



STEADY OUTLOOK!

21th April, 2017

CMP: Rs. 1,426
Target Price: Rs. 1,465
Recommendation: NEUTRAL

Indusind Bank Ltd. (IIB) posted healthy growth both on the top-line and bottom-line front. Net profit grew by 21% YoY and stood at Rs 752 crs. Loan book grew at 28% YoY. The ratio of corporate to consumer loans after regrouping stood at 73:27.

Stock Info

BSE Group	A
BSE Code	532187
NSE Symbol	INDUSINDBK
Bloomberg	IIB IN
Reuters	INBK.BO
BSE Sensex	29,301
NSE Nifty	9101

Healthy business growth:

Advances recorded a steady growth of 28% YoY, while deposits grew by 36% YoY post demonetization. Consumer finance growth stood at 25% YoY & 6% QoQ and corporate loan book grew at 30% YoY & 13% QoQ. On the deposits front, the CASA grew above industry at 43% YoY and stood at Rs 46,646 cr. In the current quarter bank added 125 branches and 76 ATM's taking the total no. of branches to 1200 and total number of ATMs to 2036.

Market Info

Market Capital	Rs 85,867cr
Equity Capital	Rs 597cr
Avg. Trading Vol.	1,310,000
52 Wk High/ Low	1,444/965
Face Value	10

Strong earnings growth:

NI growth for the quarter stood at 31% backed by lower cost of deposits. Other income grew at 33% YoY and grew 19% on sequential basis. RoA decreased at 1.74% with RoE decreasing to 15.12%. C-I ratio declined to 45.38 vs. 47.47 QoQ.

Margins:

Net Interest margin moved stood at 4.0 vs 3.94 YoY. The yield for consumer finance stood steady at 14.5% YoY while that for corporate book dropped by 66 bps to 9.1%.

Asset quality:

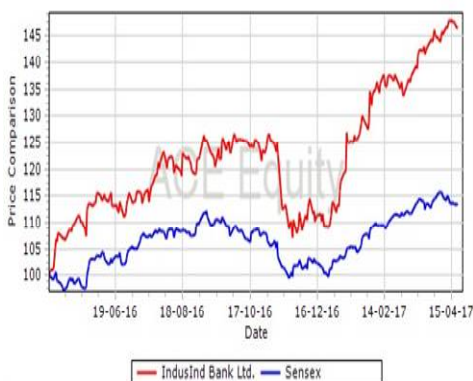
Asset quality for the bank was stable with GNPA's at 0.93 levels and NNPA's at 0.39 for the quarter, against 0.94 and 0.39 in the previous quarter. Cars segment proportion decreased from 0.75 in previous quarter to 0.66 this quarter. Provision coverage ratio stood steady at 58% sequentially. Restructured advances for the quarter stood at 0.37%.

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 1426 the stock is trading at 3.4(x) its FY 19E ABV. We have **NEUTRAL** rating with a price target of Rs 1,465 based on 3.5(x).

Shareholding Pattern (%) (Mar 2017)	
Promoters	16.18
Domestic Institutions	13.8
Foreign Institutions	48.60
Public & Others	21.42

Price Vs Sensex Chart



(Rs Cr)	FY16	FY17	FY18E	FY19E
Net interest income	4,517	6,063	8,040	10,172
Operating Profit	7,814	10,234	13,731	17,765
PAT	2,286	2,868	4,228	5,355
EPS (Rs)	40.7	47.9	70.3	88.7
EPS Growth (%)	19.6%	17.9%	46.7%	26.1%
RoA (%)	1.8	1.8	2.1	2.1
P/E (x)	23.8	29.7	20.3	16.1
ABV (Rs)	302	338	399	419
P/ABV (x)	3.2	4.2	3.6	3.4

