

Q3FY14-Good operating performance amidst stress on asset quality

CMP:	Rs.405
Target Price:	Rs.443
Recommendation:	Hold

Indusind Bank (IIB) reported decent set of numbers amidst higher nonperforming assets.

Healthy business growth: The loan book recorded sturdy growth of 24% yoy at Rs 52469cr and corporate advances grew 34% yoy at Rs 27,829cr. Consumer finance division, deposits and CASA too reported healthy growth yoy at 14%, 10% and 23% respectively.

Margins stable: Amidst tough market conditions NIMs remained stable at 3.65%. Cost of funds increased 14bps qoq to 7.1%. Cost of deposits too increased qoq by 17bps to 8.4%.

Higher provisioning impact earnings: Sturdy interest income backed by strong vehicle finance portfolio drove the NII to 26% growth yoy at Rs 730 cr and 4% growth qoq. Other income jumped 15% qoq Rs 480 cr. Profit after tax came below estimates due to higher provisions and contingencies, which rose sharply by 42% qoq to Rs 126cr. Consequently, profit after tax for the quarter came in 5% higher yoy at Rs 347cr. Return ratios remained flat qoq with RoA and RoE at 1.74% and 16.8% respectively.

Asset quality deteriorates: Asset quality for the bank deteriorated qoq with GNPA's and NNPA increased 70bps and 90bps qoq to 1.18% and 0.31% respectively. That said; provision sufficiency, diversified loan-mix and lower exposure to sensitive sectors will ensure stable asset quality for the bank.

Outlook: IndusInd Bank continues to maintain strong growth numbers despite faced with economic headwinds. Strong loan traction, resilient asset book and superior liability franchise continues to make us positive on the bank and we reckon IIB as a value pick in the private sector space. Deterioration in asset quality in current quarter came as negative surprise though; we will be watchful of the same in the ensuing period. We have valued bank on 2.0x its FY15E book value and have arrived at fair value of Rs 443 per share. Recommend Hold rating on stock.

(Rs Cr)	FY12	FY13	FY14E	FY15E
Net interest income	1705	2233	2729	3458
Gross Profit	1373	1839	2455	3032
PAT	803	1061	1342	1685
EPS (Rs)	17.2	21.4	25.7	32.2
EPS Growth (%)	30.5	24.6	19.8	25.6
RoE (%)	19.3	17.8	15.5	14.7
P/E (x)	23.6	18.9	15.8	12.6
PABV (x)	4.2	2.7	2.4	1.8

Source: Company, Arianth Research.

Stock Info	
BSE Group	A
BSE Code	532187
NSE Symbol	INDUSINDBK
Bloomberg	IIB IN
Reuters	INBK.BO
BSE Sensex	20758
NSE Nifty	6171

Market Info	
Market Capital	₹ 21237cr
Equity Capital	₹ 523cr
Avg. Trading Vol. (NSE Qtly)	15,92,000
52 Wk High/ Low	531/318
Face Value	10

Shareholding Pattern (%)	(30 th Sep 2013)
Promoters	15.3
Private Institutions	14.3
Foreign Institutions	42.3
Public & Others	15.8
GDR Issue	12.3

Jan 10, 2014

Q3FY14 Earnings Summary

Reported Quarterly Results					
Particulars (Rs in Cr)	Q3FY14	Q3FY13	YoY	Q2FY14	QoQ
Interest Earned	2,143	1,800	19%	2,019	6%
Yield on Advances (%)	14	14		14	
Interest Expended	1,413	1,223	16%	1,319	7%
Cost of Funds (%)	7	7		7	
Net Interest Income	730	578	26%	700	4%
Other Income	480	356	35%	417	15%
Other income / Net Income (%)	40	38		37	
Total income	1210	934	30%	1117	8%
Employee Expenses	206	168	22%	202	2%
Non-Employee expenses	357	293	22%	327	9%
Operating Expenses	563	461	22%	529	6%
Cost-income Ratio (%)	47	49		47	
Pre-Prov Profits	647	472	37%	588	10%
Provisions & Contingencies	126	79	60%	89	42%
PBT	521	394	32%	499	4%
Provisions for Tax	174	126	38%	169	3%
Effective Tax Rate (%)	33	32		34	
PAT (reported)	347	267	30%	330	5%
EPS Basic	6.6	5.5		6.3	
EPS Diluted	6.6	5.4		6.3	
BVPS	154.6	139.5		154.6	
GNPA	626.0	421.6		546.0	
NNPA	165.0	125.2		109.0	
GNPA (%)	1.18	0.99		1.11	
NNPA (%)	0.31	0.30		0.22	
Total CAR (%)	14.4	15.0		14.6	
Tier 1 (%)	13.3	11.4		13.5	
Tier 2 (%)	1.1	2.5		1.1	
NIM	3.7	3.5		3.7	
Advances	52,469	42,426	24%	48,968	
Deposits	56,247	51,098	10%	53,058	

