Indusind Bank Limited

March 18, 2025

Credit Update

On March 10, 2025, Indusind Bank Limited (IBL, rated CARE A1+) notified the stock exchanges about discrepancies found in the reporting of balances related to "other asset and other liability" accounts within its derivative portfolio. These issues were identified during an internal review of its processes. The discrepancies emerged following the implementation of the Reserve bank of India's (RBI's) updated Master Direction - Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2023, including accounting of Derivatives. This directive was issued in September 2023 and became applicable from April 1, 2024.

According to IBL's management, discrepancies were identified between September and October 2024 and were linked to internal trades conducted over the past five to seven years. The practice of internal trades was discontinued as on April 1, 2024. According to the review, these discrepancies are expected to impact the bank's net worth as of December 2024 by ~2.35%, amounting to ₹1,530 crore post-tax (or ₹1,970 crore pre-tax). Concurrently, IBL has appointed an external consulting firm to conduct an independent review of the accounting discrepancies and provide a report. The bank plans to recognise the impact of these discrepancies in Q4FY25, following the receipt of the final report from the external agency. Additionally, the RBI approved a one-year extension for the current Managing Director (MD) and Chief Executive Officer (CEO), instead of the three-year term recommended by the board.

CARE Ratings Limited (CARE Ratings) has taken note of the comfortable capitalisation levels of the bank, with capital adequacy ratio (CAR) of 16.46% as on December 31, 2024. The bank maintained a liquidity coverage ratio (LCR) of 113% as on March 9, 2025, and held unencumbered cash of ~₹30,000 crore as on March 11, 2025. Hence, the bank's liquidity position remains adequate.

CARE Ratings has taken cognisance of the bank's disclosure, noting that the losses to be recognised in Q4FY25 are unlikely to significantly impact IBL's credit and liquidity profiles. Also, RBI on March 15, 2025, published a statement highlighting that the bank is well-capitalised and its financial position remains satisfactory and stable. Nevertheless, CARE Ratings will continue to monitor the bank's performance, liquidity profile, and further developments related to this issue.

For the detailed press release of IBL, please click here.

About the company

Established in 1994, IBL is a new-generation private-sector bank promoted by the Hinduja group. In June 2004, the Hinduja group merged its flagship company, Ashok Leyland Finance Ltd, one of the largest auto and commercial vehicle financing non-banking finance companies (NBFCs), with IBL. The merger was effective, April 01, 2003, and benefited the bank in terms of branch network, improved margins due to high-yielding retail portfolio catapulted it into one of the leading financiers of commercial vehicles, two and three-wheelers, and construction equipment. Currently, it is the fifth-largest private bank in India in terms of total assets and total business as on December 31, 2024. The bank has a pan-India presence with 2,984 bank branches, 3772 branches of its wholly owned subsidiary, BFIL, 300 vehicle finance marketing outlets, and 2,993 ATMs as on December 31, 2024. It also has representative office in Dubai, Abu Dhabi, and London. The bank offers a wide range of products and services for individuals and corporates, including microfinance, personal loans, personal and commercial vehicle loans, credit cards, and SME loans. BFIL (earlier known as SKS Microfinance Ltd) was acquired by IBL in July 2019 and is its 100% wholly owned subsidiary. BFIL surrendered its NBFC license as NBFC-MFI post-acquisition and is working as a business correspondent (BC) of IBL offering the bank's asset and liability product solutions.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total income	44,534	55,136	45,009
PAT	7,390	8,950	4,879
Total Assets	455,780	514,935	549,226
Net NPA (%)	0.59	0.57	0.68
ROTA (%)	1.73	1.84	1.22

A: Audited UA: Unaudited; Note: these are latest available financial results

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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