

Momentum on loan growth is expected to pickup

Arihant Capital values your support in the AsiaMoney Brokers Poll 2023 for Institutional team. We request your ballot

ASIAMONEY

Click here

CMP: INR 1387

Rating: Buy

Target Price: INR 1,691

Stock Info

BSE	532187
NSE	IIB
Bloomberg	IIB IN
Reuters	INBK.BO
Sector	Banks
Face Value (INR)	10
Equity Capital (INR Cr)	775
Mkt Cap (INR Cr)	1,07,693
52w H/L (INR)	1,414 / 816
Avg Yearly Vol (in 000')	3,662

Shareholding Pattern %

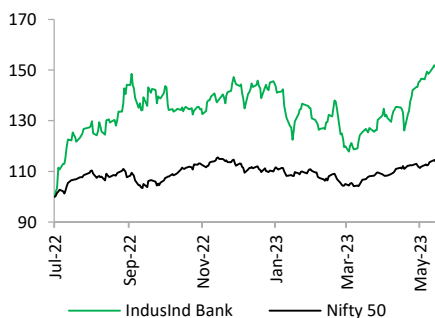
(As on June, 2023)

Promoters	16.5
Public & Others	83.5

Stock Performance (%)

	1m	6m	12m
IndusInd Bank	6.7	15.6	59.9
Nifty 50	5.3	9.1	20.9

IndusInd Bank Vs Nifty



Abhishek Jain
abhishek.jain@arihantcapital.com
Harshit Jain
harshit.jain@arihantcapital.com

IndusInd Bank (IIB) has posted profit growth of 32.5% YoY/4.1% QoQ to INR 21.2 cr. Increase in PAT was primarily due to better income growth and decline in provision. NII for the quarter increased by 18% YoY/4.2% QoQ to INR 48.67 bn, driven by uptick in loan book growth at 21% YoY and stable margins. Operating profit for the quarter grew by 13% YoY/2% QoQ to INR 38.3 bn. Other income grew by 15% YoY/2.8% QoQ to INR 22.1 bn, led by core fee income growth of 19% YoY/2% QoQ. Bank has used INR 16.28 bn of contingent provision during the quarter. %GNPA improved marginally by 4bps QoQ at 1.94% (down 41 bps YoY) and %NPA came at 0.58% QoQ (down 9 bps YoY).

Loan book growth was strong: IIB's loan book grew strongly by 21.5% YoY/4% QoQ, driven by corporate credit growth of 22% YoY/4% QoQ and 21% YoY/4% QoQ growth in vehicle loan segment. Corporate credit growth was higher as it was led by growth in small corporates with small corporates growing by 10% quarter on quarter. Retail portfolio of the bank has increased by 27% YoY, driven by vehicle finance, business banking and credit card segment. The restructured book in vehicle finance reduced to INR 11.82 bn. Liability profile of the bank continued to witness a good traction with total deposit growth of 13% YoY/3.2% QoQ, driven by CASA deposit growth of 6% YoY. CASA ratio of the bank declined by 300 bps at 40%.

Asset quality improved marginally: Overall asset quality improved by 4 bps QoQ and by 41 bps YoY. Fresh slippage of the bank declined from INR 13.39 bn to INR 13.33 bn on a QoQ basis. Recoveries /upgrades and write-offs for the quarter was at INR 59.41 bn vs. INR 58.26cr QoQ. Management has given a credit cost guidance of 110-130 bps for FY24.

OPEX growth driven by increasing EE base: Opex during the quarter increased by 22% YoY, 6% QoQ at INR 32.5 bn led by increasing employee base. Bank had added 30 new branches during the quarter and is expected to add 250 – 300 more branches during the quarter. This is will lead to increasing Opex during the FY24.

Valuation & View; Maintain Buy: IIB has reported in line performance on most of the counts with a stable business growth. Quarter 1 is generally weak for banks owing to seasonal factors. But, irrespective of this, IndusInd bank has been able to improve their asset quality. Going forward, momentum on loan growth is expected to pick up, their Vehicle loan book and MFI book are expected to grow. This will help them improve their NIMs. Further, the cost of deposits is also expected to reduce, owing to the interest rate stabilization. We believe loan growth of the bank to remain strong with focus remain on building granular liability profile. We maintain our positive view and Buy rating on the stock with a target price of INR 1,691, based on 2.5x FY25E ABV.

