

'I am a nervous investor in banks': Devina Mehra on what IndusInd Bank's fall reveals

Her post comes at a time when IndusInd Bank is grappling with a potential ₹1,600-2,000 crore hit to its net worth, following an internal review of multi-year derivatives transactions.

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IndusInd Bank's internal review estimates an adverse impact of 2.35% of its net worth as of December 2024.

When IndusInd Bank shares crashed 20% to hit a 52-week low, many investors were caught off guard. But for Devina Mehra, Founder and CMD of First Global, the shock was anything but surprising. Writing on LinkedIn, she explains why she calls herself a "nervous investor" when it comes to banks and lenders: "It is in the structure of the business where negative surprises will ALWAYS outweigh positive surprises."

Her post comes at a time when IndusInd Bank is grappling with a potential ₹1,600-2,000 crore hit to its net worth, following an internal review of multi-year derivatives transactions—raising bigger questions about the opaque risks lurking inside banking balance sheets.

Addressing why she remains wary of banking stocks, Mehra writes, "When banks lend and their customer does very well, unlike equity investors they do not get any extra income. In fact, on the margin they may well have to reduce interest rates. On the other hand, when something goes wrong with the borrower, the bank has to take a hit."

Highlighting how bank growth itself can be deceptive, she notes, "This is one business where higher than expected growth may not be a good thing at all except that you come to know of the problems created only some years later."

Pointing to global examples, Mehra reminds investors of the structural risks: "Add to it, the risk of losses on highly leveraged trading/ investment positions (because a bank is inherently a leveraged institution) and this can deal a blow — sometimes a fatal one — to a bank. After all, a single trader took down the 200+ year old Barings Bank and a couple of years ago, the Silicon Valley Bank's troubles also arose out of their bond book, rather than credit."

She underlines the real challenge for investors: "It is at the end of the day, a highly leveraged precarious business. More important, as an outside investor, you never know where the problems are hiding in either the credit or the trading book. So yes, हम तो डर डर कर ही निवेश करते हैं."

This reflection comes as IndusInd Bank's internal review estimates an adverse impact of 2.35% of its net worth as of December 2024. The issue was flagged following RBI's Master Directions on derivatives that came into effect from April 2024.

According to the exchange filing, "The Bank has also, in parallel, appointed a reputed external agency to independently review and validate the internal findings. A final report of the external agency is awaited and basis which the Bank will appropriately consider any resultant impact in its financial statements."



Despite the setback, IndusInd Bank has maintained that "profitability and capital adequacy remain healthy to absorb this one-time impact."

Still, for investors like Mehra, the episode serves as a reminder that in banking, negative surprises can lurk where least expected.

"I was a banker once upon a time," she said.