remain committed towards these objectives. The Bank has implemented higher standards of transparency and compliance as also reflected through actions taken by us.

I will give further update on some of the key developments for the last quarter:

1. Decisive Action on Legacy Issues:

- During Quarter 1, the Board and the management have spent considerable time and efforts towards resolving the concerns relating to legacy treasury and microfinance issues as identified in the previous quarter.
- In treasury, we have stopped internal deals. We have further began process of upgrading the treasury Calypso system to the latest version with enhanced functionality of Trade Management, Controls and Monitoring.
- The governance framework for the microfinance subsidiary has been significantly improved bringing in greater transparency. We continue to delve deeper to further enhance board and management oversight and operational control over the subsidiary.
- The Bank has set up a dedicated Process Management Office tasked with benchmarking the Bank's internal processes and policies with the best practices and bridging gaps, if any.
- The rigorous exercise which had been conducted in Q4 helped the Bank to absorb these irregularities in Q4FY25 results itself. As you would have seen and in line with our assessment, we have delivered Q1FY26 results without any carry over of the prior period irregularities. The financial impact of the legacy issues is thus now behind us.

2. Leadership Transition Well on Track:

- The Bank has made significant progress on the CEO appointment. The recommendations were submitted within the prescribed timelines and are currently under regulatory approval process.

- We do want to clarify that there has been no change by the Bank in its CEO recommendations, from what we had initially submitted to the regulator.
- In addition, the Bank is also actively identifying, both internally as well as externally, top quality talent for the wider senior management and we will update you at appropriate time.
- Meanwhile, the Committee of Executives (CoE), operating under the guidance of the Board's Oversight Committee, has done an excellent job ensuring seamless business continuity during this challenging phase. Under their leadership, the Bank is effectively pursuing near-term priorities as well as laying and building on the foundation for sustainable growth.
- We are confident of building a strong management team which will unlock the true potential of this franchise underpinned by robust governance framework.

3. Key focus themes identified for the near term:

- Even as we await the new CEO, the Board along with the Management have aligned on five key focus areas to be actively worked upon.
- These themes include:
  - Profitability First Approach– we have taken measure such as reduction in savings account rates, de-emphasizing growth in lower return businesses through effective fund transfer pricing etc. to restore the profitability of the organisation towards its underlying potential.
  - Stringent Cost Management – A robust cost management plan has been identified and is being implemented by all business units, even as future focused investments continue apace. The Bank had over 20% opex CAGR in last 3 years and we are now working towards containing opex to single digit YoY growth in the foreseeable future.
  - Heightened focus on Recoveries – We are scaling up our collection efforts to recover Bank's dues from the accumulated slippages. We are targeting the upgrades and recovery run-rate for the year to be comfortably better than the last couple of years.
  - Building the "One IndusInd" franchise – There are immense synergies between our diverse businesses. Management is working actively to ensure that the collective power and service of our whole bank is made available to our customers. We aim to leverage our existing customers leading to better risk adjusted growth as well as improved self-funding proportion across the business units.
  - Effective engagement with stakeholders – We have also continued our proactive engagement with all our stakeholders, including regulators, employees, customers, rating agencies and media. The Bank has transparently shared all developments, addressing their concerns and rebuilding the trust in the organisation. We are encouraged by and deeply appreciate their support. I want to express my gratitude to the RBI as well as our 45,000 employees for their support throughout this journey.
- These themes represent the opportunities where we believe meaningful progress can be made, leveraging our existing investments and capabilities. In addition a detailed strategic roadmap will be identified and implemented by the new CEO, once in place.

4. Delivered on Business-as-Usual Agenda:

- Despite the overhang of legacy clean-up, we have collectively ensured that there is continuity in the rest of the Bank's businesses.
- On Assets side, our vehicle and consumer businesses maintained disbursement as per their usual trends. We were cautious on the microfinance business. As

regards the corporate banking business, we had calibrated disbursements and they are now picking up.

- On Liabilities, the retail momentum continues apace with share of Retail Deposits as per LCR improving QoQ. We have let go of bulk and certificates of deposits, which has helped in the granularization.
- We had carried excess liquidity during the quarter which we have started deploying in accretive purposes.

5. Financial Outcomes for Q1:

- The Bank has returned to profitability on quarterly basis, with a profit after tax of Rs 604 crores.
- As mentioned earlier, the profits for the quarter are without any one-offs from the prior period.
- We have reported stable operating profitability metrics vs normalised Q4 metrics.
- The CET1 capital improved to 15.48% vs 15.10% QoQ with efficient capital utilisation. This provides enough fuel in the tank for growth in foreseeable future.

Overall, the Bank has demonstrated strong resilience in getting past the unfortunate events in Q4. We believe the financial return metrics are still below their potential due to the developments since March 2025. We have seen a steady recovery in our core businesses and our aim will be to show consistent and predictable improvement every quarter on our financial metrics.

I will now handover to Soumitra to take you through highlights on individual businesses.

**Soumitra Sen:**

Thank you, Chairman. I will start with the vehicle finance business.

