

**Sluggish growth beyond Seasonality factors  
keep bottomline growth in check**

**CMP: INR 1,404**

**Rating: BUY**

**Target Price: INR 1,707**

**Stock Info**

BSE	532187
NSE	IIB
Bloomberg	IIB IN
Reuters	INBK.BO
Sector	Banks
Face Value (INR)	10
Equity Capital (INR Bn)	7.8
Mkt Cap (INR Bn)	1,085
52w H/L (INR)	1,694 / 1,354
Avg Yearly Vol (in 000')	3,489

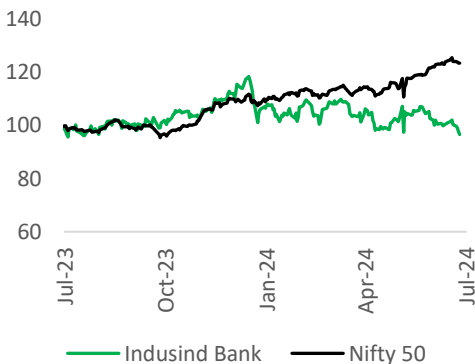
**Shareholding Pattern %**

(As on June 2024)

Promoter	16.38
Public & Others	83.62

Stock Performance (%)	1m	6m	12m
IndusInd Bank	-6.8	-8.6	-2.2
Nifty 50	3.8	14.0	25.3

**IndusInd Bank Vs Nifty**



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IndusInd Bank (IIB) has posted Net Profit of INR 21.5 bn for Q1FY25, down 8.3% QoQ / up 1.3% YoY. Muted numbers in PAT was primarily due to increase in Cost of Funds for the bank along with sequential rise in NPA levels. NII for the quarter increased by 0.6% QoQ / 11.1% YoY to INR 54.1 bn, as loan book growth stalled at 1.3% QoQ / 15.5% YoY on account of seasonality factors. Operating profit for the quarter fell by 2.5% QoQ / up 2.5% YoY to INR 39.27 bn. Other income also fell by 2.4% QoQ / up 10.5% YoY to INR 24.4 bn, led by core fee income growth of 2% QoQ/11% YoY. The Bank has maintained INR 10 bn of contingent provision apart from the PCR while the total loan related Provisions stood at INR 75.4 bn. GNPA/NNPA increased marginally at 2.02%/ 0.60% respectively and while recoveries increased sequentially to INR 3.75 bn as the restructured advances came down during the quarter.

**Loan book growth slowed on account of seasonality:** IIB's loan book grew by 1.3% QoQ/15.5% YoY, driven by Credit Card growth of 20.8% YoY, Other retail Loans at 40.9% and Business Banking at 12.6% YoY growth among non-vehicle retail financing. Among Non-Corporate credit, Vehicle Finance grew by 15% YoY growth but 2% QoQ as Passenger and Commercial vehicles loan segments saw sluggish growth during Q1FY25 sequentially. The Micro Finance book grew by 16% YoY to INR 370.5 bn degrowing by 5% QoQ. The restructured book further declined to 0.34% against 0.40% in previous quarter, reflecting the improvements in collections and recoveries. Liability profile of the bank continued to witness a good traction with total deposit growth of 3.6% QoQ/14.8% YoY. CASA ratio of the bank declined by 200 bps QoQ / down 500 bps YoY to 37% as seen across banking sector during the quarter.

**Asset quality improved marginally:** Overall asset quality deteriorated over previous quarter as GNPA/NNPA of the bank at 2.02%/0.6% respectively. Recoveries though increased to INR 3.75 bn in Q1FY25 while write-offs also increased to INR 6.14 bn over INR 5.02 bn in Q4FY24.

**Cost to Income increased while branch addition and growth roadmaps are laid for the future:** Cost to Income ratio increased to 50% from 48.9% in Q4FY24 as branch presence increased by 29 new branches during the quarter. The Management of the Bank had stated that they may be adding 600-1,000 branches over the next 6 years in previous quarter.

**Valuation & View:** IIB has reported slightly muted performance on most of the counts with a stable business growth. Going forward, we expect the Vehicle financing business to follow industry trends while Microfinance business gains growth from H2FY25. The rising cost of deposits from 6.48% in Q4FY24 to 6.53% in Q1FY25. We maintain our positive outlook with BUY ratings for a downgraded target price of INR 1,707 (Previous TP 1,783) on 1.3x FY27E ABV.

