



STEADY OUTLOOK!

12th July, 2017

CMP: Rs. 1,559
Target Price: Rs. 1,723
Recommendation: HOLD

Stock Info

BSE Group	A
BSE Code	532187
NSE Symbol	INDUSINDBK
Bloomberg	IIB IN
Reuters	INBK.BO
BSE Sensex	31,792
NSE Nifty	9786

Market Info

Market Capital	Rs 94,080cr
Equity Capital	Rs 599cr
Avg. Trading Vol.	1,252,550
52 Wk High/ Low	1,578/1037
Face Value	10

Shareholding Pattern (%)

Promoters	16.8
Domestic Institutions	13.8
Foreign Institutions	48.6
Public & Others	20.8

Price Vs Sensex Chart



IndusInd Bank (IIB), yet again, delivered a top quartile performance across parameters. Net profit grew by 26% YoY and stood at Rs 837 crs. Loan book grew at 24% YoY. The ratio of corporate to consumer loans after regrouping stood at 60:40.

Healthy business growth:

Advances recorded a steady growth of 24% YoY, while deposits grew by 31% YoY. Consumer finance growth stood at 22% YoY & 3% QoQ and corporate loan book grew at 26% YoY & 3% QoQ. On the deposits front, the CASA grew above industry at 44% YoY and stood at Rs 50,501 cr. In the current quarter bank added 21 branches and 54 ATM's taking the total no. of branches to 1210 and total number of ATMs to 2090.

Strong earnings growth:

NII growth for the quarter stood at 31% backed by lower cost of deposits. Other income grew at 20% YoY and decreased 4% on sequential basis. RoA increased at 1.86% with RoE increased to 16.17% vs 15.12% on sequential basis. C-I ratio increased to 45.99 vs. 45.38 QoQ.

Margins:

Net Interest margin moved steady at 4.0 vs 3.97 YoY. The yield for consumer finance stood steady at 14.5% YoY while that for corporate book improved by 41 bps to 9.5%.

Asset quality:

Asset quality for the bank deteriorated with GNPA's at 1.09% levels and NNPA's at 0.44% for the quarter, against 0.93% and 0.39% in the previous quarter. While there is a rise in GNPA's (+21%), low exposure to stressed assets, diversified and granular book & smaller restructured book (17bps) restores comfort on asset quality. Provision coverage ratio stood at 60% vs 58% sequentially. Restructured advances for the quarter stood at 0.17%.

Valuation & Outlook:

IndusInd Bank has continued to show sustained progress across all vectors. Their "Planning Cycle 4" plan will start showing effects in later business cycle. At CMP of 1559 the stock is trading at 3.8(x) its FY 19E ABV. We have **HOLD** rating with a price target of Rs 1,723 based on 4.2(x) its FY 19E ABV.

(Rs Cr)	FY17	FY18E	FY19E
Net interest income	6,063	7,639	9,674
Operating Profit	10,234	12,873	16,658
PAT	2,868	3,765	4,858
EPS (Rs)	48.1	62.6	80.3
EPS Growth (%)	18.2%	30.2%	28.3%
RoA (%)	1.8	1.9	2.0
P/E (x)	32.4	24.9	19.4
ABV (Rs)	333	392	410
P/ABV (x)	4.7	4.0	3.8

