



Beating Demonetization!

10<sup>th</sup> Jan, 2017

**CMP:** Rs. 1,234  
**Target Price:** Rs. 1,345  
**Recommendation:** HOLD

Indusind Bank Ltd. (IIB) posted healthy growth both on the top-line and bottom-line front. Net profit grew by 29% YoY and stood at Rs 751 crs. Loan book grew at 25% YoY. The ratio of corporate to consumer loans after regrouping stood at 51.3:48.7.

Stock Info

BSE Group	A
BSE Code	532187
NSE Symbol	INDUSINDBK
Bloomberg	IIB IN
Reuters	INBK.BO
BSE Sensex	27,230
NSE Nifty	8,400

Healthy business growth:

Advances recorded a steady growth of 25% YoY while deposits grew by 38% YoY in wake of demonetization. Consumer finance growth stood at 25% YoY & 6% QoQ and corporate loan book grew at 25% YoY & 3% QoQ. On the deposits front, the CASA grew above industry at 46% YoY and stood at Rs 44,162 cr on back of robust current account deposits which grew at 30% to Rs 20,126. In the current quarter bank added 40 branches and 25 ATM's taking the total no. of branches to 1075 and total number of ATMs to 1960.

Market Info

Market Capital	Rs 73,725cr
Equity Capital	Rs 597cr
Avg. Trading Vol.	14,09,270
52 Wk High/ Low	1,255/799
Face Value	10

Strong earnings growth:

NIII growth for the quarter stood at 35% backed by lower cost of deposits. Other income grew at 21% YoY and grew 5% on sequential basis. RoA stood at 1.88% with RoE improved to 15.7%. C-I ratio inclined to 47.5 vs. 47.3 QoQ.

Margins:

Net interest margin moved up by 9 bps YoY and stood at 4.0. The yield for consumer finance dropped by 53 bps to 14.5% YoY while that for corporate book dropped by 22 bps to 9.8%.

Asset quality:

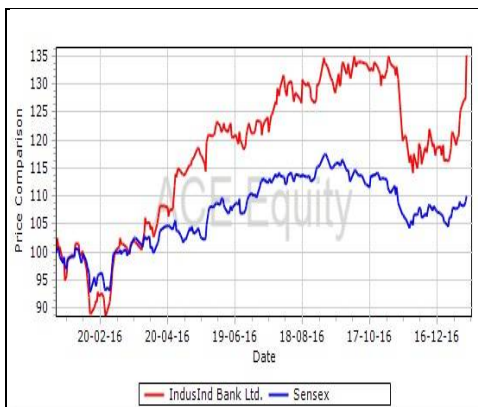
Asset quality for the bank inched down with GNPA's at 0.94 levels and NNPA's at 0.39 for the quarter, against 0.9 and 0.37 in the previous quarter. Cars segment proportion increased from 0.49 in previous quarter to 0.75 this quarter. Provision coverage ratio stood steady at 59% sequentially. Slippages on annualized basis stood at 1.09% and restructured advances for the quarter at 0.41%.

Valuation & Outlook:

Indusind Bank has continued to show sustained progress across all vectors. At CMP of 1234 the stock is trading at 3.2(x) its FY 18E ABV. We have **HOLD** rating with a price target of Rs 1,345 based on 3.5(x) FY 18E ABV.

Shareholding Pattern (%)	(Dec 2016)
Promoters	16.7
Domestic Institutions	13.0
Foreign Institutions	49.1
Public & Others	21.2

Price Vs Sensex Chart



(Rs Cr)	FY15	FY16	FY17E	FY18E
Net interest income	3,420	4,517	6,013	7,671
Operating Profit	5,824	7,814	10,023	12,662
PAT	1,794	2,286	2,860	3,598
EPS (Rs)	34.0	40.7	47.8	60.0
EPS Growth (%)	26.6%	19.6%	17.6%	25.4%
RoA (%)	1.8	1.8	1.8	1.7
P/E (x)	26.1	23.8	25.8	20.6
ABV (Rs)	190	302	332	384
P/ABV (x)	4.7	3.2	3.7	3.2

