Result Update-Q2FY15
IndusInd Bank

ARIHANT capital markets ltd.
www.arihantcapital.com

Q2FY15-In-line with expectations

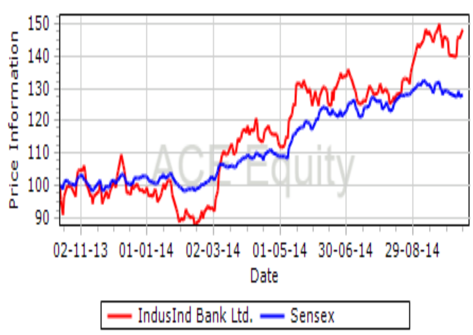
14th Oct, 2014

CMP:	**Rs.635**
Target Price:	**Rs.685**
Recommendation:	**HOLD**

Stock Info	
BSE Group	A
BSE Code	532187
NSE Symbol	INDUSINDBK
Bloomberg	IIB IN
Reuters	INBK.BO
BSE Sensex	26,384
NSE Nifty	7,884

Market Info	
Market Capital	Rs 33,560cr
Equity Capital	Rs528.8cr
Avg. Trading Vol.	17,65,050
52 Wk High/ Low	653/369
Face Value	10

Shareholding Pattern (%)	**(30th Sep 2014)**
Promoters	15.1
Domestic Institutions	8.6
Foreign Institutions	43.2
Public & Others	33.1
Govt. Holdings	NA



Indusind Bank (IIB) posted healthy growth both on the top-line and bottom-line front. Net profit grew by 30% YoY and stood at Rs 430 crs. Loan book grew at healthy pace of 22% YoY. The ratio of corporate to retail loans stood at 57:43, However going forward we believe with a pick-up in GDP this ratio to tilt in favour of retail loans as demand for CV financing increases.

Healthy business growth: The loan book recorded a steady growth of 22% while deposits grew at a faster pace by 24%. Consumer finance growth of 7% was disappointing, however corporate loan book growth of 37% made up for it. On the deposits front, the CASA stood at 33.9% compared to 33.3% QoQ. In the current quarter bank added 47 branches, for FY15 it plans to add 150 branches.

Strong earnings growth: NII growth of 19% is in line with expectations. Going forward with pick-up in Consumer finance biz which is high margin business NII is expected to grow at faster pace. The robust other income growth of 34% YoY backed by strong 31% growth in core fee income drove the operating profits of the bank. The fee income growth continues to outpace loan growth. RoA's remained stable at 1.88%, RoE at 18.24% also remains strong.

Margins surprised positively: The fixed-rate nature of loan book and appropriate loan pricing, rich loan mix coupled with CASA traction aided margin expansion for the quarter. Therefore, despite softening of yields, margins at 3.63% surprised positively.

Asset quality stable: Asset quality for the bank looks stable with GNPAs arrested at 1.11% levels and NNPAs at 0.33% for the quarter. Credit costs were sequentially lower at 10 bps vs. 15 bps. That said; provision sufficiency, diversified loan-mix and lower exposure to sensitive sectors will ensure stable asset quality for the bank.

Outlook: Strong loan traction, resilient asset book and superior liability franchise makes us positive on the bank and we reckon IIB as a value pick in the private sector space. We recommend to **HOLD** with a price target of Rs 685 based on 3x FY16E ABV of Rs 228.5.

Q2FY15 Earnings Summary

Reported Quarterly Results						
Particulars (Rs in Cr)	**Q2FY15**	**Q2FY14**	***YoY***	**Q1FY15**	***QoQ***	**Comments**
Interest Earned	2,379	2,019	*18%*	2,297	*4%*	
Yield on Advances (%)	*13.3*	*13.5*		*13.5*		*Yield reduced as proportion of Corporate loan book was higher*
Interest Expended	1,546	1,319	*17%*	1,497	*3%*	
Cost of Funds (%)	*6.7*	*6.9*		*6.8*		
Net Interest Income	**833**	**700**	*19%*	**801**	*4%*	NII growth at 19% YoY is in line withexpectations
Other Income	558	417	*34%*	576	*-3%*	31% growth in core fee income
Other income / Net Income (%)	*40*	*37*		*42*		
Total income	**1391**	**1117**	*25%*	**1377**	*1%*	
Employee Expenses	239	202	*18%*	220	*9%*	Added 47 branches
Non-Employee expenses	427	327	*31%*	408	*5%*	
Operating Expenses	**667**	**529**	*26%*	**628**	*6%*	
Cost-income Ratio (%)	*48*	*47*		*46*		
Pre-Prov Profits	**725**	**588**	*23%*	**749**	*-3%*	
Provisions & Contingencies	73	89	*-18%*	110	*-34%*	
PBT	**651**	**499**	*31%*	**639**	*2%*	
Provisions for Tax	221	169	*31%*	218	*2%*	
Effective Tax Rate (%)	*34.0*	*33.8*		*34.1*		
PAT (reported)	**430**	**330**	*30%*	**421**	*2%*	
EPS Basic	8.2	6.3		8.0		
EPS Diluted	8.0	6.3		7.9		
BVPS	180.6	154.6		172.6		
GNPA	654.5	546.0		654.4		
NNPA	195.0	109.0		195.6		
GNPA (%)	1.08	1.11		1.11		GNPAs well under control
NNPA (%)	0.33	0.22		0.33		
Total CAR (%)	13.0	14.6		13.1		
Tier 1 (%)	12.0	13.5		12.1		
Tier 2 (%)	0.9	1.1		1.1		
NIM	3.6	3.7		3.7		
Advances	59,931	48,968	*22%*	58,664.0	*2%*	
Deposits	65,996	53,058	*24%*	63,893.0	*3%*	

