



Another Strong Performance!

14th Oct, 2016

CMP: Rs. 1,216
Target Price: Rs. 1,292
Recommendation: HOLD

Stock Info

BSE Group	A
BSE Code	532187
NSE Symbol	INDUSINDBK
Bloomberg	IIB IN
Reuters	INBK.BO
BSE Sensex	27,643
NSE Nifty	8,543

Market Info

Market Capital	Rs 66,973cr
Equity Capital	Rs 596cr
Avg. Trading Vol.	13,41,720
52 Wk High/ Low	1,255/799
Face Value	10

Shareholding Pattern (%) (30 June 2016)

Promoters	16.7
Domestic Institutions	13.3
Foreign Institutions	48.8
Public & Others	21.2

Price Vs Sensex Chart



IndusInd Bank Ltd. (IIB) posted healthy growth both on the top-line and bottom-line front. Net profit grew by 26% YoY and stood at Rs 704 crs. Loan book grew at 26% YoY. The ratio of corporate to consumer loans after regrouping stood at 52:48.

Healthy business growth:

Advances recorded a steady growth of 26% YoY while deposits grew by 39% YoY. Consumer finance growth stood at 27% YoY & 5% QoQ and corporate loan book grew at 26% YoY & 6% QoQ. On the deposits front, the CASA grew above industry at 46% YoY and stood at Rs 41,034 cr on back of robust current account deposits which grew at 57% to Rs 20,467. In the current quarter bank added 31 branches and 50 ATM's taking the total no. of branches to 1035 and total number of ATMs to 1935.

Strong earnings growth:

NIII growth for the quarter stood at 33% backed by lower cost of deposits. Other income grew at 24% YoY and stood flat on sequential basis. RoA stood at 1.93% with RoE improved to 15.4%. C-I ratio inclined to 47.3 vs. 47.0 QoQ.

Margins:

Margins moved up by 12 bps YoY and stood at 4.0. The yield for consumer finance dropped down marginally to 14.6% on sequential basis while that for corporate book dropped to 9.9%.

Asset quality:

Asset quality for the bank inched down with GNPA's at 0.90 levels and NNPA's at 0.37 for the quarter, against 0.91 and 0.38 in the previous quarter. Two wheeler contributed the major share at 3.6% rising from 3.2% in the previous quarter. Provision coverage ratio stood steady at 59% sequentially. Slippages on annualized basis stood at 1% and restructured advances for the quarter at 0.4%.

Valuation & Outlook:

IndusInd Bank has continued to show sustained progress across all vectors. Microfinance and non-vehicle finance loan books should be the new revenue growth drivers for the bank in the coming quarters. We have **HOLD** rating with a price target of Rs 1,292 based on 3.4x FY 18E ABV.

(Rs Cr)	FY15	FY16	FY17E	FY18E
Net interest income	3,420	4,517	5,890	7,857
Operating Profit	5,824	7,814	9,865	12,589
PAT	1,794	2,286	2,815	3,615
EPS (Rs)	34.0	40.7	47.0	59.9
EPS Growth (%)	26.6%	19.6%	15.5%	27.5%
RoA (%)	1.8	1.8	1.8	1.7
P/E (x)	26.1	23.8	25.9	20.3
ABV (Rs)	190	302	330	380
P/ABV (x)	4.7	3.2	3.7	3.2

Source: Ace Equity, Arianth Research



Q2 FY17 Earnings Summary

Reported Quarterly Results					
Particulars (Rs in Cr)	Q2FY17	Q2FY16	YoY	Q1FY17	QoQ
Interest Earned	3,469	2,798	24%	3,292	5%
Yield on Advances (%)	11.9	12.4		12.1	
Interest Expended	2,009	1,703	18%	1,935	4%
Cost of Funds (%)	5.5	5.9		5.7	
Net Interest Income	1460	1094	33%	1356	8%
Other Income	970	784	24%	973	0%
Other income / Net Income (%)	40	42		42	
Total income	2431	1878	29%	2329	4%
Employee Expenses	376	301	25%	357	5%
Non-Employee expenses	773	571	36%	739	5%
Operating Expenses	1149	871	32%	1096	5%
Cost-income Ratio (%)	47	46		47	
Pre-Prov Profits	1282	1007	27%	1234	4%
Provisions & Contingencies	214	158	35%	230	-7%
PBT	1068	848	26%	1003	6%
Provisions for Tax	364	288	26%	342	6%
Effective Tax Rate (%)	34.0	34.0		34.1	
PAT (reported)	704	560	26%	661	6%
EPS Basic	11.8	9.5		11.1	
EPS Diluted	11.8	9.4		11.1	
GNPA	899.1	602.1		861.1	
NNPA	369.0	240.8		356.0	
GNPA (%)	0.90	0.77		0.91	
NNPA (%)	0.37	0.31		0.38	
Total CAR (%)	15.3	16.5		15.4	
Tier 1 (%)	14.7	15.7		14.8	
Tier 2 (%)	0.6	0.8		0.6	
NIM	4.0	3.9		3.97	
Advances	98,949	78,294	26%	93,678	6%
Deposits	1,12,313	80,841	39%	1,01,768	10%