Source: Ace Equity, Arianth Research



Q3 FY17 Earnings Summary

Reported Quarterly Results					
Particulars (Rs in Cr)	Q3FY17	Q3FY16	YoY	Q2FY17	QoQ
Interest Earned	3,699	2,928	26%	3,469	7%
Yield on Advances (%)	11.7	12.1		11.9	
Interest Expended	2,121	1,754	21%	2,009	6%
Cost of Funds (%)	5.3	5.8		5.5	
<b>Net Interest Income</b>	<b>1578</b>	<b>1173</b>	<b>35%</b>	<b>1460</b>	<b>8%</b>
Other Income	1,017	839	21%	970	5%
Other income / Net Income (%)	39	42		40	
<b>Total income</b>	<b>2595</b>	<b>2012</b>	<b>29%</b>	<b>2431</b>	<b>7%</b>
Employee Expenses	394	327	21%	376	5%
Non-Employee expenses	838	625	34%	773	8%
<b>Operating Expenses</b>	<b>1232</b>	<b>951</b>	<b>29%</b>	<b>1149</b>	<b>7%</b>
Cost-income Ratio (%)	47.5	47.3		47.3	
<b>Pre-Prov Profits</b>	<b>1363</b>	<b>1061</b>	<b>28%</b>	<b>1282</b>	<b>6%</b>
Provisions & Contingencies	217	177	22%	214	1%
<b>PBT</b>	<b>1146</b>	<b>884</b>	<b>30%</b>	<b>1068</b>	<b>7%</b>
Provisions for Tax	396	303	31%	364	9%
Effective Tax Rate (%)	34.5	34.3		34.0	
<b>PAT (reported)</b>	<b>751</b>	<b>581</b>	<b>29%</b>	<b>704</b>	<b>7%</b>
EPS Basic	12.6	9.8		11.8	
EPS Diluted	12.6	9.7		11.8	
GNPA	971	681		899	
NNPA	401	274		369	
GNPA (%)	0.94	0.82		0.90	
NNPA (%)	0.39	0.33		0.37	
Total CAR (%)	15.3	16.4		15.3	
Tier 1 (%)	14.7	15.6		14.7	
Tier 2 (%)	0.6	0.8		0.6	
NIM	4.0	3.9		4.0	
Advances	1,02,770	82,167	25%	98,949	4%
Deposits	1,19,218	86,423	38%	1,12,313	6%

Source: - Ace Equity, Aриhant Research



**Income Statement**

Year to 31st March (Rs.Cr)	FY15	FY16	FY17E	FY18E
Interest Income	9,692	11,581	13,981	17,304
Interest Expenses	6,272	7,064	7,968	9,633
<b>Net Interest Income</b>	<b>3,420</b>	<b>4,517</b>	<b>6,013</b>	<b>7,671</b>
- growth %	18	32	33	28
Other Income	2,404	3,297	4,010	4,991
Operating Income	5,824	7,814	10,023	12,662
- growth %	22	34	28	26
Operating Expenses	2,726	3,672	4,770	6,052
- Staff Cost	980	1,236	1,540	1,872
- Other Operating Exp.	1,745	2,436	3,230	4,179
Gross Profits	3,098	4,141	5,253	6,610
- growth %	19	34	27	26
Provisions	389	672	891	1,075
Profit Before Taxes	2,709	3,469	4,362	5,535
Taxes	915	1,183	1,502	1,937
Profit After Taxes	1,794	2,286	2,860	3,598
- growth %	27	27	25	26

