FIRST LIGHT

24 October 2025

RESEARCH

INDUSIND BANK | TARGET: Rs 704 | -7% | SELL

Earnings hit by MFI w/offs with strategic reset underway

LAURUS LABS | TARGET: Rs 1,031 | +10% | HOLD

Operating leverage to emerge slower

SUMMARY

INDUSIND BANK

- Profitability metrics severely impacted, driven by accelerated provisions on MFI book
- Leadership and strategic reset underway; asset quality improvement masked by higher w/offs
- Maintain SELL with revised TP of Rs 704 (Rs 747 earlier), set at 0.8x Sep'27E ABV

Click here **for the full report.**

LAURUS LABS

- Sales /EBITDA/PAT surpassed our estimates by 18%, 28% and 75%; exceeded consensus by 11%. 31% and 74% respectively
- Key positive was 2nd consecutive quarter of >50% growth in formulations on a lower base; expected to normalise henceforth
- EBITDA margin to increase from 24.3% in H1FY26 to 28% in FY28E. Maintain HOLD, roll forward to Sep'27 with similar ascribed PE of 50x

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RESULT REVIEW

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

SELL
TP: Rs 704 | ∀ 7%

INDUSIND BANK | Banking | 23 October 2025

Earnings hit by MFI w/offs with strategic reset underway

- **Profitability metrics severely impacted, driven by accelerated provisions on MFI book**
- **Leadership and strategic reset underway; asset quality improvement masked by higher w/offs**
- **Maintain SELL with revised TP of Rs 704 (Rs 747 earlier), set at 0.8x Sep'27E ABV**

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Profitability severely hit by MFI provision surge: IIB reported net loss of Rs 4.4bn in Q2FY26 vs net profit of Rs 6bn in Q1FY26. Net loss was largely due to the accelerated provisions of Rs 8.9bn on the MFI book write-off of Rs 15.8bn. Further, a decline in the share of high-yielding MFI book to 6.5% of total loans (Q2FY26) from 9.2% (Q2FY25), coupled with degrowth in net loans (-8.8% YoY), resulted in lower NII of Rs 44.1bn (-17.5% YoY). As a result, NIMs also declined to 3.3% (-76bps YoY; -14bps QoQ). With lower NII and non-interest income, C/I ratio deteriorated to 66.2% (+14% YoY; +4% QoQ). Management stated that the medium-term objective is to achieve an RoA of 1%, mainly by improving cost to assets (0.8% in Q2FY26) and reducing the cost of funds (5.43% in Q2FY26).

Leadership & strategic reset: IIB saw a leadership overhaul with Rajiv Anand assuming the charge as MD & CEO in Aug'25 and swiftly reorganising senior management across finance, internal audit, legal, business transformation, and marketing. The immediate focus is platform stabilisation and improving process controls, while medium-term (3Y) strategy is to aim for sustainable growth through retail deposit mobilisation, scaling vehicle finance, MFI, MSME, HL, AHL products to build granular and resilient franchise. Management will share a detailed plan for this.

AQ improvement masked by higher w/offs: Asset quality (AQ) improved with the GNPA ratio falling to 3.6% (-4bps QoQ) and NNPA ratio of 1.04% (-8bps QoQ). This improvement was masked by higher w/offs of Rs 25.2bn (+3.8x QoQ), largely coming from the MFI segment. MFI witnessed high GNPA ratio of 18.8% in Q2FY26 vs 16.4% in Q1FY26. MFI accounted for 43% of total slippages (Rs 25.4bn) in Q2FY26. Management expects the accelerated provisioning to subside in subsequent quarters and report NNPA ratio of 50-60bps in the medium term.

Maintain SELL: We expect muted loan growth at 6% CAGR in FY25-28E with lower return metrics vs previous performance. We maintain SELL and roll over valuation to 0.8x Sep'27E ABV with revised TP of Rs 704 (earlier Rs 747).