**Financial Performance**

Particulars (Rs Crores)	FY23	FY24	FY25E	FY26E	FY27E
NII	176	202	251	283	319
PPOP	143	169	215	244	277
PAT	74	89	120	138	158
EPS (INR / Share)	95.2	115.3	155.3	178.3	204.1
BVPS (INR / Share)	703.4	818.7	974.0	1,152.2	1,356.3
NIM (%)	4.4%	4.3%	4.6%	4.4%	4.1%
RoA (%)	1.6%	1.7%	1.9%	1.9%	1.8%
RoE (%)	13.5%	14.1%	15.9%	15.5%	15.0%
P/ABV (x)	2.0	1.7	1.5	1.2	1.1

## Q1FY25 - Quarterly Performance (Standalone)

(in INR bn)

Income Statement (INR Mn)	Q1FY25	Q4FY24	Q1FY24	Q-o-Q	Y-o-Y
Interest Income	1,25,468	1,21,985	1,07,297	2.9%	16.9%
Interest Expense	71,391	68,221	58,625	4.6%	21.8%
<b>Net Interest Income</b>	<b>54,076</b>	<b>53,764</b>	<b>48,671</b>	<b>0.6%</b>	<b>11.1%</b>
Non Interest Income	24,413	25,005	22,098	-2.4%	10.5%
Total Income	78,489	78,769	70,769	-0.4%	10.9%
Employee Costs	10,397	10,491	8,629	-0.9%	20.5%
Other Operating Expenses	28,825	28,007	23,839	2.9%	20.9%
Operating Expenses	39,222	38,498	32,468	1.9%	20.8%
<b>Pre-Provision Profit</b>	<b>39,267</b>	<b>40,271</b>	<b>38,301</b>	<b>-2.5%</b>	<b>2.5%</b>
Provisions	10,498	8,991	9,916	16.8%	5.9%
Profit Before Tax	28,769	31,280	28,385	-8.0%	1.4%
Tax Expense	7,247	7,812	7,149	-7.2%	1.4%
<b>Net Profit</b>	<b>21,522</b>	<b>23,468</b>	<b>21,236</b>	<b>-8.3%</b>	<b>1.3%</b>
<b>Balance Sheet Analysis</b>					
Deposits	39,85,130	38,47,929	34,70,470	3.6%	14.8%
CASA Deposits	14,61,340	14,56,660	13,84,400	0.3%	5.6%
CASA (%)	37.0%	39.0%	42.0%	-200bps	-500bps
Advances	34,78,980	34,32,983	30,13,170	1.3%	15.5%
Total Assets	53,01,650	51,49,352	46,69,929	3.0%	13.5%
Capital Adequacy Ratio (%)	17.55%	17.23%	18.40%	32bps	-85bps
<b>Spread Analysis</b>					
Yield on Avg Advances (%)	12.3%	12.9%	12.0%	-63bps	31bps
Yield on Avg Interest Earning Assets (%)	9.9%	9.9%	9.6%	2bps	27bps
Cost of Funds (%)	5.62%	5.59%	5.31%	3bps	31bps
NIM (%)	4.25%	4.26%	4.24%	-1bps	1bps
<b>Asset Quality</b>					
Gross NPA	71,268	66,934	59,411	6.5%	20.0%
Net NPA	20,955	19,689	17,469	6.4%	20.0%
GNPA (%)	2.02%	1.92%	1.94%	10bps	8bps
NNPA (%)	0.60%	0.57%	0.58%	3bps	2bps
PCR (%)	71.0%	71.0%	71.0%	0bps	0bps
<b>Key Ratios</b>					
Cost to Income Ratio (%)	50.0%	48.9%	45.9%	110bps	409bps
C/D Ratio (%)	87.3%	89.2%	86.8%	-192bps	48bps
RoA (%) (Annualised)	1.68%	1.90%	1.90%	-22bps	-22bps

Source: Arihant Research, Company Filings

## Key Concall Highlights

### Guidance:

- The Management of the bank said they are in process to launch revamped Wealth Management offering.
- The Bank maintained Loan growth guidance is maintained at 18-23% YoY.
- Credit to deposit ratio is expected to be maintained around 88-90% for FY25.
- Credit cost guidance for FY25 is in the range of 110 - 130 bps.
- The Management bank expects NIMs to be around 4.2 – 4.3% range.