Source: Ace Equity, Arianth Research



Q4 FY17 Earnings Summary

Reported Quarterly Results					
Particulars (Rs in Cr)	Q4FY17	Q4FY16	YoY	Q3FY17	QoQ
Interest Earned	3,830	3,132	22%	3,699	4%
Yield on Advances (%)	11.4	12.0		11.7	
Interest Expended	2,163	1,863	16%	2,121	2%
Cost of Funds (%)	5.2	5.7		5.3	
Net Interest Income	1667	1268	31%	1578	6%
Other Income	1,211	913	33%	1,017	19%
Other income / Net Income (%)	42	42		39	
Total income	2879	2181	32%	2595	11%
Employee Expenses	394	336	17%	394	0%
Non-Employee expenses	912	693	32%	838	9%
Operating Expenses	1307	1030	27%	1232	6%
Cost-income Ratio (%)	45.4	47.2		47.5	
Pre-Prov Profits	1572	1151	37%	1363	15%
Provisions & Contingencies	430	214	101%	217	98%
PBT	1142	938	22%	1146	0%
Provisions for Tax	390	317	23%	396	-1%
Effective Tax Rate (%)	35.0	33.8		34.5	
PAT (reported)	752	620	21%	751	0%
EPS Basic	12.6	10.4		12.6	
EPS Diluted	12.5	10.3		12.6	
GNPA	1,055	777		971	
NNPA	439	322		401	
GNPA (%)	0.93	0.87		0.94	
NNPA (%)	0.39	0.36		0.39	
Total CAR (%)	15.3	15.5		15.3	
Tier 1 (%)	14.7	14.9		14.7	
Tier 2 (%)	0.6	0.6		0.6	
NIM	4.0	3.9		4.0	
Advances	1,13,081	88,419	28%	1,02,770	10%
Deposits	1,26,572	93,000	36%	1,19,218	6%

Source: - Ace Equity, Arianth Research



Income Statement

Year to 31st March (Rs.Cr)	FY16	FY17E	FY18E	FY19E
Interest Income	11,581	14,290	17,655	22,462
Interest Expenses	7,064	8,228	9,615	12,290
Net Interest Income	4,517	6,063	8,040	10,172
- growth %	32	34	33	27
Other Income	3,297	4,171	5,691	7,593
Operating Income	7,814	10,234	13,731	17,765
- growth %	34	31	34	29
Operating Expenses	3,672	4,783	6,152	8,151
- Staff Cost	1,236	1,521	1,784	2,169
- Other Operating Exp.	2,436	3,262	4,367	5,982
Gross Profits	4,141	5,451	7,579	9,614
- growth %	34	32	39	27
Provisions	672	1,091	1,075	1,375
Profit Before Taxes	3,469	4,360	6,504	8,239
Taxes	1,183	1,492	2,276	2,884
Profit After Taxes	2,286	2,868	4,228	5,355
- growth %	27	25	47	27

Ratio Analysis

Year to 31st March	FY16	FY17E	FY18E	FY19E
Basic Ratio (Rs.)				
EPS	40.7	47.9	70.3	88.7
Book Value per share	308	345	407	484
Adjusted Book Value	302	338	399	419
Dividend per share	5.0	5.0	5.8	7.9
Asset Quality (%)				
Gross NPAs	0.9	0.9	0.9	0.9
Net NPAs	0.4	0.4	0.3	0.3
NPA Coverage	59	58	65	66
Profitability ratios (%)				
RoAE	16.6	15.0	18.8	20.0
RoAA	1.8	1.8	2.1	2.1
NIM	3.9	4.0	4.3	4.3
Cost to Income	49.3	46.7	44.8	45.9

Balance Sheet

As on 31st March (Rs. cr)	FY16	FY17E	FY18E	FY19E
LIABILITIES				
Capital	595	598	601	604
Reserves & Surplus	17,087	20,033	23,838	28,608
Deposits	93,000	1,26,572	1,59,926	2,07,705
Borrowings	22,156	22,454	25,265	31,746
Other liabilities & provisions	7,219	8,976	10,173	14,895
Total Liabilities	1,40,057	1,78,633	2,19,803	2,83,558
ASSETS				
Cash on hand & with RBI	4,521	7,749	6,717	8,308
Money at call and short notice	5,591	10,880	3,302	5,646
Advances	88,419	1,13,081	1,46,319	1,89,117
Investments	34,054	36,702	50,378	64,795
Fixed assets	1,255	1,335	1,588	1,713
Other assets	9,056	8,902	11,500	13,978
Total Assets	1,42,897	1,78,649	2,19,803	2,83,558

Spread Analysis

	FY16	FY17E	FY18E	FY19E
Spread analysis (%)				
Yield on advances	11.8	11.7	11.5	11.6
Yield on investments	6.8	8.4	7.9	7.1
Cost of deposits	7.4	7.8	7.7	7.7
Spread	3.3	3.9	3.8	3.9
Interest Income to AWF	9.8	11.9	9.3	10.1
Net Interest Income to AWF	3.8	5.0	4.2	4.6
Non Interest Income to AWF	2.8	3.5	3.0	3.4
Operating Expense to AWF	3.1	4.0	3.2	3.7
Operating Profit to AWF	3.5	4.5	4.0	4.3
Net Profit to AWF	1.9	2.4	2.2	2.4
Valuation ratios (x)				
P/E	23.8	29.7	20.3	16.1
P/BV	3.1	4.1	3.5	2.9
P/ABV	3.2	4.2	3.6	3.4

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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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