Source: Ace Equity, Aриhant Research



Q1 FY18 Earnings Summary

Reported Quarterly Results					
Particulars (Rs in Cr)	Q1FY18	Q1FY17	YoY	Q4FY17	QoQ
Interest Earned	4,136	3,292	26%	3,830	8%
Yield on Advances (%)	11.5	12.1		11.4	
Interest Expended	2,361	1,935	22%	2,163	9%
Cost of Funds (%)	5.3	5.7		5.2	
Net Interest Income	1774	1356	31%	1667	6%
Other Income	1,167	973	20%	1,211	-4%
Other income / Net Income (%)	40	42		42	
Total income	2941	2329	26%	2879	2%
Employee Expenses	422	357	18%	394	7%
Non-Employee expenses	931	739	26%	912	2%
Operating Expenses	1353	1096	23%	1307	4%
Cost-income Ratio (%)	46.0	47.0		45.4	
Pre-Prov Profits	1589	1234	29%	1572	1%
Provisions & Contingencies	310	230	34%	430	-28%
PBT	1279	1003	27%	1142	12%
Provisions for Tax	442	342	29%	390	13%
Effective Tax Rate (%)	34.6	34.1		34.2	
PAT (reported)	837	661	26%	752	11%
EPS Basic	14.0	11.1		12.6	
EPS Diluted	0.0	11.1		12.5	
GNPA	1,272	861		1,055	
NNPA	508	356		439	
GNPA (%)	1.09	0.91		0.93	
NNPA (%)	0.44	0.38		0.39	
Total CAR (%)	16.2	15.4		15.3	
Tier 1 (%)	15.7	14.8		14.7	
Tier 2 (%)	0.5	0.6		0.6	
NIM	4.0	4.0		4.0	
Advances	1,16,407	93,678	24%	1,13,081	3%
Deposits	1,33,673	1,01,768	31%	1,26,572	6%

Source: - Ace Equity, Arianth Research



Income Statement

Year to 31st March (Rs.Cr)	FY17	FY18E	FY19E
Interest Income	14,406	17,489	21,940
Interest Expenses	8,343	9,851	12,265
Net Interest Income	6,063	7,639	9,674
- growth %	34	26	27
Other Income	4,171	5,234	6,983
Operating Income	10,234	12,873	16,658
- growth %	31	26	29
Operating Expenses	4,783	5,983	7,915
- Staff Cost	1,521	1,820	2,212
- Other Operating Exp.	3,262	4,164	5,704
Gross Profits	5,451	6,890	8,742
- growth %	32	26	27
Provisions	1,091	1,135	1,318
Profit Before Taxes	4,360	5,755	7,424
Taxes	1,492	1,989	2,567
Profit After Taxes	2,868	3,765	4,858
- growth %	25	31	29

Balance Sheet

As on 31st March (Rs. cr)	FY17	FY18E	FY19E
LIABILITIES			
Capital	598	602	605
Reserves & Surplus	20,033	23,451	27,781
Deposits	1,26,572	1,59,586	2,07,331
Borrowings	22,454	24,736	31,087
Other liabilities & provisions	8,990	9,058	13,261
Total Liabilities	1,78,648	2,17,432	2,80,065
ASSETS			
Cash on hand & with RBI	7,749	6,703	8,293
Money at call and short notice	10,880	4,327	6,560
Advances	1,13,081	1,40,240	1,81,257
Investments	36,702	53,075	68,264
Fixed assets	1,335	1,588	1,713
Other assets	8,902	11,500	13,978
Total Assets	1,78,648	2,17,432	2,80,065

Ratio Analysis

Year to 31st March	FY17	FY18E	FY19E
Basic Ratio (Rs.)			
EPS	48.1	62.6	80.3
Book Value per share	340	400	469
Adjusted Book Value	333	392	410
Dividend per share	6.0	5.2	7.2
Asset Quality (%)			
Gross NPAs	0.9	1.0	1.0
Net NPAs	0.4	0.3	0.3
NPA Coverage	58	68	69
Profitability ratios (%)			
RoAE	15.3	16.9	18.5
RoAA	1.8	1.9	2.0
NIM	4.0	4.1	4.1
Cost to Income	49.1	46.5	47.5

Spread Analysis

	FY17	FY18E	FY19E
Spread analysis (%)			
Yield on advances	11.7	11.5	11.6
Yield on investments	6.8	8.0	7.1
Cost of deposits	8.2	7.8	7.7
Spread	3.5	3.7	3.9
Interest Income to AWF	9.5	9.3	9.8
Net Interest Income to AWF	4.0	4.0	4.3
Non Interest Income to AWF	2.7	2.8	3.1
Operating Expense to AWF	3.1	3.2	3.5
Operating Profit to AWF	3.6	3.6	3.9
Net Profit to AWF	1.9	2.0	2.2
Valuation ratios (x)			
P/E	29.3	22.8	17.8
P/BV	4.1	3.6	3.0
P/ABV	4.2	3.6	3.5

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Stock Rating Scale

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

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