**1. Vehicle Finance:**

- Our vehicle loan book stands at Rs.96,357crores growing 7% YoY and 1% QoQ.
- Disbursements for Q1 were at Rs.11,298 crores, remaining steady on a YoY basis. Q1 has traditionally been a seasonally weak quarter of the year, and the second half of the year contributes a larger share of both disbursements and recoveries, and we expect this trend to continue.
- We witnessed YoY loan growth across most product categories, with Passenger Cars, Construction Equipment, and Light Commercial Vehicles registering double-digit growth. While tractor loans saw a decline YoY, disbursements are now picking up both sequentially and YoY basis, following last year's consolidation and strengthened credit underwriting processes.
- On asset quality, the net slippages for Q1 improved to 0.58% vs 0.62% YoY. We expect slippages to remain rangebound as the year progresses, supported by seasonality benefits and improving economic activity.
- Over the past six months, we have not sold any NPAs to ARCs, choosing instead to focus on internal collections. This however leads to the increase in period end the GNPA ratios for the interim period.
- The restructured book in Vehicle Finance has now come down to immaterial levels at Rs.85crores vs Rs.417crores YoY, with majority of this reduction being a result of upgrades & recoveries.

Looking ahead, overall vehicle demand for the year is expected to be muted. However, we do see some support coming through rural uptick with strong monsoons, government infrastructure spending as well as interest rate cuts. We remain watchful of region-specific weather disruptions, supply-chain constraints and

geopolitical uncertainties, which may pose operational challenges. Our diversification across geographies and vehicle categories should also help us in sustaining steady momentum and mitigating risks.

## **2. Micro-Lending / Micro-finance:**

- Total outstanding loan book under microfinance and merchant business now stands at Rs.35,712 crores down 6% QoQ and 16% YoY
- Microfinance
  - We took a cautious stance on microfinance, monitoring industry trends while working on several initiatives aimed at strengthening internal processes through enhanced quality checks such as re-validating all KYCs, improving underwriting standards, and conducting loan utilization checks for all loans etc.
  - While these measures temporarily impacted disbursement growth, they have provided critical validation and process enhancements, and re-instilling confidence in our ability to achieve sustainable growth in this segment, going forward.
  - As a result, microfinance disbursements were down by 36% QoQ and loan book by 8% QoQ. Disbursements followed MFIN guidelines and focused on high-vintage customers with strong bureau & repayment records and high internal behavioural scores.
  - Slippages, though elevated from normalized levels, have declined meaningfully QoQ. We expect slippages to gradually stabilize by H2, as legacy stress subsides, and new disbursements continue to perform steadily.
  - The 31-90 Days Past Due book was steady at 2.2% in Jun-25 vs 2.3% in Mar-25.
- Bharat Super Shop i.e. the merchant acquiring business
  - We have now around 649k merchant borrowers under this program.
  - Our merchant loan book at Rs.7,304crores, grew by 38% YoY.
- The share of non-MFI book now stands at 20% vs 13% YoY.
- Total liabilities sourced through BFIL now stand at Rs.2,160 crores.

Overall, we are seeing improvements in terms of microfinance stress and slippages from the elevated levels of last year. We continue to remain cautious on growth as well as asset quality trends. Our diversification efforts continue apace, with steady scale-up in the merchant business. We remain confident in the long-term rural opportunity and believe that our deep distribution network and calibrated diversification strategy will help us achieve and maintain sustainable growth.

## **3. Corporate Bank:**

- We continued our tactical approach of efficient balance sheet management for most of the quarter. This resulted in moderate corporate disbursements during the quarter. However, with the liquidity concerns now behind us, we have resumed disbursement growth from July.
- As a result, our corporate loan book has come down by 8% QoQ and 16% YoY.
- The proportion of A and above rated customers at 77% has been steady QoQ. The weighted average rating was at 2.60 vs 2.57 QoQ.
- The Gems & Jewellery portfolio continues to reflect strong asset quality, with no accounts in SMA1 or SMA2. However, growth continues to remain muted, amidst industry level slowdown.
- Gross slippages in the corporate book stood at 17bps or Rs.245crores, mainly contributed by one manufacturing account of Rs.118crores which we had already provided 50% for and a few other granular slippages.

- Looking ahead, corporate slippages are expected to improve, supported by a healthier early delinquency profile. Our combined SMA1 and SMA2 book has declined to 14 bps from 24 bps QoQ.
- Corporate Restructured book has reduced to Rs.132crores vs Rs.569crores YoY.
- Overall, while we have temporarily moderated corporate book, our long-term strategy of scaling up the granular mid and small corporate portfolio, along with selective exposure to large corporates, continues to be actively pursued. The same should reflect in the coming quarters.

