

Strong CASA & Loan Growth

13th Oct, 2017

CMP: Rs. 1,743
Target Price: Rs. 1,906
Recommendation: HOLD

Stock Info

BSE Group	A
BSE Code	532187
NSE Symbol	INDUSINDBK
Bloomberg	IIB IN
Reuters	INBK.BO
BSE Sensex	32,182
NSE Nifty	10,096

Market Info

Market Capital	Rs 1,04,653cr
Equity Capital	Rs 599cr
Avg. Trading Vol.	1,252,550
52 Wk High/ Low	1,804/1036
Face Value	10

Shareholding Pattern (%)

Promoters	16.8
Domestic Institutions	14.2
Foreign Institutions	48.3
Public & Others	20.7

Price Vs Sensex Chart



IndusInd Bank (IIB), yet again, delivered a top quartile performance across parameters. Net profit grew by 25% YoY and stood at Rs 880 crs. Loan book grew at 24% YoY. The ratio of corporate to consumer loans stood at 60:40.

Healthy business growth:

Advances recorded a steady growth of 24% YoY, while deposits grew by 26% YoY. Consumer finance growth stood at 22% 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 59,775 cr. In the current quarter bank added 40 branches and 56 ATM's taking the total no. of branches to 1250 and total number of ATMs to 2146.

Strong earnings growth:

NII growth for the quarter stood at 25% backed by lower cost of deposits. Other income grew at 22% YoY and 2% on sequential basis. RoA increased at 1.9% with RoE increased to 16.48% vs. 15.38% on sequential basis. C-I ratio decreased to 45.70% vs. 45.99% QoQ.

Margins:

Net Interest margin stood steady at 4.0%. The yield for consumer finance stood steady at 14.4% YoY while that for corporate book improved by 41 bps to 9.1%.

Asset quality:

Asset quality for the bank stood stable with GNPA's at 1.08% levels and NNPA's at 0.44% for the quarter, against 1.09% and 0.44% in the previous quarter. Low exposure to stressed assets, diversified and granular book & smaller restructured book (16bps) restores comfort on asset quality. Provision coverage ratio stood at 60% vs. 60% sequentially. Restructured advances for the quarter stood at 0.16%.

Valuation & Outlook:

IndusInd Bank has continued to show sustained progress across all vectors. At CMP of Rs.1,743 the stock is trading at 3.8(x) its FY 19E ABV. We have **HOLD** rating with a price target of Rs 1,906 based on 4.2(x) its FY 19E ABV.

(Rs Cr)	FY17	FY18E	FY19E
Net interest income	6,063	7,358	9,216
Operating Profit	10,234	12,394	15,860
PAT	2,868	3,569	4,585
EPS (Rs)	48.1	59.6	76.7
EPS Growth (%)	18.2%	24.0%	28.6%
RoA (%)	1.8	1.8	1.9
P/E (x)	32.4	29.2	22.7
ABV (Rs)	333	385	453
P/ABV (x)	4.7	4.5	3.8

Reported Quarterly Results					
Particulars (Rs in Cr)	Q2FY18	Q2FY17	YoY	Q1FY18	QoQ
Interest Earned	4,208	3,469	21%	4,136	2%
<i>Yield on Advances (%)</i>	11.3	11.9		11.5	
Interest Expended	2,387	2,009	19%	2,361	1%
<i>Cost of Funds (%)</i>	5.1	5.5		5.3	
Net Interest Income	1821	1460	25%	1774	3%
Other Income	1,188	970	22%	1,167	2%
<i>Other income / Net Income (%)</i>	39	40		40	
Total income	3009	2431	24%	2941	2%
Employee Expenses	445	376	18%	422	5%
Non-Employee expenses	930	773	20%	931	0%
Operating Expenses	1375	1149	20%	1353	2%
<i>Cost-income Ratio (%)</i>	45.7	47.3		46.0	
Pre-Prov Profits	1634	1282	27%	1589	3%
Provisions & Contingencies	294	214	37%	310	-5%
PBT	1340	1068	25%	1279	5%
Provisions for Tax	460	364	26%	442	4%
<i>Effective Tax Rate (%)</i>	34.6	34.0		34.6	
PAT (reported)	880	704	25%	837	5%
EPS Basic	14.7	11.8		14.0	
EPS Diluted	0.0	11.8		0.0	
GNPA	1,346	899		1,272	
NNPA	537	369		508	
GNPA (%)	1.09	0.90		1.09	
NNPA (%)	0.44	0.37		0.44	
Total CAR (%)	15.6	15.3		16.2	
Tier 1 (%)	15.1	14.7		15.7	
Tier 2 (%)	0.5	0.6		0.5	
NIM	4.1	4.0		4.0	
Advances	1,23,181	98,949	24%	1,16,407	6%
Deposits	1,41,441	1,12,313	26%	1,33,673	6%