**Balance Sheet**

As on 31st March (Rs. cr)	FY15	FY16	FY17E	FY18E
<b>LIABILITIES</b>				
Capital	529	595	598	600
Reserves & Surplus	10,101	17,087	19,658	22,889
Deposits	74,134	93,000	1,26,837	1,60,193
Borrowings	20,618	22,156	22,480	24,945
Other liabilities & provisions	3,733	7,219	7,775	8,812
<b>Total Liabilities</b>	<b>1,09,116</b>	<b>1,40,057</b>	<b>1,77,348</b>	<b>2,17,438</b>
<b>ASSETS</b>				
Cash on hand & with RBI	4,035	4,521	5,470	6,728
Money at call and short notice	6,744	5,591	11,820	3,296
Advances	68,788	88,419	1,09,794	1,42,167
Investments	24,859	31,214	38,096	52,291
Fixed assets	1,158	1,255	1,369	1,456
Other assets	3,532	9,056	10,800	11,500
<b>Total Assets</b>	<b>1,09,116</b>	<b>1,40,057</b>	<b>1,77,348</b>	<b>2,17,438</b>

**Ratio Analysis**

Year to 31st March	FY15	FY16	FY17E	FY18E
<b>Basic Ratio (Rs.)</b>				
EPS	34.0	40.7	47.8	60.0
Book Value per share	194	308	339	392
Adjusted Book Value	190	302	332	384
Dividend per share	4.0	5.0	5.0	5.0
<b>Asset Quality (%)</b>				
Gross NPAs	0.8	0.9	0.9	0.9
Net NPAs	0.3	0.4	0.4	0.3
NPA Coverage	63	59	59	63
<b>Profitability ratios (%)</b>				
RoAE	19.0	16.6	15.1	15.5
RoAA	1.8	1.8	1.8	1.7
NIM	3.7	4.0	4.1	4.2
Operating Profit Margin	25.6	27.8	29.2	29.6
Net Profit Margin	14.8	15.4	15.9	16.1
Cost to Income	49.1	49.3	47.6	47.8

	FY15	FY16	FY17E	FY18E
<b>Spread analysis (%)</b>				
Yield on advances	12.5	11.8	11.4	10.5
Yield on investments	7.2	6.8	8.0	7.9
Cost of deposits	7.7	7.4	7.2	6.2
Spread	3.1	3.4	4.2	4.3
<b>Interest Income to AWF</b>	<b>10.3</b>	<b>9.8</b>	<b>11.6</b>	<b>9.2</b>
<b>Net Interest Income to AWF</b>	<b>3.6</b>	<b>3.8</b>	<b>5.0</b>	<b>4.1</b>
<b>Non Interest Income to AWF</b>	<b>2.5</b>	<b>2.8</b>	<b>3.3</b>	<b>2.6</b>
<b>Operating Expense to AWF</b>	<b>2.9</b>	<b>3.1</b>	<b>4.0</b>	<b>3.2</b>
<b>Operating Profit to AWF</b>	<b>3.3</b>	<b>3.5</b>	<b>4.4</b>	<b>3.5</b>
<b>Net Profit to AWF</b>	<b>1.9</b>	<b>1.9</b>	<b>2.4</b>	<b>1.9</b>
<b>Valuation ratios (x)</b>				
P/E	26.1	23.8	25.8	20.6
P/BV	4.6	3.1	3.6	3.1
P/ABV	4.7	3.2	3.7	3.2

**Arihant Research Desk**

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

**Head Office**

#1011, Solitaire Corporate park,  
Building No. 10, 1<sup>st</sup> Floor,  
Andheri Ghatkopar Link Road  
Chakala, Andheri (E).  
Mumbai – 400093  
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**

	<b>Absolute Return</b>
Buy	> 20%
Accumulate	12% to 20%
Hold	5% to 12%
Neutral	-5% to 5%
Reduce	< -5%

**Research Analyst Registration No.****Contact****Website****Email Id**

INH000002764

SMS: 'Arihant' to 56677

[www.arihantcapital.com](http://www.arihantcapital.com)[research@arihantcapital.com](mailto:research@arihantcapital.com)**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 is 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