Source: - Ace Equity, Arianth Research



Income Statement

Year to 31st March (Rs.Cr)	FY15	FY16	FY17E	FY18E
Interest Income	9,692	11,581	13,501	18,131
Interest Expenses	6,272	7,064	7,610	10,274
Net Interest Income	3,420	4,517	5,890	7,857
- growth %	18	32	30	33
Other Income	2,404	3,297	3,975	4,732
Operating Income	5,824	7,814	9,865	12,589
- growth %	22	34	26	28
Operating Expenses	2,726	3,672	4,670	5,867
- Staff Cost	980	1,236	1,577	2,082
- Other Operating Exp.	1,745	2,436	3,094	3,785
Gross Profits	3,098	4,141	5,195	6,722
- growth %	19	34	25	29
Provisions	389	672	894	1,160
Profit Before Taxes	2,709	3,469	4,301	5,562
Taxes	915	1,183	1,486	1,947
Profit After Taxes	1,794	2,286	2,815	3,615
- growth %	27	27	23	28

Balance Sheet

As on 31st March (Rs. cr)	FY15	FY16	FY17E	FY18E
LIABILITIES				
Capital	529	595	599	604
Reserves & Surplus	10,101	17,087	19,589	22,793
Deposits	74,134	93,000	1,25,760	1,64,409
Borrowings	20,618	22,156	23,756	24,380
Other liabilities & provisions	3,733	7,219	7,479	7,783
Total Liabilities	1,09,116	1,40,057	1,77,184	2,19,969
ASSETS				
Cash on hand & with RBI	4,035	4,521	6,450	7,398
Money at call and short notice	6,744	5,591	6,642	7,894
Advances	68,788	88,419	1,11,800	1,40,347
Investments	24,859	31,214	39,742	50,643
Fixed assets	1,158	1,255	1,350	1,438
Other assets	3,532	9,056	11,200	12,250
Total Assets	1,09,116	1,40,057	1,77,184	2,19,969

Ratio Analysis

Year to 31st March	FY15	FY16	FY17E	FY18E
Basic Ratio (Rs.)				
EPS	34.0	40.7	47.0	59.9
Book Value per share	194	308	337	388
Adjusted Book Value	190	302	330	380
Dividend per share	4.0	5.0	5.0	5.5
Asset Quality (%)				
Gross NPAs	0.8	0.9	0.9	0.8
Net NPAs	0.3	0.4	0.4	0.3
NPA Coverage	63	59	59	62
Profitability ratios (%)				
RoAE	19.0	16.6	14.9	15.7
RoAA	1.8	1.8	1.8	1.7
NIM	3.7	4.0	4.2	4.1
Operating Profit Margin	25.6	27.8	29.7	29.4
Net Profit Margin	14.8	15.4	16.1	15.8
Cost to Income	49.1	49.3	47.3	46.6

	FY15	FY16	FY17E	FY18E
Spread analysis (%)				
Yield on advances	12.5	11.8	11.8	11.6
Yield on investments	7.2	6.8	7.2	6.7
Cost of deposits	7.7	7.4	7.0	6.5
Spread	3.1	3.4	4.9	5.1
Interest Income to AWF	10.3	9.8	11.2	9.5
Net Interest Income to AWF	3.6	3.8	4.9	4.1
Non Interest Income to AWF	2.5	2.8	3.3	2.5
Operating Expense to AWF	2.9	3.1	3.9	3.1
Operating Profit to AWF	3.3	3.5	4.3	3.5
Net Profit to AWF	1.9	1.9	2.3	1.9
Valuation ratios (x)				
P/E	26.1	23.8	25.9	20.3
P/BV	4.6	3.1	3.6	3.1
P/ABV	4.7	3.2	3.7	3.2

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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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