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	IIB IN/Rs 758
Market cap	US$ 6.7bn
Free float	84%
3M ADV	US$ 37.7mn
52wk high/low	Rs 1,312/Rs 606
Promoter/FPI/DII	16%/34%/33%

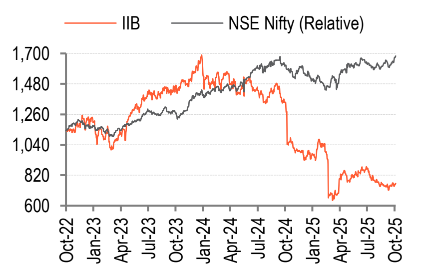
Source: NSE | Price as of 21 Oct 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
NII (Rs mn)	1,90,313	1,86,726	2,13,063
NII growth (%)	(7.7)	(1.9)	14.1
Adj. net profit (Rs mn)	25,754	12,523	39,175
EPS (Rs)	33.1	16.1	50.3
Consensus EPS (Rs)	33.1	44.8	66.3
P/E (x)	22.9	47.2	15.1
P/BV (x)	0.9	0.9	0.8
ROA (%)	0.5	0.2	0.7
ROE (%)	4.0	1.9	5.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

HOLD
TP: Rs 1,031 | ▲ 10%

LAURUS LABS | Pharmaceuticals | 24 October 2025

Operating leverage to emerge slower

- **Sales /EBITDA/PAT surpassed our estimates by 18%, 28% and 75%; exceeded consensus by 11%. 31% and 74% respectively**
- **Key positive was 2nd consecutive quarter of >50% growth in formulations on a lower base; expected to normalise henceforth**
- **EBITDA margin to increase from 24.3% in H1FY26 to 28% in FY28E. Maintain HOLD, roll forward to Sep'27 with similar ascribed PE of 50x**

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All-round beat: LAURUS reported earnings above ours and consensus estimates on all fronts. Sales growth of 35% YoY was driven by 58% surge in both small molecules (CDMO) and FDF sales, 18% YoY surge in large molecules (Bio) and 11% YoY surge in generics. Healthy growth in high-margin business of CDMO and FDF resulted in growth of 468bps in the gross margin and 47%YoY in gross profit. Operating leverage has flowed in with employee cost contribution reducing to 13% in 2QFY26 vs 15% in 2QFY25, leading to 982 bps rise in EBITDA margin to 24.4% and 126% YoY growth in EBITDA. During the quarter, other income grew by 486% YoY, interest cost declined by 24% YoY, depreciation grew 12% YoY, as also a 585 bps rise in tax rate to 28.2% — resulted in 880% YoY growth in PAT.

Synthesis segment growth led by higher commercialised molecules – During the quarter, CDMO sales grew 58% YoY and -4.5% QoQ to Rs 4.7bn and was 5% above our estimates. Growth in CDMO sales was driven by 1) better utilisation of capacities 2) higher commercialised molecules including 1 molecule in the animal health segment 3) late-stage development molecules. The company is witnessing strong demand in small molecules from the existing clients and has multiple animal health projects with dedicated sites that arer in the validation stage, followed by filings. Hence, it would take 18-24 months for commercialisation. Going forward, the crop science sales also will likely get commercialised in the upcoming quarters, Until then, we believe the synthesis sales would be largely driven by late-stage clinical development molecules, thus resulting in sales CAGR of 42% from FY25-28E to Rs 39 mn in FY28E.

Formulations growth to be driven by leadership in select molecules – During the quarter, Formulations sales grew by 58% YoY and 26% QoQ and was 38% above our estimates. This is the second quarter with >50% growth in the segment on the back of by 1) low base 2) new supplies in developed markets 3) stabilisation in base products. The company is also witnessing healthy demand in the ARV tablets and expects utilisation rate to go up further. The company's KRKA JV is also functioning well with the 1st phase of project expected to be completed by FY27.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	LAURUS IN/Rs 934
Market cap	US$ 5.7bn
Free float	74%
3M ADV	US$ 22.5mn
52wk high/low	Rs 944/Rs 440
Promoter/FPI/DII	27%/23%/5%

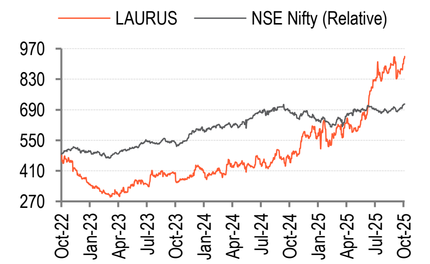
Source: NSE | Price as of 23 Oct 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	55,540	64,364	76,009
EBITDA (Rs mn)	10,553	16,091	20,142
Adj. net profit (Rs mn)	3,583	6,870	9,579
Adj. EPS (Rs)	6.7	12.8	17.9
Consensus EPS (Rs)	6.7	12.0	16.5
Adj. ROAE (%)	8.3	14.4	17.5
Adj. P/E (x)	139.9	73.0	52.3
EV/EBITDA (x)	45.1	29.6	23.7
Adj. EPS growth (%)	122.9	91.7	39.4

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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