Financial Performance

Particulars (INR bn)	FY21	FY22	FY23	FY24E	FY25E
NII	135.3	150.0	175.9	202.4	251.3
PPOP	117.3	128.4	143.5	168.7	215.1
PAT	28.4	46.1	73.9	96.1	133.9
EPS (INR / Share)	36.7	59.5	95.2	123.9	172.6
BVPS (INR / Share)	560.7	615.5	703.4	703.4	703.4
NIM (%)	4.4%	4.2%	4.4%	4.5%	4.8%
RoA (%)	0.8%	1.1%	1.6%	1.8%	2.2%
RoE (%)	6.5%	9.7%	13.5%	17.6%	24.5%
P/ABV (x)	2.5	2.3	2.0	2.0	2.1

Q1FY24 - Quarterly Performance (Standalone)

(in INR bn)

Income Statement	Q1FY24	Q4FY23	Q1FY22	Q-o-Q	Y-o-Y
Interest Income	107.3	100.2	75.7	7.1%	31.1%
Interest Expense	58.6	53.5	40.1	9.6%	44.5%
Net Interest Income	48.7	46.7	35.6	4.2%	18.0%
Non Interest Income	22.1	21.5	17.8	2.8%	14.6%
Total Income	70.8	68.2	53.4	3.8%	16.9%
Employee Costs	8.6	8.4	6.1	3.2%	30.7%
Other Operating Expenses	23.8	22.3	16.1	6.9%	19.2%
Operating Expenses	32.5	30.7	22.1	5.9%	22.0%
Pre-Provision Profit	38.3	37.5	31.3	2.1%	12.9%
Provisions	9.9	10.3	18.4	-3.7%	-20.7%
Profit Before Tax	28.4	27.2	12.9	4.3%	32.5%
Tax Expense	7.1	6.8	3.1	4.8%	32.5%
Net Profit	21.2	20.4	9.7	4.1%	32.5%
Balance Sheet Analysis					
Deposits	3,470.5	3,364.4	2,672.3	3.2%	14.6%
CASA Deposits	1,384.4	1,347.3	1,123.5	2.8%	6.1%
CASA (%)	40.0%	43.0%	42.0%	-300bps	-300bps
Advances	3,013.2	2,899.2	2,107.3	3.9%	21.5%
Total Assets	4,669.5	4,578.0	3,730.0	2.0%	13.9%
Capital Adequacy Ratio (%)	18.40%	17.86%	17.57%	54bps	26bps
Spread Analysis					
Yield on Avg Advances (%)	12.0%	11.8%	11.7%	15bps	92bps
Yield on Avg Interest Earning Assets (%)	9.6%	9.5%	8.8%	10bps	100bps
Cost of Funds (%)	5.31%	5.65%	6.4%	-34bps	58bps
NIM (%)	4.3%	4.4%	4.1%	-14bps	-4bps
Asset Quality					
Gross NPA	59.4	58.3	61.9	2.0%	0.1%
Net NPA	17.5	17.1	17.6	1.9%	5.2%
GNPA (%)	1.94%	1.98%	2.88%	-4bps	-41bps
NNPA (%)	1.58%	0.59%	0.84%	99bps	91bps
PCR (%)	71.0%	70.6%	71.6%	43bps	-100bps
Key Ratios					
Cost to Income Ratio (%)	45.9%	45.0%	41.4%	91bps	194bps
C/D Ratio (%)	86.8%	86.2%	78.9%	65bps	491bps
RoA (%) (Annualised)	1.90%	1.90%	1.17%	0bps	20bps

Source: Arianth Research, Company Filings

Q1FY24 – Key Concall Highlights**Asset Quality**

- The bank had reported a gross slippage of INR 13.76 bn v/s INR 16.03 bn in last quarter (down 14.16% QoQ).
- Out of total slippages, INR 12.44 bn (remained stable as compared to last quarter) was from standard book and INR 1.32 bn (v/s INR 3.59 bn in last quarter) was from the restructured book.
- Credit Cost reduced from 36 bps to 33 bps QoQ.
- Their restructured book reduced by INR 0.75 bn from 0.84% in Q4FY23 to 0.66% in current quarter.

Vehicle Finance

- Vehicle finance loan book during the quarter is at INR 783.32 bn as compared to INR 752.43 bn in previous quarter (up 4% QoQ, 21% YoY).
- Disbursement in this segment came at INR 119.01 bn vs INR 125.16 bn in Q4FY23 (-5% QoQ, +18% YoY).
- The bank has maintained share across all vehicle categories.
- The restructured book in this segment reduced from 14.75bn to INR 11.82bn QoQ.
- The disbursement growth has shown strong disbursement during last 2 years. The current quarter has been seasonally weak and is expected to improve going forward.

MFI

- The microfinance loan book stood at INR 319.81 (up 9% YoY, down 1% QoQ).
- It constitutes 11% of the total advances.
- MFI standard book collection efficiency was at 99.2%.
- It has been a seasonally weak quarter for MFI book and is expected to get better in the coming Quarter.

Corporate

- Majority of the corporate loan book is floating rate in nature and the bank was able to pass on increased rates to the customer due to reset of yield in the corporate book.
- Corporate loan book stood at INR 1394.37 bn (up 4% QoQ, 22% YoY).