**4. Other Retail Assets:**

- Our other retail assets grew by 18% YoY and 2% QoQ.
- MSME book under business banking is at Rs.17,973crores growing by 8% YoY.
- Scale-up of home loan book continues with outstanding now at Rs.4,996crores growing by 113% YoY and 11% QoQ
- LAP book maintained steady traction with 12% YoY and 1% QoQ growth.
- Credit card spends at Rs.26,900 crores grew 15% YoY while moderating on QoQ basis. Our market share in credit cards spends was at 4.78% based on latest available data.
- The asset quality trends have been rangebound in all the segments. We don't have large exposure towards unsecured business loans. The credit card stress remains elevated but stable. The secured side asset quality trends have been comfortable.
- Overall, we continue to scale our other retail asset segment, with a clear focus on diversifying the loan book and increasing the share of retail secured assets, particularly through home loans and MSME lending.

**5. Now coming to Liabilities:**

- Our deposit franchise has demonstrated resilience after being put to test in early March. The deposit accretion improved during the quarter after the dip in March, albeit it has not yet reached similar levels prior to the March disclosure.
- The retail deposits as per LCR at Rs.1,84,634crores grew by 6% YoY while remaining steady QoQ. The share of retail deposits now stands at 46.5% vs 43.7% YoY and 45.1% QoQ.
- During the quarter, we consciously exited certain non-accretive wholesale deposits, leveraging our comfortable liquidity position. As a result, total deposits at Rs.3,97,144 crores declined 3% QoQ.
- With comfort on the stability of the deposit book, the Bank undertook significant rate actions of up to 200bps on savings account and up to 100bps on term deposits in certain slabs.
- We have also combined the Affluent and Non Resident business segments, considering the overlapping profile of customers. The combined deposits stand at Rs.74,300 crores growing at 5% YoY and NRV at 1,21,200 crores growing 16% YoY.
- We let go some of the Certificates of Deposit raised in March and thus CDs reduced by 12% QoQ.
- Borrowings at Rs.52,200 crores were down 3% QoQ with share at 9.7% of total liabilities.
- We maintained a conservative liquidity stance, carrying excess liquidity with an average LCR of 141% and average surplus liquidity of Rs.52,700 crores.

In summary, our retail deposit franchise continues to show resilience and we are pivoting towards growth now. We are not hesitating in cutting rates and we do believe there is further scope to cut both Savings as well as term rates. Improving the granularity of deposits along with reduction in cost of deposits continues to be our

immediate priority. The liquidity measures announced by the Reserve Bank are positive for our journey toward building a more granular and robust retail deposit franchise.

**6. Digital Traction:**

- Our Direct Digital Business continues to scale meaningfully across multiple lines of business, as highlighted in our investor presentation.
- Our flagship mobile banking app, INDIE, has shown strong traction this quarter, driven by customer adoption of the upgraded experience. Key performance metrics include
  - Monthly active users were up 2.6X QoQ
  - Across business lines, we saw robust growth from direct-to-client campaigns and migration from the legacy app:
    - FD bookings from INDIE app were up 220% QoQ
    - New SA opened via INDIE app up 292% QoQ
    - MF bookings via INDIE app up 600% QoQ
    - Loans disbursed via app up 37% QoQ
- Our MSME-focused digital platform, INDIE for Business, also delivered strong results. The app now has 100,000 MSMEs registered, with monthly active users growing 129% QoQ and tax payments and bill payments via app growing 600% and 57% QoQ respectively.

Now over to my colleague Anil to take through the financial highlights.

**Anil Rao:**

Thank you, Soumitra, and Chairman sir. Good evening to all the listeners on this call and thanks for your participation.

**Coming to the financial performance:**

Despite a challenging operating environment, we are pleased to report the Bank has returned to profitability this quarter.

- Our Net Interest Income at Rs.4,640 crores and Net Interest Margin at 3.46% remained steady compared to normalized numbers for Q4FY25.
- Net Interest Margin was supported by improving cost of deposits on the back of rate cuts, particularly savings account for this quarter and higher overall retail loan mix. These helped offset the impacts of excess liquidity and lower share of MFI loans.
- The reported NIMs were higher by 11bps due to one past NPA recovery and one off interest on income tax refund.
- Q1 is typically a seasonally soft quarter for core fee income. This quarter, core fee income was further impacted by subdued corporate activity and lower MFI disbursements. We however had healthy treasury and recovery income during the quarter. As a result, Non-interest Income was at Rs. 2,157crores.
- Operating expenses were stable QoQ and YoY growth was contained at 9%. The Cost to Income is elevated due to subdued revenues as we carried excess liquidity as well as seasonally weaker quarter. As we resume asset growth and with tighter cost control, we aim to reduce Cost to Income consistently throughout the year.

- Operating profit for the quarter was at Rs.2,568 crores.
- In terms of asset quality:
  - The gross and net slippages improved QoQ to 0.74% and 0.61% respectively.
  - The asset quality trends in vehicle, retail and corporate banking were stable. Microfinance showed improvement QoQ, however, slippages are still higher than the normalised runrates.
  - The gross slippages by key segments were Vehicle Finance Rs.743 crores, Corporate Rs.245 crores, Other Retail Rs. 692 crores and Microfinance Rs. 888 crores.
  - Our SMA 1 and SMA2 book improved to 14bps vs 24bps QoQ
  - Net Security Receipts declined to 22bps vs. 27bps QoQ
  - Restructured advances declined to 10bps vs. 12bps QoQ

Overall, the Bank returned to profitability on quarterly basis, with profit after tax of Rs. 604 crores. Our Balance sheet remains strong with the Capital Adequacy Ratio of 16.63% excluding Q1 profits, Provision Coverage Ratio of 70% and average LCR of 141% with excess liquidity of Rs.52,700 crores.