Source: Ace Equity, Arihant Research

Income Statement

Year to 31st March (Rs.Cr)	FY17	FY18E	FY19E
Interest Income	14,406	17,294	21,458
Interest Expenses	8,343	9,936	12,241
Net Interest Income	6,063	7,358	9,216
- growth %	34	21	25
Other Income	4,171	5,036	6,644
Operating Income	10,234	12,394	15,860
- growth %	31	21	28
Operating Expenses	4,783	5,789	7,429
- Staff Cost	1,521	1,839	2,102
- Other Operating Exp.	3,262	3,950	5,327
Gross Profits	5,451	6,605	8,431
- growth %	32	21	28
Provisions	1,091	1,169	1,305
Profit Before Taxes	4,360	5,436	7,126
Taxes	1,492	1,876	2,463
Profit After Taxes	2,868	3,560	4,662
- growth %	25	24	31

Ratio Analysis

Year to 31st March	FY17	FY18E	FY19E
Basic Ratio (Rs.)			
EPS	48.1	59.5	78.0
Book Value per share	340	392	462
Adjusted Book Value	333	385	454
Dividend per share	6.0	4.8	7.0
Asset Quality (%)			
Gross NPAs	0.9	1.1	1.1
Net NPAs	0.4	0.3	0.3
NPA Coverage	58	72	74
Profitability ratios (%)			
RoAE	15.3	16.1	18.3
RoAA	1.8	1.8	1.9
NIM	4.0	4.0	4.0
Cost to Income	49.1	46.7	46.8

Balance Sheet

As on 31st March (Rs. cr)	FY17	FY18E	FY19E
LIABILITIES			
Capital	598	599	598
Reserves & Surplus	20,033	22,866	27,014
Deposits	1,26,572	1,59,384	2,06,984
Borrowings	22,454	24,611	30,918
Other liabilities & provisions	8,990	8,957	13,114
Total Liabilities	1,78,648	2,16,416	2,78,628
ASSETS			
Cash on hand & with RBI	7,749	6,694	8,279
Money at call and short notice	10,880	8,530	11,932
Advances	1,13,081	1,38,931	1,79,488
Investments	36,702	49,142	63,206
Fixed assets	1,335	1,619	1,744
Other assets	8,902	11,500	13,978
Total Assets	1,78,648	2,16,416	2,78,628

Spread Analysis

	FY17	FY18E	FY19E
Spread analysis (%)			
Yield on advances	11.7	11.5	11.6
Yield on investments	6.8	7.8	7.1
Cost of deposits	8.2	7.8	7.7
Spread	3.5	3.7	3.9
Interest Income to AWF	9.5	9.2	9.6
Net Interest Income to AWF	4.0	3.9	4.1
Non Interest Income to AWF	2.7	2.7	3.0
Operating Expense to AWF	3.1	3.1	3.3
Operating Profit to AWF	3.6	3.5	3.8
Net Profit to AWF	1.9	1.9	2.1
Valuation ratios (x)			
P/E	32.4	29.3	22.4
P/BV	4.6	4.4	3.8
P/ABV	4.7	4.5	3.8

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