### Key Highlights:

- NII came at INR 54.06 bn against our estimates of INR 58.46 bn (up 0.6% QoQ/up 11.1% YoY).
- PPOP came at INR 39.26 bn against our estimate of INR 44.62 bn (down 2.5% QoQ / up 2.5% YoY).
- Provisions increased in the quarter to INR 10.49 bn against our estimate of INR 9.21 bn (up 16.8% QoQ/ 5.9% QoQ).
- PAT came at INR 21.52 bn against our estimate of INR 26.57 bn (down 8.3% QoQ / up 1.3% YoY).
- NIMs for Q1FY25 stood at 4.25%, down 1 bps QoQ / up 1 bps YoY while Cost of Funds increased to 5.62%, up 3 bps QoQ / up 31 bps YoY.
- Asset Quality: GNPA ratio increased by 10 bps QoQ / up 8 bps YoY at 2.02% against our estimates of 1.96% and NNPA also went up by 3 bps QoQ / up 2 bps YoY to 0.60% matching our estimates of 0.60% for Q1FY25.
- Balance Sheet: Advances at INR 3,478 bn grew by 1.3% QoQ / 15.5% YoY against Deposits at INR 3,985 bn which grew by 3.6% QoQ/ up 14.8% YoY.
- The Bank's Fee based income improved by 2.0% QoQ / 11.0% YoY at INR 23.48 bn.
- Cost to income ratio increased by 110 bps QoQ and by 409 bps YoY to 50.0%.
- CASA ratio declined by 200 bps QoQ / 500 bps YoY on account of funds moving towards term deposits.
- Non-interest income was up 10.5% YoY but was down by 2.4% QoQ. Core fee income was up 11% YoY while treasury and other income increased modestly by 2% YoY.
- Consumer banking segment formed 78% of total fee income while 18% contribution came from corporate banking and the rest from other fee income.
- Operating expenses grew at 1.9% QoQ / up 21% YoY, as a result of relatively slower growth in top-line, the cost to income ratio increased by 110 bps QoQ / 409 bps YoY to 50%.
- Vehicle finance portfolio was up by 15% YoY but disbursement in this segment were down 5% YoY. In non-vehicle finance segment, credit cards book saw an uptick of 20% YoY, while Business banking credit increased by 13% YoY.
- Micro finance portfolio growth was also largely in line with overall loan growth of 16% YoY. Growth in corporate book was mostly fuelled by small and mid-corporate segments.
- Disbursements in vehicle finance was down 6% QoQ / 5% YoY, this was mainly due to subdued demand and seasonality.
- Deposit growth for the bank stood at 3.6% QoQ / 14.8% YoY and thus total deposits for the bank stood at INR 3.98 trillion.
- CASA deposits in Q1FY25 increased by 6% YoY as a result of slower than overall deposit growth, CASA ratio for the bank declined 322 bps YoY to 36.7%.
- Retail deposits defined by LCR were up 16% YoY and its share in total deposits increased to 44% versus 43% a year ago.
- Restructured book also declined from 0.40% of loans to 0.34% on QoQ basis.
- Fresh stress addition during the quarter declined 7.6% QoQ to INR 15.36 bn.
- Upgrades and recoveries during the quarter stood at INR 1.13 bn and INR 3.75 bn respectively while write-offs stood at INR 6.14 bn.
- Accounts worth INR 2 bn were sold to ARC in Q1FY25 versus INR 1.82 bn in the previous quarter.
- Within the consumer banking space most of the segments like CV, Tractor, Credit cards, Micro loans etc. saw rise in GNPA levels on a sequential basis.
- SMA 1 & 2 were at 25 bps for the quarter. The bank has Standard contingent provisions worth INR 10.0 bn which is outside PCR and total loan related provisions stand at INR 75.37 bn forming 2.2% of total loans.
- Credit cost in the Micro finance segment was stable on YoY basis.
- Gems and Jewellery book has no NPA and no restructuring as well.
- Average LCR for the quarter stood at 122%.

