

CMP: INR 978

Rating: Buy

Target Price: INR 1,236

Stock Info

BSE	532187
NSE	IIB
Bloomberg	IIB IN
Reuters	INBK.BO
Sector	Banks
Face Value (INR)	10
Equity Capital (INR Cr)	773
Mkt Cap (INR Cr)	63,655
52w H/L (INR)	1,242 / 811
Avg Yearly Vol (in 000')	4,593

Shareholding Pattern %

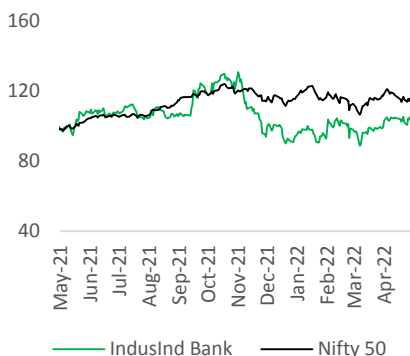
(As on March, 2022)

Promoters	16.5
FII	46.3
DII	21.9
Public & Others	15.3

Stock Performance (%)

	1m	3m	12m
IndusInd Bank	5.4	8.4	4.3
Nifty 50	-1.5	-0.2	14.6

IndusInd Bank Vs Nifty



Raju Barnawal

raju.b@arihantcapital.com

022 67114870

IndusInd Bank (IIB) has posted decent performance during Q4FY22 with strong profit growth of 55% YoY/17% QoQ to INR 1,361 cr as compared to our estimate of INR 1,487 cr as provisions came off lower. Loan growth of the bank accelerating gradually and it has reported advances growth of 12.4% YoY/4.6% QoQ led by MFI, Business banking, small business loans and also corporate loan growth. NII for the quarter grew by 13% YoY/5% QoQ to INR 3,985 cr was ahead of our estimate of INR 3,887 cr. NIM of the bank improved by 10bps QoQ at 4.2% driven by 6bps decline in cost of deposits. Operating profit for the quarter grew by 9% YoY/4% QoQ to INR 3,329 cr vs. our estimate of INR 3,412 cr. Bank continue to holds INR 3,328 cr (140 bps of loans) of contingent provisions. IIB's GNPA ratio declined by 21bps QoQ at 2.3% as slippages declined to INR 2,088 cr (vs. INR 2,598 cr in Q3FY22). Restructuring pool of the bank have come off from 3.3% to 2.6% QoQ due to repayment.

Loan growth improving gradually: IIB's loan book grew by 12% YoY/5% QoQ driven by corporate credit growth of 20% YoY/4% QoQ and 6.5% sequential growth in consumer segment which is Retail. Corporate credit growth was higher as it was driven by higher working capital demand by large and mid-corporates. Retail portfolio of the bank has increased by 6.5% QoQ, driven by MFI, Business banking, Vehicle finance portfolio. Management has highlighted that within the vehicle finance portfolio disbursements remained strong in CV, CE, utility vehicle, tractor, and cars segment while in the two and three wheelers it remained subdued. Liability profile of the bank continued to witness a good traction with total deposit growth of 15% YoY/3% QoQ, driven by CASA deposit growth of 17% YoY. CASA ratio of the bank improved from 42% to 43% QoQ.

Asset quality improved further: Slippages of the bank declined from INR 2,598 cr to INR 2,088 cr (Slippage ratio at 3.5% vs. 4.5% QoQ) sequentially due to decline in retail slippages. Out of the total INR 2,088 cr slippages, INR 346 cr was from Corporate and INR 1,742 cr was from retail portfolio. Recoveries /upgrades for the quarter was healthy at INR 2,350 cr vs. INR 3,064 cr QoQ. Credit cost for the quarter was at 2.4% vs. 2.9% in Q3FY22. Management has guided for credit cost of 120-150 bps in FY23.

Valuation & View; upgrade to Buy: IIB has reported decent performance during Q4FY22 with momentum on growth is picking up, liability profile shaping up well and margin was stable. Asset quality metrics of the bank showing continuous improvement with strong provisioning buffer and strengthened balance sheet position. We maintain our positive view on the stock on the back of its improving growth trajectory, strong capital ratio, stable margin and reasonable valuations (1.3x FY24E ABV). Bank is expected to deliver 1.4%/13% RoA/RoE by FY24E. We upgrade our rating on the stock to Buy from Accumulate with a revised target price of INR 1,236, based on 1.6x FY24E ABV.

