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IndusInd Bank Posts Profit in Q1 Amid Lingering Fallout from Accounting Scandal

July 29, 2025

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IndusInd Bank has returned to profitability in the June 2025 quarter, reporting a net profit of ₹684 crore. The recovery comes after the bank suffered a significant ₹2,329 crore loss in the March quarter, triggered by a major accounting lapse related to its derivatives portfolio.

The bank had earlier disclosed that it had been incorrectly accounting for derivatives transactions for over seven years, leading to a cumulative hit of nearly ₹1,979 crore. This

misstep prompted an extensive internal review and a shake-up in leadership, with both CEO Sumant Kathpalia and Deputy CEO Arun Khurana stepping down. The Reserve Bank of India responded by granting only a one-year extension to Kathpalia before initiating a search for a new CEO.

In the latest financial results, the bank's net interest income fell to ₹4,640 crore, down from ₹5,408 crore in the same period last year. Advances also declined by 4 percent, reaching ₹3.34 lakh crore. Overall income dropped slightly to ₹14,421 crore, and fee-based earnings saw a downturn as well.

Asset quality indicators weakened during the quarter. Gross non-performing assets rose to 3.64 percent, while net NPAs stood at 1.12 percent. The bank maintained a provision coverage ratio of 70 percent, with total provisions for loan losses and contingencies amounting to ₹1,760 crore.

In response to the crisis and to rebuild investor confidence, the bank has announced plans to raise up to ₹30,000 crore through a combination of equity and debt instruments. This fundraising initiative includes provisions for the Hinduja Group, the bank's promoter, to nominate two directors to its board to enhance corporate governance.

The National Financial Reporting Authority has launched a probe following a formal complaint regarding audit failures. Meanwhile, Grant Thornton's forensic audit reportedly uncovered potential instances of insider trading involving former top executives prior to the disclosure of the losses. The Securities and Exchange Board of India is expected to review the findings closely.

Despite the turmoil, the bank's management has expressed confidence in its capital strength and long-term resilience. Chairman Sunil Mehta stated that measures are being taken to control costs, with efforts to keep annual operating expense growth in single digits. The board is actively working on succession planning, and a new leadership structure is expected to be in place soon.