I will now hand over to the Chairman for concluding closing remarks.

**Sunil Mehta:**

Thank you, Anil. While we close the opening remarks, I do want to bring into focus some key messages:

- We have delivered financials without any prior period adjustments as committed in the last quarterly call. We take this opportunity to again assure the stakeholders on the thorough review done while finalisation of the last quarter's results.
- We are progressing on building a sustainable bank in areas of our expertise. We are growing in vehicle, retail, mid and small corporates, granular liabilities etc. We remain cautious on unsecured segments.
- The CEO succession process is well on track and we are confident of having a highly capable and competent leader soon at the helm. The Committee of Executives has done excellent job navigating these turbulent times under the guidance of the Oversight Committee.
- While the financials have returned to profitability, there is certainly significant scope for improvement. There are some near term opportunities which we are actively working towards, while also laying and building on the foundation to achieve our medium and long term aspirations.
- Lastly, the compliance and governance culture along with rebuilding the talent desirous of delivery remains the Bank's primary area of focus. All our actions and communications are underpinned towards this objective.

We are on an exciting journey of rebuilding this Bank towards a more sustainable and predictable growth. I want to again express my gratitude to the RBI and all stakeholders for continuous guidance and support.

We can now open for Q&A.



- Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from Rikin Shah from IIFL Capital. Please go ahead.
- Rikin Shah:** I have quite a few questions, but I'll try to restrict it to 3-4 and will come back. But firstly, in the opening remarks, there was a statement that there was interest on IT refund and interest recovery in one account. Would you be able to quantify the same and ex of both these factors, what would be the core NIM in this quarter? That's the first one.
- Indrajit Yadav:** Rikin, those two account for around 11bps on the margins. So, you can calculate the quantum.
- Rikin Shah:** Got it. Secondly, it's on cost of fund. 12% of the CDs were run down. So, is it fair to say that a large proportion of the CDs that we raised in March are still being carried by the Bank? And if you could also help us with the cost of savings deposit currently, just trying to understand how the cost of fund trajectory evolves from the current quarter?
- Indrajit Yadav:** The CDs are still there, you're right. Because some of those CDs were for six months. They will come up for renewal in this quarter. We have not been actively issuing CDs given the rates that are there and the liquidity in the market that we are getting. So, over the period of time, you will see CDs coming down. We have always kept share of CDs at 3% to 4% of the overall deposit base. Today, it's slightly elevated and we will tone down as we progress. So, that's where we are on the CDs.
- On the savings account side, we don't publish cost of saving account deposits, as you know. It has come down versus last quarter. Our current SA rates are still lower than cost of SA deposits for the quarter. So, there is still some benefit of last quarter savings account rate cuts, and those are yet to be fully reflected into the cost of deposit. But you will have to wait for another quarter till you see it.
- Rikin Shah:** Maybe a qualitatively a way of thinking about how much cost of fund benefit kind of flows through in the next couple of quarters, given that there are multiple moving parts in addition to the steady state business?
- Indrajit Yadav:** Precisely because there are multiple parts, we won't be able to say by how much bps cost of funds is yet to come down. But if I have to give you some ballpark numbers on current SA rates versus where we closed last quarter, there is another 40-50bps reduction in cost of SA is possible. The rest of the cost of fund deposits, there are multiple moving parts. How much of that will in the end reflect into cost of fund reduction, that we will have to see as the quarter progresses.
- Rikin Shah:** Fair enough. The third one is on the fee income. Understandably due to the business degrowth, the fee income has been weak. But the growth has collapsed across the line items. So, adjusting for any volume or business uptick that we see from here, should this be considered a new normal base for the fee income?
- Indrajit Yadav:** Last quarter's fee was not in a way comparable. You would have seen there were a lot of one-offs we had adjusted for. So, please don't compare that. There were a lot of transfers between NII to fee etc. This quarter's base is something which you have to start your benchmarking from. So, you're absolutely right. Whatever is this quarter's reported fee, that is the base from where we will start. Some of those fees are impacted because of the lower disbursements in vehicle, MFI etc. Corporate, if

the book degrows by 10%, the consequent fees also go away. So, all those things are there. But there is no one off in that. I can say that.

**Rikin Shah:** Got it.

**Soumitra Sen:** You also know that the Quarter 1 is obviously a soft quarter, and you would see from Quarter 2 onwards it should scale up.

**Rikin Shah:** Got it. The second last question is on the asset quality. The fresh flows in MFI have actually again inched up in this last three months. And even in other segments, on absolute and percentage basis, the NPAs have gone up. So, do we still expect elevated slippages in the coming quarters and this 200 plus basis point of credit cost? Is there any scope for meaningful improvement from the current levels?