## Key Financials

Profit & Loss Statement (INR Bn)	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	364	398	435	476	521
Interest Expense	188	195	184	193	202
<b>Net Interest Income</b>	<b>176</b>	<b>202</b>	<b>251</b>	<b>283</b>	<b>319</b>
Non interest income	82	91	101	112	124
Operating income	258	293	352	395	443
- Employee expense	30	33	36	39	43
- Other operating expense	84	91	101	111	123
Operating Expense	114	124	137	151	166
<b>PPOP</b>	<b>143</b>	<b>169</b>	<b>215</b>	<b>244</b>	<b>277</b>
Provisions	45	49	54	60	66
PBT	99	119	161	185	211
Tax Expense	25	30	40	46	53
<b>PAT</b>	<b>74</b>	<b>89</b>	<b>120</b>	<b>138</b>	<b>158</b>
<b>Diluted EPS (INR)</b>	<b>95.2</b>	<b>115.3</b>	<b>155.3</b>	<b>178.3</b>	<b>204.1</b>

Balance Sheet (INR Bn)	FY23	FY24	FY25E	FY26E	FY27E
<b>Source of Funds</b>					
Share capital	8	8	8	8	8
Reserves & Surplus	538	627	748	886	1,045
Networth	546	635	756	894	1,052
ESOP	0	0	0	0	0
Borrowings	490	549	615	689	771
Deposits	3,364	3,903	4,566	5,388	6,412
Other liabilities & provisions	177	213	255	306	368
<b>Total Equity &amp; Liabilities</b>	<b>4,578</b>	<b>5,300</b>	<b>6,192</b>	<b>7,277</b>	<b>8,603</b>
<b>Uses of Funds</b>					
Cash & bank balance	1,039	1,048	1,156	1,287	1,442
Investments	831	997	1,047	1,036	1,323
Loans & advances	2,899	3,450	4,175	5,135	6,418
Fixed assets	20	23	26	30	35
Other assets	-212	-218	-212	-211	-616
<b>Total Assets</b>	<b>4,578</b>	<b>5,300</b>	<b>6,192</b>	<b>7,277</b>	<b>8,603</b>

Source: Arianth Research, Company Filings.

Key Ratio	FY23	FY24	FY25E	FY26E	FY27E
<b>Growth Rates</b>					
Advances (%)	21.3%	19.0%	21.0%	23.0%	25.0%
Deposits (%)	14.6%	16.0%	17.0%	18.0%	19.0%
Total assets (%)	13.9%	15.8%	16.8%	17.5%	18.2%
NII (%)	17.3%	15.1%	24.1%	12.7%	12.5%
Pre-provisioning profit (%)	11.7%	17.6%	27.5%	13.6%	13.4%
PAT (%)	60.3%	21.0%	34.7%	14.8%	14.5%
<b>B/S Ratios</b>					
Credit/Deposit (%)	86.2%	88.4%	91.4%	95.3%	100.1%
CASA (%)	43.6%	44.5%	45.2%	45.6%	45.7%
Advances/Total assets (%)	63.3%	65.1%	67.4%	70.6%	74.6%
Leverage - Total Assets to Equity	8.4	8.3	8.2	8.1	8.2
<b>Operating efficiency</b>					
Cost/income (%)	44.3%	42.4%	38.9%	38.1%	37.4%
Opex/total assets (%)	2.6%	2.4%	2.2%	2.1%	1.9%
Opex/total interest earning assets	3.1%	2.7%	2.5%	2.4%	2.1%
<b>Profitability</b>					
NIM (%)	4.4%	4.3%	4.6%	4.4%	4.1%
RoA (%)	1.6%	1.7%	1.9%	1.9%	1.8%
RoE (%)	13.5%	14.1%	15.9%	15.5%	15.0%
<b>Asset Quality</b>					
Gross NPA (%)	2.0%	1.7%	1.7%	1.7%	1.7%
Net NPA (%)	0.6%	0.5%	0.5%	0.5%	0.5%
PCR (%)	70.0%	70.0%	70.0%	70.0%	70.0%
Slippage (%)	1.0%	1.0%	1.0%	1.0%	1.0%
Credit cost (%)	1.7%	1.6%	1.4%	1.3%	1.1%
<b>Per Share Data / Valuation</b>					
EPS (INR)	95.2	115.3	155.3	178.3	204.1
BVPS (INR)	703.4	818.7	974.0	1,152.2	1,356.3
ABVPS (INR)	681.5	795.3	947.0	1,118.9	1,312.9
P/E (x)	14.6	12.0	8.9	7.8	6.8
P/BV (x)	2.0	1.7	1.4	1.2	1.0
<b>P/ABV (x)</b>	<b>2.0</b>	<b>1.7</b>	<b>1.5</b>	<b>1.2</b>	<b>1.1</b>

Source: Arianth Research, Company Filings,

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**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  
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