Particulars (Rs Crores)	FY20	FY21	FY22	FY23E	FY24E
NII	12,059	13,528	15,001	16,115	17,228
PPOP	10,773	11,727	12,839	13,976	15,062
PAT	4,418	2,837	4,611	6,718	7,904
EPS (INR / Share)	63.7	36.7	59.6	86.9	102.2
BVPS (INR / Share)	500.3	560.7	616.7	698.6	795.8
NIM (%)	4.4%	4.4%	4.2%	4.2%	4.0%
RoA (%)	1.4%	0.8%	1.1%	1.4%	1.4%
RoE (%)	12.7%	6.5%	9.7%	12.4%	12.8%
P/ABV (x)	2.1	1.8	1.7	1.4	1.3

Source: Company, Arihant Research

Q4FY22 - Quarterly Performance (Standalone)

(in INR Cr)

Income Statement	Q4FY22	Q3FY22	Q4FY21	Q-o-Q	Y-o-Y
Interest Income	7,860	7,737	7,419	1.6%	5.9%
Interest Expense	3,875	3,944	3,885	-1.8%	-0.3%
Net Interest Income	3,985	3,794	3,535	5.1%	12.7%
Non Interest Income	1,902	1,877	1,780	1.3%	6.8%
Total Income	5,887	5,670	5,315	3.8%	10.8%
Employee Costs	659	620	595	6.2%	10.7%
Other Operating Expenses	1,900	1,845	1,658	3.0%	14.6%
Operating Expenses	2,559	2,465	2,253	3.8%	13.6%
Pre-Provision Profit	3,329	3,205	3,062	3.9%	8.7%
Provisions	1,464	1,654	1,866	-11.5%	-21.6%
Profit Before Tax	1,865	1,551	1,196	20.2%	55.9%
Tax Expense	504	390	320	29.2%	57.4%
Net Profit	1,361	1,161	876	17.2%	55.4%
Balance Sheet Analysis					
Deposits	2,93,681	2,84,484	2,56,205	3.2%	14.6%
CASA Deposits	1,25,333	1,19,894	1,06,791	4.5%	17.4%
CASA (%)	43.0%	42.0%	41.7%	100bps	130bps
Advances	2,39,052	2,28,583	2,12,595	4.6%	12.4%
Total Assets	4,01,975	3,90,564	3,62,973	2.9%	10.7%
Capital Adequacy Ratio (%)	18.42%	18.06%	17.38%	36bps	104bps
Spread Analysis					
Yield on Avg Advances (%)	10.9%	11.3%	11.7%	-35bps	-74bps
Yield on Avg Interest Earning Assets (%)	8.6%	8.6%	9.0%	-7bps	-47bps
Cost of Funds (%)	4.68%	4.88%	6.4%	-20bps	-177bps
NIM (%)	4.2%	4.1%	4.1%	10bps	8bps
Asset Quality					
Gross NPA	5,517	5,779	5,795	-4.5%	-4.8%
Net NPA	1,530	1,633	1,477	-6.3%	3.6%
GNPA (%)	2.27%	2.48%	2.67%	-21bps	-40bps
NNPA (%)	0.64%	0.71%	0.69%	-7bps	-5bps
PCR (%)	72.3%	71.7%	74.5%	53bps	-225bps
Key Ratios					
Cost to Income Ratio (%)	43.5%	43.5%	42.4%	-2bps	107bps
C/D Ratio (%)	81.4%	80.4%	83.0%	105bps	-158bps
RoA (%) (Annualised)	1.47%	1.35%	1.09%	12bps	38bps

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

Q4FY22 – Key Concall Highlights

On Asset quality and collection efficiency front

- The bank has witnessed reduction in slippages during the quarter across consumer, vehicle and microfinance businesses. Net slippages have come down from 0.9% to 0.6% QoQ.
- In MFI, net slippage remained elevated at INR 690 cr, though lower than previous quarter.
- SMA1 and SMA2 book was at 43 bps and 16 bps respectively.
- In corporate, there was a slippage in restructured book.
- The bank made fresh provision to provide for the slippage from the restructure book.
- Restructured book reduced by INR 1360 cr to INR 6,170 cr or 2.6% of the overall loan book, of which, 53% of this book was from vehicle finance, 16.1% from MFI, 15.6% from corporate segment and 14.9% from retail.

On Vehicle Finance

- In Vehicle financing disbursement stood at INR 9,980 cr, up by 13% QoQ and 19% YoY.
- The bank has gained market share in LCVs, CEs, tractors and cars during the year.

On MFI

- MFI book registered healthy growth of 16% YoY.
- Collection efficiency (ex-restructured assets) in its MFI segment stood at 99.1%.

On Corporate Banking

- Corporate book growth was largely led by large & Mid corporate segment. Corporate book grew by 20% YoY.

Other Highlights

- NIM outlook maintained between 4.1-4.25%.
- Loan growth expected to be in the range of 16-18%.
- Deposits grew by 15% YoY driven by 17%/26% YoY growth in CASA/Retail deposits.
- Granularity of liability franchisee increased further with concentration of top 20 depositors reduced from 22% to 17% YoY while CDs has remained a small component of 3% of overall deposits.
- Digital sourcing continues to grow across the segment around 84% of the cards are digitally sourced.
- Bank plans to launch two digital initiatives – millennia and SME offerings during FY23.
- Cost of funds declined by 18bps QoQ due to refinancing of its borrowing at lower cost.
- Branch network increased by 162 branches in Q4FY22 taking branch count at 2,265 and it plans to add another 200-250 branches in FY23.
- The split between fixed: floating loan book currently stands at 50:50.
- Other income grew by 7% YoY and 2% QoQ. Core client fees excluding trading income grew by 8% QoQ and 9% YoY. Share of Retail fees improved from 58% to 64% of total fees.