Source: - Company, Arianth Research

Income Statement					Balance sheet				
Year to 31st March (Rs.Cr)	FY12	FY13	FY14E	FY15E	As on 31st March (Rs. Cr)	FY12	FY13	FY14E	FY15E
Interest Income	5,360	6,983	8,182	9,654	Capital	468	523	523	523
Interest Expenses	3,655	4,750	5,453	6,195	Reserves & Surplus	4,274	7,097	9,414	12,417
Net Interest Income	1,705	2,233	2,729	3,458	Deposits	42,362	54,117	59,528	68,458
- growth %	24	31	22	27	- growth %	23	28	10	15
Other Income	1,012	1,363	1,844	2,076	Borrowings	8,682	9,460	15,135	16,649
Operating Income	2,716	3,596	4,573	5,535	Other liabilities & provisions	1,811	2,111	2,299	2,759
- growth %	30	32	27	21	TOTAL LIABILITIES	57,596	73,306	86,900	100805
Operating Expenses	1,343	1,756	2,118	2,503	Cash, Inter-bank, etc	2,904	3,250	2,164	4,188
- Staff Cost	485	661	780	936	Money at call and short notice	2,636	3,599	3,959	4,355
- Other Operating Exp.	858	1,095	1,338	1,567	Advances	35,064	44,321	55,401	63,711
Gross Profits	1,373	1,839	2,455	3,032	- growth %	34	26	25	15
- growth %	27	34	33	23	Investments	14,572	19,654	22,246	25,099
Provisions	180	263	452	486	Fixed assets	657	756	1,161	1,208
Profit Before Taxes	1,193	1,576	2,003	2,545	Other assets	1,764	1,727	1,969	2,244
Taxes	390	515	661	860	TOTAL ASSETS	57,596	73,306	86,900	100805
Profit After Taxes	803	1,061	1,342	1,685					
- growth %	39	32	26	26					

Ratio Analysis				
	FY12	FY13	FY14E	FY15E
Basic Ratio (Rs.)				
EPS	17.2	21.4	25.7	32.2
Book Value per share	97	149	190	247
Adjusted Book Value	97	151	168	221
Dividend per share	2.2	3.0	3.0	3.0
Asset Quality (%)				
Gross NPAs	1.0	1.0	1.3	1.4
Net NPAs	0.2	0.2	0.15	0.2
NPA Coverage	79.0	84.1	88.7	84.4
Profitability ratios (%)				
RoAE	19.3	17.8	15.5	14.7
RoAA	1.6	1.6	1.7	1.8
NIM	3.5	3.6	3.6	3.9
Cost to Income	49.0	49.0	48.6	48.0

Valuation ratios (x)				
	FY12	FY13	FY14E	FY15E
Adjusted P/E	23.6	18.9	15.8	12.6
P/BV	4.2	2.7	2.1	1.6

Source: - Company, Arian Research

Arihant Research Desk

E. research@arihantcapital.com
T. 022-42254800

Head Office

3rd Floor, Krishna Bhavan,
67 Nehru Road, Vile Parle (East),
Mumbai - 400057
Tel: (91-22) 42254800
Fax: (91-22) 42254880

Registered Office

E-5 Ratlam Kothi
Indore - 452003, (M.P.)
Tel: (91-731) 3016100
Fax: (91-731) 3016199

Stock Rating Scale

	Absolute Return
BUY	>20
ACCUMULATE	12-20
HOLD	5-12
NEUTRAL	0-5
REDUCE	<0

Disclaimer:

This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied

ARIHANT capital markets Ltd.

3rd Floor Krishna Bhavan, 67 Nehru Road, Vile Parle (E) Mumbai - 400057

Tel. 022-42254800 Fax. 022-42254880

www.arihantcapital.com