

**Well Managed across Costs while Margins stabilized, growth impacted due to CV demand**

**CMP: INR 1,616**

**Rating: HOLD**

**Target Price: INR 1,790**

**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)	1,254
52w H/L (INR)	1,694 / 990
Avg Yearly Vol (in 000')	3,422

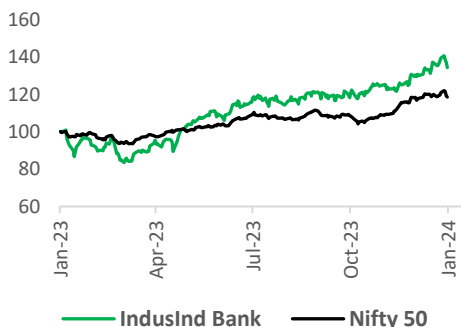
**Shareholding Pattern %**

(As on December, 2023)

Promoters	16.5
Public & Others	83.5

Stock Performance (%)	1m	6m	12m
IndusInd Bank	3.1	13.8	34.6
Nifty 50	0.0	8.2	18.5

**IndusInd Bank Vs Nifty**



Abhishek Jain  
[abhishek.jain@arihantcapital.com](mailto:abhishek.jain@arihantcapital.com)  
Anmol Das  
[anmol.das@arihantcapital.com](mailto:anmol.das@arihantcapital.com)  
Harshit Jain  
[harshit.jain@arihantcapital.com](mailto:harshit.jain@arihantcapital.com)

IndusInd Bank (IIB) has posted profit growth of 17.3% YoY/5.3% QoQ to INR 23 bn. Increase in PAT was primarily due to better income growth and decline in provisions. NII for the quarter increased by 17.8% YoY/4.3% QoQ to INR 53 bn, driven by better yields driving higher margins. Operating profit for the quarter grew by 8.7% YoY/3.1% QoQ to INR 40 bn. Other income grew by 15.4% YoY/5.0% QoQ to INR 24 bn, led by core fee income growth of 12% YoY/2% QoQ with 69% contribution from Retail fees income. Bank has used INR 13 bn of contingent provision during the quarter. GNPA improved by 1bps QoQ at 1.92% (down 14 bps YoY) and NNPA was flat sequentially at 0.57% down 5 bps YoY.

**Loan book growth slowed down during the quarter:** IIB's loan book grew by 19.9% YoY/3.7% QoQ, driven by consumer credit growth of 24% YoY/4.7% QoQ. It was driven by growth in Car loans, Credit Card and Utility Vehicle segment. Corporate credit growth increased by 2.4% QoQ as it was led by small business loans segments which grew by 42.7% YoY/5.1% QoQ. Retail portfolio of the bank has increased by 24% YoY/4.7% QoQ. The restructured book further declined to 0.48% from 0.54% in the previous quarter, reflecting the improved resolution of NPAs. Liability profile of the bank continued to witness a good traction with total deposit growth of 13.4% YoY/2.5% QoQ, with slowing growth sequentially in CASA. Time deposits grew by 24% YoY/4% QoQ. CASA ratio of the bank declined by 500 bps YoY/100 bps QoQ to 38%.

**Asset quality improved marginally:** Overall asset quality improved for the bank with the GNPA coming down by 14 bps YoY / 1 bps QoQ while NNPA came at 0.57% down 5 bps YoY/flat QoQ. Recoveries & Upgrades stood at INR 8.38 bn for the quarter.

**Cost to Income increased while branch addition kept going on:** Cost to Income ratio increased to 48% in Q3FY24 from 46.9% in Q2FY24 as the bank increased branch presence by opening 97 new branches in the quarter. The allure of retail book has driven the Management to give future pathway of adding another 1,000 branches over the next 3 years.

**Valuation & View:** IIB has reported in line performance on most of the counts with a moderating business growth. Management concerns on growth of CV business is legitimate, especially in Tractor financing business. Going forward, we expect the Vehicle financing business to lean towards Used Vehicle and Personal Vehicles financing while Microfinance business makes growth trends as seen across the industry. The rising cost of Funds from 6.35% to 6.44% sequentially reflects stabilizing trend. We believe the lending growth is moderating while IIB is seen managing the Costs & Yields well in the medium term as well. We maintain positive view with a revised target price of INR 1,790 but ratings reduced to Hold on 1.6x FY26E ABV.