Source: Company data, Arihant Research

Income Statement				
Year to 31st March (Rs.Cr)	FY13	FY14	FY15E	FY16E
Interest Income	6,983	8,254	9,739	11,906
Interest Expenses	4,750	5,363	6,254	7,516
Net Interest Income	**2,233**	**2,891**	**3,484**	**4,390**
- growth %	*31*	*29*	*21*	*26*
Other Income	1,363	1,891	2,323	2,930
Fee-based Income	962	1,219	1,702	2,212
Treasury Income	70	52	62	75
Other non interst income	3	3	4	5
Operating Income	**3,596**	**4,781**	**5,807**	**7,320**
- growth %	*32*	*33*	*21*	*26*
Operating Expenses	1,756	2,185	2,602	3,175
- Staff Cost	661	809	977	1,180
- Other Operating Exp.	1,095	1,376	1,625	1,995
Gross Profits	**1,839**	**2,596**	**3,205**	**4,145**
- growth %	*34*	*41*	*23*	*29*
Provisions	263	468	485	539
Profit Before Taxes	**1,576**	**2,128**	**2,720**	**3,605**
Taxes	515	720	925	1,226
Profit After Taxes	**1,061**	**1,408**	**1,795**	**2,379**
- growth %	*32*	*33*	*27*	*33*

Ratio Analysis				
Year to 31st March	FY13	FY14	FY15E	FY16E
Basic Ratio (Rs.)				
EPS	21.4	26.9	34.2	45.3
Book Value per share	149	165	194	233
Adjusted Book Value	147	161	190	228
Dividend per share	3.0	3.5	4.0	5.0
Asset Quality (%)				
Gross NPAs	1.0	1.1	1.1	1.0
Net NPAs	0.31	0.34	0.29	0.28
NPA Coverage	70.1	70.4	73.0	71.2
Profitability ratios (%)				
RoAE	17.8	17.6	19.1	21.2
RoAA	1.6	1.8	1.9	2.0
NIM	3.6	3.8	3.8	3.9
Operating Profit Margin	22.0	25.6	26.6	27.9
Net Profit Margin	12.7	13.9	14.9	16.0
Cost to Income	48.8	48.0	47.0	45.5

Source: - Company, Arihant Research

Balance Sheet				
As on 31st March (Rs. cr)	FY13	FY14	FY15E	FY16E
LIABILITIES				
Capital	523	526	526	526
Reserves & Surplus	7,097	8,506	10,056	12,127
Deposits	54,117	60,502	71,393	89,241
Borrowings	9,460	14,762	19,191	23,988
Other liabilities & provisions	2,111	2,730	3,702	4,150
Total Liabilities	**73,306**	**87,026**	**1,04,866**	**1,30,032**
ASSETS				
Cash on hand & with RBI	3,250	4,414	4,763	5,924
Money at call and short notice	3,599	2,356	2,591	2,850
Advances	44,321	55,102	68,877	87,474
Investments	19,654	21,563	24,546	29,144
Fixed assets	756	1,016	1,220	1,464
Other assets	1,727	2,575	2,936	3,347
Total Assets	**73,306**	**87,026**	**1,04,933**	**1,30,203**

Spread analysis (%)	FY13	FY14	FY15E	FY16E
Yield on advances	14.1	13.3	12.9	12.7
Yield on investments	7.5	7.2	7.0	6.8
Cost of deposits	8.3	7.6	7.7	7.6
Cost of funds	8.3	7.7	7.5	7.4
Spread	3.0	3.1	3.1	3.3
Interest Income to AWF	11.0	10.7	10.5	10.5
Net Interest Income to AWF	3.5	3.7	3.8	3.9
Non Interest Income to AWF	2.2	2.4	2.5	2.6
Operating Expense to AWF	2.8	2.8	2.8	2.8
Operating Profit to AWF	2.9	3.4	3.5	3.7
Net Profit to AWF	1.7	1.8	1.9	2.1
Valuation ratios (x)				
P/E	25.4	20.2	15.9	12.0
P/BV	3.6	3.3	2.8	2.3
P/ABV	3.7	3.4	2.9	2.4

Arihant Research Desk

E. research@arihantcapital.com
T. 022-42254834/32

Head Office

3rd Floor, Krishna Bhavan,
67 Nehru Road, Vile Parle (East),
Mumbai - 400057
Tel: (91-22) 42254800
Fax: (91-22) 42254880

Registered Office

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

Stock Rating Scale

	Absolute Return
BUY	>20
ACCUMULATE	12-20
HOLD	5-12
REDUCE	<5