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I am a nervous investor in banks, says Devina Mehra after IndusInd Bank crash

Synopsis

IndusInd Bank crash: Devina Mehra reiterated her cautious stance on banking stocks after IndusInd Bank shares crashed 27% due to forex derivative miscalculations. The Rs 1,577 crore post-tax impact raised concerns over internal controls, prompting brokerages to downgrade the stock amid trust and valuation concerns.



Devina Mehra, founder of First Global, reiterated her cautious stance on banking stocks following the sharp decline in [IndusInd Bank](#) shares, which crashed 27% on Tuesday after the lender disclosed accounting discrepancies in its forex derivatives portfolio.

IndusInd Bank crash: Devina Mehra says she stays cautious on banks after IndusInd Bank's 27% crash sparks concerns.

"To those who ask me why my takiya kalam (pet phrase) is, 'I am a nervous investor in banks and lenders,' here's the answer!" Mehra wrote in a post on X, formerly Twitter, citing the inherent risks in the banking business model.



Devina Mehra @devinamehra · Mar 11

To those who ask me why my takiya kalam is, "I am a nervous investor in banks and lenders", here's the answer!

It is in the structure of the business where negative surprises will ALWAYS outweigh positive surprises.

When banks lend and their customer does very well, unlike

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The selloff, which sent IndusInd Bank's stock to a 52-week low of Rs 657.25 on the BSE, erased nearly Rs 15,000 crore in market value after the lender revealed a Rs 1,577 crore post-tax impact due to miscalculations in its forex derivative transactions. The discrepancy, spanning 7-8 years, is expected to reduce the bank's net worth by 2.35% as of December 2024, according to its filing.

Mehra, a former banker, highlighted why she remains skeptical of the sector. "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," she wrote. "On the other hand, when something goes wrong with the borrower, the bank has to take a hit."

The development from IndusInd Bank has raised concerns over its internal controls, leading brokerages to downgrade the stock. Kotak Institutional Equities cut its rating to 'reduce,' warning that "trust is a crucial part of any investment thesis, and it may take some time to rebuild this trust." ICICI Securities pointed out that the hit could push the lender into a loss for Q4FY25.

Analysts at Elara Securities flagged multiple red flags, questioning why auditors failed to detect the issue earlier and whether additional risks remain undisclosed. "This poses a series of questions on lapses in terms of processes and sanctity of book value," Elara said in a note.

While some brokerages, including Motilal Oswal, maintain a neutral stance on the stock, others see prolonged credibility challenges. Nuvama warned that the forex derivative discrepancy "has the potential to unnerve investors more than a back-dated NPL disclosure."

For Mehra, the episode is another example of why banking remains a precarious bet. "It is, at the end of the day, a highly leveraged, precarious business," she wrote, adding, "As an outside investor, you never know where the problems are hiding in either the credit or the trading book."

With IndusInd Bank shares already down 58% in the past year and Tuesday's crash adding to the woes, investors are left wondering if the worst is over—or if more surprises await.