**Indrajit Yadav:** See microfinance, we had said that it will take at least six months for things to normalize. We have come down from Rs.1,600crores of last quarter's slippages towards around Rs.900crores this quarter. So, there is a meaningful reduction. But it's elevated versus the normalized run rate. And it will take maybe 3 to 6 months more before we can say that the stress is behind us. Sequential uptick is always there from Quarter 4 to Quarter 1. Plus, there were some additional changes in terms of MFIN guidelines getting implemented. Some of the state level issues were there and you would have seen other MFI results. So, it's a common phenomenon across the industry where overdue book has increased in June versus March. And we are no different. We continue to have that same belief that it will take another 3 to 6 months for microfinance before we can say that stress is behind us.

Coming to other segments, as we said, there is a minor few basis points here or there increase in slippages, which is part for the BAU progress. I wouldn't read too much into it. For Bank as a whole, excluding microfinance, slippages are stable. Only thing is the GNPA number that you see is higher sequentially as well as year-on-year. We have not been selling to ARCs or writing it off given the limited operating profits that we have, the capacity to write off is also limited. Bulk of the write offs are assigned towards microfinance, unsecured etc. So, at some appropriate time, you will see the write offs also coming in. GNPA, as you know is not the best indicator in terms of the evaluating Bank's asset quality. Slippages, the gross and net is what you should look at. Most of the businesses have shown stable gross and net slippages.

**Rikin Shah:** Got it. Fair enough. And the last question is, the notification of the fund raise. Was it just an enabling resolution? And what is the status of regulatory approval on increase in the promoter shareholding? Those are all my questions.

**Indrajit Yadav:** Every AGM, as you know, we take enabling resolution from the shareholders to raise both equity as well as debt capital. It doesn't mean we will raise. At appropriate time, the board management will evaluate what is the right time and quantum that need to be raised as capital. As you would have seen, our CET1 is now close to 15.5% and that too without counting profits of Quarter 1. So, we have enough capital available. Growth is, as you know, it's in single digits or almost flat for this year. We will have to see how the year goes. So, capital wise, I think we are now well placed. We don't need capital. But board and the incoming CEO as well as the management will evaluate when we want to raise capital. The shareholder resolution is just an enabling resolution which we take every year. It's nothing out of ordinary.

**Rikin Shah:** Right. The regulatory approval on increase in promoter shareholding, what is the status of this thing?

- Indrajit Yadav:** No, we have not yet heard anything from the RBI. There might be discussions between the promoter and the regulator directly. The Bank is not aware of any new development which we are required to disclose.
- Rikin Shah:** Perfect. Thank you so much for answering all the questions.
- Moderator:** Thank you. Next question is from the line of Piran Engineer from CLSA India. Please go ahead.
- Piran Engineer:** Yes. Hi team. Thanks for taking my question. Just firstly on the NIM front or rather yield front, how much of the repo pass through is done?
- Indrajit Yadav:** So, different businesses are at different benchmarks. We have vehicle which is largely fixed MFI, which is fixed rate.
- Piran Engineer:** No, in the EBLR.
- Indrajit Yadav:** Difficult to give you at a Bank level how much EBLR is passed on. The large part of the external benchmarking happens in corporate side. And on the corporate side, the yields are down around 20 basis points this quarter versus last quarter. So, there is the bulk of EBLR repricing that you can see playing through in this quarter.
- Piran Engineer:** So, let's say the repo rate cut happened in early June. When does that really get passed on? Does it happen evenly over the quarter?
- Indrajit Yadav:** No. Whenever it comes for renewal, there are different terms. Different loans have different terminologies on the corporate side. They have got various renewal processes. So, it gets passed on over a period of time. In the end, there could be some lead lag, but over 3 to 6 months, everything gets passed on.
- Piran Engineer:** Okay. Fair enough. Secondly, on the fees bit, so I understand a lot of re-statements last quarter and all. But even if I look at your card and distribution fee, and I understand there is seasonality in 4Q. But even on a YOY basis, it's like down 50%-60% whereas your book is kind of still growing on a YOY basis. So, how do I reconcile this?
- Soumitra Sen:** On the insurance business, I think there is, you know, it's a seasonal business. So, Quarter 4 was the highest. And though there were events in Quarter 4 of last financial year, we didn't suffer that. We did our distribution fees that way. On the card side, you know, some part of the business, which is on the commercial side, we are letting go because it's not too efficient a business. But you will see that once we normalize this from Quarter 1, you will see the growth coming back from Quarter 2 onwards. But your profitability doesn't get affected because of this.
- Piran Engineer:** Okay. And just lastly, you all mentioned, you all are combining affluent and what was it, NR deposits? You mentioned something like that.
- Soumitra Sen:** Yes. See, the clientele is practically similar. NR client is also a HNI client. So, we thought that, okay, the affluent and the NR, the client segment is the same. One is Indian, one is the NR. Because the product program can be actually offered better, so we have combined that for better client offerings.
- Piran Engineer:** Okay, that's it from my end. Thank you and wish you all the best.