**Financial Performance**

Particulars (Rs Bn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
NII	135	150	176	202	251	283
PPOP	117	128	143	169	215	244
PAT	28	46	74	89	120	138
EPS (INR / Share)	36.7	59.5	95.2	115.3	155.3	178.3
BVPS (INR / Share)	560.7	615.5	703.4	818.7	974.0	1,152.2
NIM (%)	4.4%	4.2%	4.4%	4.3%	4.6%	4.4%
RoA (%)	0.8%	1.1%	1.6%	1.7%	1.9%	1.9%
RoE (%)	6.5%	9.7%	13.5%	14.1%	15.9%	15.5%
P/ABV (x)	2.5	2.3	2.0	1.7	1.5	1.2

## Q3FY24 - Quarterly Performance (Standalone)

(in INR bn)

Income Statement (INR Mn)	Q3FY24	Q2FY24	Q3FY23	Q-o-Q	Y-o-Y
Interest Income	1,15,723	1,12,478	94,574	2.9%	22.4%
Interest Expense	62,766	61,711	49,621	1.7%	26.5%
<b>Net Interest Income</b>	<b>52,956</b>	<b>50,767</b>	<b>44,953</b>	<b>4.3%</b>	<b>17.8%</b>
Non Interest Income	23,959	22,818	20,763	5.0%	15.4%
Total Income	76,915	73,585	65,717	4.5%	17.0%
Employee Costs	10,267	9,566	7,992	7.3%	28.5%
Other Operating Expenses	26,626	25,210	20,921	5.6%	27.3%
Operating Expenses	36,893	34,776	28,913	6.1%	27.6%
<b>Pre-Provision Profit</b>	<b>40,022</b>	<b>38,809</b>	<b>36,804</b>	<b>3.1%</b>	<b>8.7%</b>
Provisions	9,342	9,738	10,647	-4.1%	-12.3%
Profit Before Tax	30,680	29,071	26,157	5.5%	17.3%
Tax Expense	7,701	7,256	6565	6.1%	17.3%
<b>Net Profit</b>	<b>22,979</b>	<b>21,815</b>	<b>19,592</b>	<b>5.3%</b>	<b>17.3%</b>
<b>Balance Sheet Analysis</b>					
Deposits	36,87,930	35,97,865	32,52,780	2.5%	13.4%
CASA Deposits	14,19,240	14,14,370	13,63,790	0.3%	4.1%
CASA (%)	38.0%	39.0%	43.0%	-100bps	-500bps
Advances	32,70,570	31,54,541	27,27,540	3.7%	19.9%
Total Assets	48,88,650	47,77,574	44,44,850	2.3%	10.0%
Capital Adequacy Ratio (%)	17.86%	18.21%	18.01%	-35bps	-15bps
<b>Spread Analysis</b>					
Yield on Avg Advances (%)	12.1%	12.2%	11.7%	-9bps	40bps
Yield on Avg Interest Earning Assets (%)	9.8%	9.7%	9.3%	6bps	40bps
Cost of Funds (%)	5.46%	5.40%	5.44%	6bps	2bps
NIM (%)	4.3%	4.3%	4.4%	0bps	-15bps
<b>Asset Quality</b>					
Gross NPA	63,771	61,642	57,108	3.5%	11.7%
Net NPA	18,752	18,138	16,815	3.4%	11.5%
GNPA (%)	1.92%	1.93%	2.06%	-1bps	-14bps
NNPA (%)	0.57%	0.57%	0.62%	0bps	-5bps
PCR (%)	71.0%	71.0%	70.6%	0bps	44bps
<b>Key Ratios</b>					
Cost to Income Ratio (%)	48.0%	46.9%	44.0%	109bps	397bps
C/D Ratio (%)	88.7%	87.7%	83.9%	100bps	483bps
RoA (%) (Annualised)	1.93%	1.90%	1.86%	3bps	7bps

Source: Arianth Research, Company Filings

### • Q3FY24 – Key Concall Highlights

#### Guidance:

- The Management expects the slippages to come down in the next 2-3 quarters to levels of INR 11-12 bn per quarter as this quarter saw a corporate account slippage which was a one-off thing. The Management expects the slippages for Q4FY24 to come down further from INR 17.65 bn in Q3FY24.
- The Management gave Credit Cost guidance for the Microfinance (11% of the Loan book) business at 210-220 bps in the future as they say that the business risk in MFI business cannot be reduced as in other lending segments.
- The Management says they will never bust the 90% cap for the loan to deposit ratio, currently at 88.7%.
- The Management guides that they will never breach more than 55-57%, i.e. retail of their loan book.