Key Financials

Profit & Loss Statement (INR Crores)	FY20	FY21	FY22	FY23E	FY24E
Interest Income	28,783	29,000	30,822	33,677	36,817
Interest Expense	16,724	15,472	15,822	17,562	19,589
Net Interest Income	12,059	13,528	15,001	16,115	17,228
Non interest income	6,951	6,559	7,397	8,211	9,114
Operating income	19,010	20,087	22,398	24,325	26,342
- Employee expense	2,208	2,214	2,488	2,712	2,956
- Other operating expense	6,029	6,146	7,071	7,637	8,324
Operating Expense	8,237	8,360	9,559	10,349	11,280
PPOP	10,773	11,727	12,839	13,976	15,062
Provisions	4,652	7,943	6,665	4,999	4,499
PBT	6,121	3,784	6,174	8,978	10,563
Tax Expense	1,703	948	1,563	2,260	2,659
PAT	4,418	2,837	4,611	6,718	7,904
Diluted EPS (INR)	63.7	36.7	59.6	86.9	102.2

Balance Sheet (INR Crores)	FY20	FY21	FY22	FY23E	FY24E
Source of Funds					
Share capital	694	773	773	773	773
Reserves & Surplus	34,003	42,592	46,923	53,254	60,771
Networth	34,697	43,365	47,696	54,027	61,545
Borrowings	60,754	51,323	47,323	85,354	95,597
Deposits	2,02,040	2,56,205	2,93,681	3,37,734	3,91,771
Other liabilities & provisions	9,558	12,080	13,273	15,927	19,113
Total Equity & Liabilities	3,07,058	3,62,973	4,01,973	4,93,058	5,68,041
Uses of Funds					
Cash & bank balance	16,004	56,327	1,16,236	67,000	70,028
Investments	59,980	69,695	70,971	95,008	1,14,010
Loans & advances	2,06,783	2,12,595	2,39,052	2,78,585	3,31,516
Fixed assets	1,820	1,809	1,876	2,157	2,481
Other assets	22,471	22,546	-27,028	50,307	50,006
Total Assets	3,07,058	3,62,973	4,01,973	4,93,058	5,68,041

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

Key Ratio	FY20	FY21	FY22	FY23E	FY24E
Growth Rates					
Advances (%)	10.9%	2.8%	12.4%	16.5%	19.0%
Deposits (%)	3.7%	26.8%	14.6%	15.0%	16.0%
Total assets (%)	10.5%	18.2%	10.7%	22.7%	15.2%
NII (%)	36.3%	12.2%	10.9%	7.4%	6.9%
Pre-provisioning profit (%)	33.2%	8.9%	9.5%	8.9%	7.8%
PAT (%)	33.8%	-35.8%	62.6%	45.7%	17.7%
B/S Ratios					
Credit/Deposit (%)	102.3%	83.0%	81.4%	82.5%	84.6%
CASA (%)	40.4%	41.7%	42.7%	43.3%	44.3%
Advances/Total assets (%)	67.3%	58.6%	59.5%	56.5%	58.4%
Leverage - Total Assets to Equity	8.8	8.4	8.4	9.1	9.2
Operating efficiency					
Cost/income (%)	43.3%	41.6%	42.7%	42.5%	42.8%
Opex/total assets (%)	2.7%	2.6%	2.7%	2.1%	2.0%
Opex/total interest earning assets	3.1%	2.9%	3.1%	2.9%	2.6%
Profitability					
NIM (%)	4.4%	4.4%	4.2%	4.2%	4.0%
RoA (%)	1.4%	0.8%	1.1%	1.4%	1.4%
RoE (%)	12.7%	6.5%	9.7%	12.4%	12.8%
Asset Quality					
Gross NPA (%)	2.5%	2.7%	2.3%	2.0%	1.8%
Net NPA (%)	0.9%	0.7%	0.6%	0.6%	0.5%
PCR (%)	45.0%	74.2%	70.0%	70.0%	70.0%
Slippage (%)	1.2%	2.2%	1.6%	1.0%	1.0%
Credit cost (%)	2.4%	3.8%	3.0%	1.9%	1.5%
Per Share Data / Valuation					
EPS (INR)	63.7	36.7	59.6	86.9	102.2
BVPS (INR)	500.3	560.7	616.7	698.6	795.8
ABVPS (INR)	463.4	544.2	592.1	676.4	772.6
P/E (x)	15.4	26.7	16.4	11.3	9.6
P/BV (x)	2.0	1.7	1.6	1.4	1.2
P/ABV (x)	2.1	1.8	1.7	1.4	1.3

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

Arihant Research Desk

Email: research@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 st 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	www.arihantcapital.com	research@arihantcapital.com

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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