Key Financials

Profit & Loss Statement (INR Crores)	FY21	FY22	FY23	FY24E	FY25E
Interest Income	29,000	30,822	36,368	39,755	43,481
Interest Expense	15,472	15,822	18,776	19,513	18,354
Net Interest Income	13,528	15,001	17,592	20,241	25,127
Non interest income	6,559	7,397	8,166	9,065	10,062
Operating income	20,087	22,398	25,758	29,306	35,189
- Employee expense	2,214	2,488	3,031	3,303	3,601
- Other operating expense	6,146	7,071	8,381	9,136	10,082
Operating Expense	8,360	9,559	11,412	12,439	13,683
PPOP	11,727	12,839	14,346	16,867	21,506
Provisions	7,943	6,665	4,487	4,038	3,634
PBT	3,784	6,174	9,860	12,829	17,872
Tax Expense	948	1,563	2,470	3,214	4,477
PAT	2,836	4,611	7,390	9,615	13,395
Diluted EPS (INR)	36.7	59.5	95.2	123.9	172.6

Balance Sheet (INR Crores)	FY21	FY22	FY23	FY24E	FY25E
Source of Funds					
Share capital	773	775	776	776	776
Reserves & Surplus	42,587	46,906	53,801	53,801	53,801
Networth	43,360	47,681	54,577	54,577	54,577
ESOP	5	16	44	16	16
Borrowings	51,323	47,323	49,011	54,893	61,480
Deposits	2,56,205	2,93,681	3,36,438	3,90,268	4,56,614
Other liabilities & provisions	12,080	13,273	17,733	21,280	25,536
Total Equity & Liabilities	3,62,973	4,01,975	4,57,804	5,21,034	5,98,222
Uses of Funds					
Cash & bank balance	56,327	1,16,236	1,03,926	79,825	85,162
Investments	69,695	70,971	83,116	99,739	1,19,687
Loans & advances	2,09,595	2,39,052	2,89,924	3,45,009	4,17,461
Fixed assets	1,809	1,849	1,993	2,292	2,635
Other assets	22,546	-26,133	-21,155	-5,832	-26,724
Total Assets	3,59,973	4,01,975	4,57,804	5,21,034	5,98,222

Source: Arian Research, Company Filings.

Key Ratio	FY21	FY22	FY23	FY24E	FY25E
Growth Rates					
Advances (%)	1.4%	14.1%	21.3%	19.0%	21.0%
Deposits (%)	26.8%	14.6%	14.6%	16.0%	17.0%
Total assets (%)	17.2%	11.7%	13.9%	13.8%	14.8%
NII (%)	12.2%	10.9%	17.3%	15.1%	24.1%
Pre-provisioning profit (%)	8.9%	9.5%	11.7%	17.6%	27.5%
PAT (%)	-35.8%	62.6%	60.3%	30.1%	39.3%
B/S Ratios					
Credit/Deposit (%)	81.8%	81.4%	86.2%	88.4%	91.4%
CASA (%)	41.8%	42.8%	43.6%	44.5%	45.2%
Advances/Total assets (%)	58.2%	59.5%	63.3%	66.2%	69.8%
Leverage - Total Assets to Equity	8.3	8.4	8.4	9.5	11.0
Operating efficiency					
Cost/income (%)	41.6%	42.7%	44.3%	42.4%	38.9%
Opex/total assets (%)	2.6%	2.7%	2.6%	2.4%	2.3%
Opex/total interest earning assets	2.9%	3.1%	3.1%	2.8%	2.6%
Profitability					
NIM (%)	4.4%	4.2%	4.4%	4.5%	4.8%
RoA (%)	0.8%	1.1%	1.6%	1.8%	2.2%
RoE (%)	6.5%	9.7%	13.5%	17.6%	24.5%
Asset Quality					
Gross NPA (%)	2.7%	2.3%	2.0%	1.7%	1.7%
Net NPA (%)	0.7%	0.6%	0.6%	0.5%	0.5%
PCR (%)	74.2%	70.0%	70.0%	70.0%	70.0%
Slippage (%)	2.2%	1.6%	1.0%	1.0%	1.0%
Credit cost (%)	3.8%	3.0%	1.7%	1.3%	1.0%
Per Share Data / Valuation					
EPS (INR)	36.7	59.5	95.2	123.9	172.6
BVPS (INR)	560.7	615.5	703.4	703.4	703.4
ABVPS (INR)	544.1	591.1	681.5	680.0	676.4
P/E (x)	37.8	23.3	14.6	11.2	8.0
P/BV (x)	2.5	2.3	2.0	2.0	2.0
P/ABV (x)	2.5	2.3	2.0	2.0	2.1

Source: Arianth Research, Company Filings,

Arihant Research DeskEmail: research@arihantcapital.com

Tel. : 022-42254800

Head Office

#1011, Solitaire Corporate Park
 Building No. 10, 1st Floor
 Andheri Ghatkopar Link Road
 Chakala, Andheri (E)
 Mumbai – 400093
 Tel: (91-22) 42254800
 Fax: (91-22) 42254880

Registered Office

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

Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Absolute Return**Research Analyst
Registration No.**

INH000002764

Contact

SMS: 'Arihant' to 56677

Websitewww.arihantcapital.com**Email Id**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 without the consent of the firm.

Arihant Capital Markets Ltd.

1011, Solitaire Corporate park, Building No. 10, 1st Floor,
 Andheri Ghatkopar Link Road, Chakala, Andheri (E)
 Tel. 022-42254800 Fax. 022-42254880