- Moderator:** Thank you. Next question is from Kunal Shah from Citigroup. Please go ahead.
- Kunal Shah:** Yes, thanks for taking the question. So, again, coming back on the core fee income side, if you look at fee to assets, that is now actually down to closer to like 1.1% on an average. Last quarter, you indicated like say 2,400 odd crores to be the normalized number. And now you are saying that we need to reset to this level. And then let's see in terms of the growth. So, where eventually will fee to assets settle? Because I think that's going to be the key driver to ROAs. And this time, again, it has reset at a much lower level.
- Indrajit Yadav:** No, Kunal, if you recall, we did not say that is the base last quarter. I still recall that the number reported was normalized. And we always said that number will go up and down depending on the business mix. So, this quarter, Quarter 1, as you know, is a seasonally weak quarter compared to Quarter 4 across the businesses, be it vehicle, microfinance, plus added impact of corporate. The retail side distribution fees are lower. Some of the credit card fees etc., we have let go of being selective. So, we are cognizant of how fees are important from the ROA perspective. And the businesses are not letting go the fee ambitions. And we will start rebuilding our growth journey, keeping in mind both NIM as well as fees. It is difficult to give you a guidance or target where we would like to.
- Kunal Shah:** How far can we optimize? Yes, because it's at 1.1. So, can we even optimize to 1.5, 1.7? How would that be?
- Indrajit Yadav:** No, Kunal, we would be not in a position to give you any guidance on the specific numbers.
- Kunal Shah:** Okay. Sure. And secondly, on maybe cost side, you mentioned that I think a part of it is because of the credit card, because maybe it's not coming in the fee as well as it's not there in the OPEX. So, if we add that, okay and maybe the loss in the card fee income and maybe the overall overhead cost, then it seems to be like almost a flattish number, while employee cost has gone up quite significantly. So, what would have been the reason for this kind of a jump in the employee cost in particular?
- Santosh Kumar:** So, there is no increase in the OPEX as such, but there was a certain expenditure pertaining to employee that we have regrouped for the year, and we have restated that. So, that would be basically permanent from now onwards.
- Soumitra Sen:** Kunal, it's just a change which we did. I think the accounting, the line wise, we have put it into the employee cost line. That's it.
- Kunal Shah:** And then quantum would be?
- Santosh Kumar:** For this quarter, it was Rs.145crores. So, that has been done.
- Soumitra Sen:** It's a reclassification which we have done. So, overall OPEX doesn't go up. But I think we have put in the right line, which is under the employee expense line. So, because of reclassification, you're seeing a jump.
- Moderator:** Thank you. Next question is from Ankit Bihani from Nomura. Please go ahead.

- Ankit Bihani:** Yes. Thank you for the opportunity. I wanted to ask, are we seeing any signs of stress in the CV segment, especially the retail CV? Are there any signs of stress there?
- A. G. Sriram:** I don't see any stress in the CV segment. Our net slippages have been lower than last year's Q1. And we continue to believe it should be better than last year.
- Ankit Bihani:** Okay. And in terms of loan growth, should we expect positive loan growth on a QOQ basis from 2Q onwards?
- Indrajit Yadav:** Bank as a whole, we'll wait and watch. We will not give you any quarter specific or the year specific guidance. As our Chairman sir said in his initial opening remarks, our ambition is to show you improvement quarter-on-quarter on every metric. But we will not be in a position to give you any specific guidance. As he said, we are focused on secured businesses like vehicle, retail, mid and small corporates. We are cautious on microfinance. So, all that philosophy continues, but we will not be able to give you any quarter specific or year specific guidance.
- Ankit Bihani:** Okay. Thank you. Those are my questions.
- Moderator:** Thank you. Next question is from the line of Jai Mundhra from ICICI Securities, please go ahead.
- Jai Mundhra:** Thanks for the opportunity. The first question on, I see that the standalone PAT and the console PAT, there is a difference of some Rs.80crores something. What would explain that?
- Indrajit Yadav:** So, that's the loss of the subsidiary, the BFIL, which is 100% subsidiary, it has reported a loss. So, consolidated, it's been adjusted in the numbers.
- Jai Mundhra:** Okay. So, but that is like 100% subsidiary, right? So, that will not come in the standalone numbers also?
- Indrajit Yadav:** That's why when we have talked about the opening remarks, you would see the Rs. 604 crores is what we have talked about as a consolidated profit. Standalone profit is higher. If you net off the subsidiary loss, then we come down to Rs. 604 crores as the consolidated profit.
- Jai Mundhra:** Right. No, that I can see. But I thought, while it is 100% subsidiary, but the entire business and it works the way that, it's like a department of the Bank. So, I thought maybe the financials are there in the standalone Bank also.
- Indrajit Yadav:** Jai, we can take you through maybe offline, there are certain expenses which we have to reimburse. It's not directly that every line item gets reimbursed for. So, there are some regulatory guidelines which are there and even though it's 100% subsidiary, there has to be a proper arm's length reimbursement guidelines. So, given the way the book has declined as well, and the expenses that they already have and compared to the whatever reimbursement that we can provide for, the subsidiary has reported a loss. So, that's where it is. But I can take you through in detail how the operating mechanism works separately.
- Jai Mundhra:** Sure. Thank you. And lastly, if you can quantify the disbursement for MFI in this quarter Q1 and maybe the last quarter? And when do you think these to pick up?