#### Key Highlights:

- Management felt good on the growth in deposits between 12-14%, driving the difference between Credit & deposits growth lower. Retail credit grew well in Vehicle and Personal finance segment. Corporate credit growth came at 15% YoY.
- The restructured book of vehicle finance stood at INR 7.05 bn against INR 9.1 bn in the previous quarter due to restructuring and recoveries.
- Active Loan client accounts number grew to 9 million growing by 17% YoY/4% QoQ.
- Corporate banking grew by 15% YoY as the portfolio gained momentum during the quarter. The Net slippages in Corporate book stood at INR 1.55 bn against INR 1.58 bn in Q2FY24. The main contribution came from only 1 account which slipped during the quarter.
- The Management intends to add another 1,000 branches in the next 3 years. In Q3FY24, they have added 97 branches taking the total branch count to 2,728. The bank employee base grew by 5% QoQ as they opened 97 new branches, thereby causing a spike in the Cost to income Ratio to 48%.
- The share of Borrowings fell to 8% of the total liabilities as the Management intends to keep only long term low interest rate securities for borrowings in their book.
- The bank made additional Provision of INR 1.65 bn for special account. The SMA 1 & SMA 2 are now only 19 bps for the bank, which is the best for the bank historically, while the Management says they will keep adding prudent Provisioning practices in the future as well.
- The NIMs have remained stable at 4.29% due to the bank's flexibility on adjusting rates and expansion, and the Management says they are awaiting a rate cut when the NIMs could improve thereafter.
- The Management sees the rates on deposits stabilizing across the banking sector in the coming quarters. They also say that they don't intend to increase the Micro Finance loan rates due to rise in Cost of Funds as it will create more stress for the borrowers.
- The Agri book saw an extra slippage of INR 0.25 bn. The Corporate book saw a slippage of 1 large account of INR 1.40 bn for which the bank has made a contingent Provision. However, the management believes they will be recovering the account by 8th Feb of this quarter.
- The MHCV business is looking dull as per the Management. So, the bank is looking to fill the void in growth in MHCV, specially tractor which is slow over last 2-3 quarters. The Management expects to fill the void from Auto loans Personal Vehicle as well as the Used Vehicle business which is witnessing more traction.
- 95% of the NBFC's are A rated and above, and despite the RBI guideline, the bank has only increased lending rates to NBFCs due to the RBI guideline. The Management says they are lesser than 9% of their loan book, which is the average exposure of bank's lending towards NBFCs.

## Key Financials

Profit & Loss Statement (INR Bn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Interest Income	290	308	364	398	435	476
Interest Expense	155	158	188	195	184	193
<b>Net Interest Income</b>	<b>135</b>	<b>150</b>	<b>176</b>	<b>202</b>	<b>251</b>	<b>283</b>
Non interest income	66	74	82	91	101	112
Operating income	201	224	258	293	352	395
- Employee expense	22	25	30	33	36	39
- Other operating expense	61	71	84	91	101	111
Operating Expense	84	96	114	124	137	151
<b>PPOP</b>	<b>117</b>	<b>128</b>	<b>143</b>	<b>169</b>	<b>215</b>	<b>244</b>
Provisions	79	67	45	49	54	60
PBT	38	62	99	119	161	185
Tax Expense	9	16	25	30	40	46
<b>PAT</b>	<b>28</b>	<b>46</b>	<b>74</b>	<b>89</b>	<b>120</b>	<b>138</b>
<b>Diluted EPS (INR)</b>	<b>36.7</b>	<b>59.5</b>	<b>95.2</b>	<b>115.3</b>	<b>155.3</b>	<b>178.3</b>