- Indrajit Yadav:** Yes, we have done around Rs.6,000 crores of microfinance disbursements this quarter in BFIL. Last quarter, if I'm not wrong, we are disbursed around Rs.9,300 crores. On disbursement run rate, it will be difficult to give you a quantum. As I said, we don't give guidance on any specific numbers. We are watchful about how the situation is. First half is always seasonally weak. Plus, there are certain states going into election. And industry has shown some uptick in sequential overdue book. So, let's wait and watch how things go. But I would rather be more cautious on saying that the book has maybe a little bit chance of declining rather than growing. But let's wait and watch how things go. And then we will again come back in quarter to take a call.
- Jai Mundhra:** Sure. And lastly, if you have this number for how much is your loan book is fixed, EBLR, MCLR, etc. And on corporate, I think you mentioned that it happens with the respective reset date. But I don't think you have too much of retail floating rate loan book. But still, what is the EBLR mechanism for retail loans?
- Indrajit Yadav:** So, what used to be around 50% fixed has now gone up to maybe around 55%-58% given that corporate book has shrunk in the last six months. Vehicle, MFI, they are all on the fixed rate. Some parts of retail is also fixed rate. The 40% corporate book is on a floating rate basis. Of that, two thirds is on external benchmark and one third is on the MCLR.
- Moderator:** Thank you. Next question is from the line of Harsh Modi from JP Morgan. Please go ahead.
- Harsh Modi:** Hi, I had two questions. First is, if you had, let's say, enough operating profits, what is the stock of NPLs that you would have written off if it was possible? And I have a follow up.
- Indrajit Yadav:** See, way higher than my pay grade, but if I can just take a call. The Bank has historically operated at around 50 to 60 basis points of net NPA. Today, our net NPAs are running at around 110 basis points. So, that extra 50 to 60 basis points of net NPA is something which is the accumulated net NPA over the last 6 months or 12 months. If we have enough profit pools, ideally, we should write it off. Obviously, you should have actually zero net NPA. But given the way things are, I think 50, 60 basis points of net NPA is where I think the Bank like us should operate. Also, comparing where the rest of the market is, I think that's where we should have 50 to 60 basis points of net NPA while maintaining 70% to 75% provision coverage ratio.
- Harsh Modi:** Thank you. One more. Are you targeting a particular PAT or PBT, profit before tax number, in a bid to, as in, what is adequate PPOP and when, if I do write off 50, 60 odd basis point, is there a particular profit number, particular return number that you are targeting? I just want to understand how should I think about the timing of this 50, 60 basis point write-off for the next few quarters? Thank you.
- Indrajit Yadav:** There is no profit number in our mind. We want to be profitable. And there are certain other stakeholders which are also looking at the profit, such as depositors and others. So, we need to balance aspirations of all the stakeholders. You guys are more savvy than maybe a retail depositor on the ground, who can net off all those things from networth and say what is my adjusted book value. But from other stakeholders perspective, we need to have some decent profitability. So, there is no particular profit number in our mind. No particular ROE in our mind. We are cognizant of cleaning up whatever accumulated stress in the balance sheet is. If you noticed, outside of net NPA, all other forms of stress, be it in terms of SRs or SMA-1, SMA-2 or restructured book, all those are now coming down to almost negligible levels. The

only residual point is net NPA. That also will come down over a period of time. But at this point in time, I think it will be premature to say what is our expectation of this year's profits and when and how we will write it off the net NPAs.

**Harsh Modi:** Great. Thank you.

**Moderator:** Thank you. Next question is from the line of Jayant from Axis Capital. Please go ahead.

**Jayant:** Thank you for the opportunity. Sir, my first question is on microfinance book. This is probably given that you run a large book, and we are hearing across the board 1Q numbers have been elevated for the industry. What is your read-through for the second quarter or maybe for the rest of the year? Is there any grip if this problem has peaked out or not? That is the first question.

**Indrajit Yadav:** Again, we are coming to the same question. I think let's wait for another 3 to 6 months. Things are a little bit in flux. Whatever we say today may not hold a month later. So, let's wait and watch. We are cautious on disbursement. You have seen our book coming down from Rs. 40,000 crores at the peak in last March towards almost now Rs. 28,000 crores. So, we have been running down. A large part of the book is now built in the last 6 to 9 months. However, that too is showing some stress. So, let's see, wait, and watch for another 6 months and then we take a call. At this point in time, calling out whether things have peaked or not peaked, is too difficult for anybody I think in the industry.

**Jayant:** Again, you said the new book that has built up in the last 6 to 9 months also has some stress showing up, not just for us but for the industry?

**Indrajit Yadav:** Yes, correct.

**Jayant:** The second question is on the deposits. If you can talk about the customer behavior on deposits after the large cuts that you have taken. What are the retention rates like? And just to follow up on that, given that your net headline loan growth number is probably going to be muted for a while, does that give you some more ammunition to shed higher cost deposits over the next 1 or 2 quarters?

**Soumitra Sen:** As of today, we are in liquidity excess. We are holding more than Rs. 45,000 crores-to Rs. 48,000 crores of excess liquidity. So, what we are doing is that the less profitable accounts on the liability side which is high cost, financial segment deposits etc., those kinds of things we are letting go. The segment which we are looking at is the retail. And you have seen that though overall book has de-grown, our retail book is steady. And you will see from Quarter 2, the accretion will start because whatever had to happen has happened. So, the focus definitely is on individual deposits, and we will grow that. And obviously till the time we have liquidity, we will try to prune and right-size the balance sheet so that it becomes more stable and sustainable.

**Jayant:** Does that mean margins can move up again from here in Q2?

**Indrajit Yadav:** As I have been saying, we will not be able to give you guidance on margins. All we can give you is the drivers. On the positive side, savings accounts rate cuts are yet to fully reflect to the cost of deposits. The growth being slower on the corporate side results into positive margins. The liquidity getting deployed is positive for the margins. But on the negative side, repo/ EBL rate cuts getting transferred impacting the loan yields, as well as low growth in microfinance, credit card etc., are negative. So, all we can



give is you the drivers of margins. But where they will end, we will not be able to guide you on.

**Jayant:** Thank you, sir. Best of luck.

**Moderator:** Thank you. Next question is from Anand Dama from Emkay Global. Please go ahead.

**Anand Dama:** Thank you for the opportunity and great set of results. My first question is on your opening remarks where you said that OPEX growth here on will be almost about single-digit. So, what is that basically going to drive the OPEX growth into single-digit? Because I think we want to invest into tech, you also invest into compliances, liabilities franchise as well seems to be relatively weaker on the retail front. So, why are you saying that OPEX growth will be single-digit or basically this is going to change once the new MD & CEO takes the position? So, You are saying that OPEX growth will be single digit going ahead. Why is that so? Would that impact the OPEX?

**Indrajit Yadav:** No, it is not about cutting. Given the environment of low growth, a lot of our variable costs come down. So, vehicle, MFI, if they are not growing, then the disbursement related expenses come down. Secondly, a lot of investments in technology have already happened in the last 2-3 years. You have seen the opex growth rates that we have done. So, those are not recurring, whatever the maintenance costs are there, those are coming in. We have grown our opex at around 20-25% compounded. So, all those investments that have happened in the past. Operating leverage is coming from that. We are just waiting out a little bit more. We have been more cautious about all the spends. Some of the maybe too forward-looking investments, we will have to push out a little bit. We have to also get revenues first before we can start investing. So, it is just a bit of a tighter control over opex, rather than anything else.

**Anand Dama:** And secondly, recently our HR Head has resigned. And we have seen senior management moving out. If the MD & CEO is not in, so how do you plan to hire the senior management, one? And, I think there was another call that we might be also hiring Executive Director. Any update over there?

**Sunil Mehta:** So, let me respond to this. So, as far as the CEO hire, that is progressing as per schedule. As we have committed to the regulator, the submissions have been made to the regulator as of June 30<sup>th</sup> and we await regulatory approvals. As far as the senior management is concerned, since we did lose the former CEO, the deputy CEO, and the CFO, it is quite natural for us to revisit our current management leadership team. And there were some that were also superannuating as part of the natural progress in the Bank. So, wherever there were any open gaps, we are looking at both internal and external candidates and sort of filling that up. And I think all the building blocks from a management leadership team are being looked at very closely. And we are hopeful that a lot of these positions will get filled up in due course.

**Anand Dama:** Could you provide some clarity on Executive Director position?

**Sunil Mehta:** So, we lost the last CEO and of course the Whole Time Director, which was the Deputy CEO. So, as we sort of move towards building the leadership team, after we have the MD & CEO in place, we will also look at creating two Whole Time Directors in due course.

**Anand Dama:** That's very helpful. Thanks a lot.



**Moderator:** Thank you. Ladies and gentlemen, we will take that as the last question. And I'll hand the conference over to the management for closing comments.

**Sunil Mehta:** Thank you. I just want to thank all the analysts and everybody who participated in this analyst call. Greatly appreciate and thank you for all the questions that were asked. It puts us on our toes and certainly sort of we are mindful of whatever has been stated. But I just want to conclude by saying that we did go through, as I said earlier, we did go through a difficult period in the prior quarter. It has been very challenging. But when you are in a crisis situation, it's the team that gets together and works as a cohesive team. I feel that whatever we have witnessed over the last 3 to 4 months, it should have never happened. But since it did happen, we have learnt a lot of lessons from the same. We are making good progress in addressing all those issues of the past and certainly looking forward in building the Bank of the future. And the entire team is working towards this one common objective and rebuilding the trust and integrity and the highest governance standards from this Bank as we move forward. And I can assure you that the efforts that have been put in have been extraordinary by the entire team, the leadership team and all the employees of the Bank. So, I'll stop here and thank all of you for participating in this session.

**Anil Rao:** Thank you.

**Moderator:** Thank you. On behalf of IndusInd Bank Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.

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