Balance Sheet (INR Bn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Source of Funds</b>						
Share capital	8	8	8	8	8	8
Reserves & Surplus	426	469	538	627	748	886
Networth	434	477	546	635	756	894
ESOP	0	0	0	0	0	0
Borrowings	513	473	490	549	615	689
Deposits	2,562	2,937	3,364	3,903	4,566	5,388
Other liabilities & provisions	121	133	177	213	255	306
<b>Total Equity &amp; Liabilities</b>	<b>3,630</b>	<b>4,020</b>	<b>4,578</b>	<b>5,300</b>	<b>6,192</b>	<b>7,277</b>
Uses of Funds	0	0	0	0	0	0
Cash & bank balance	563	1,162	1,039	1,048	1,156	1,287
Investments	697	710	831	997	1,047	1,036
Loans & advances	2,096	2,391	2,899	3,450	4,175	5,135
Fixed assets	18	18	20	23	26	30
Other assets	225	218	-212	-218	-212	-211
<b>Total Assets</b>	<b>3,600</b>	<b>4,020</b>	<b>4,578</b>	<b>5,300</b>	<b>6,192</b>	<b>7,277</b>

Source: Arianth Research, Company Filings.

Key Ratio	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Growth Rates</b>						
Advances (%)	1.4%	14.1%	21.3%	19.0%	21.0%	23.0%
Deposits (%)	26.8%	14.6%	14.6%	16.0%	17.0%	18.0%
Total assets (%)	17.2%	11.7%	13.9%	15.8%	16.8%	17.5%
NII (%)	12.2%	10.9%	17.3%	15.1%	24.1%	12.7%
Pre-provisioning profit (%)	8.9%	9.5%	11.7%	17.6%	27.5%	13.6%
PAT (%)	-35.8%	62.6%	60.3%	21.0%	34.7%	14.8%
<b>B/S Ratios</b>						
Credit/Deposit (%)	81.8%	81.4%	86.2%	88.4%	91.4%	95.3%
CASA (%)	41.8%	42.8%	43.6%	44.5%	45.2%	45.6%
Advances/Total assets (%)	58.2%	59.5%	63.3%	65.1%	67.4%	70.6%
Leverage - Total Assets to Equity	8.3	8.4	8.4	8.3	8.2	8.1
<b>Operating efficiency</b>						
Cost/income (%)	41.6%	42.7%	44.3%	42.4%	38.9%	38.1%
Opex/total assets (%)	2.6%	2.7%	2.6%	2.4%	2.2%	2.1%
Opex/total interest earning assets	2.9%	3.1%	3.1%	2.7%	2.5%	2.4%
<b>Profitability</b>						
NIM (%)	4.4%	4.2%	4.4%	4.3%	4.6%	4.4%
RoA (%)	0.8%	1.1%	1.6%	1.7%	1.9%	1.9%
RoE (%)	6.5%	9.7%	13.5%	14.1%	15.9%	15.5%
<b>Asset Quality</b>						
Gross NPA (%)	2.7%	2.3%	2.0%	1.7%	1.7%	1.7%
Net NPA (%)	0.7%	0.6%	0.6%	0.5%	0.5%	0.5%
PCR (%)	74.2%	70.0%	70.0%	70.0%	70.0%	70.0%
Slippage (%)	2.2%	1.6%	1.0%	1.0%	1.0%	1.0%
Credit cost (%)	3.8%	3.0%	1.7%	1.6%	1.4%	1.3%
<b>Per Share Data / Valuation</b>						
EPS (INR)	36.7	59.5	95.2	115.3	155.3	178.3
BVPS (INR)	560.7	615.5	703.4	818.7	974.0	1,152.2
ABVPS (INR)	544.1	591.1	681.5	795.3	947.0	1,118.9
P/E (x)	44.1	27.1	17.0	14.0	10.4	9.1
P/BV (x)	2.9	2.6	2.3	2.0	1.7	1.4
<b>P/ABV (x)</b>	<b>3.0</b>	<b>2.7</b>	<b>2.4</b>	<b>2.0</b>	<b>1.7</b>	<b>1.4</b>

Source: Arianth Research, Company Filings,

**Arihant Research Desk**Email: [research@arihantcapital.com](mailto:research@arihantcapital.com)

Tel. : 022-42254800

Head Office	Registered 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	Arihant House 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% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	<a href="http://www.arihantcapital.com">www.arihantcapital.com</a>	<a href="mailto:research@arihantcapital.com">research@arihantcapital.com</a>

**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 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