

## Q3FY13-In-line with expectations

**CMP:** Rs.435  
**Target Price:** Rs.482  
**Recommendation:** ACCUMULATE

### Stock Info

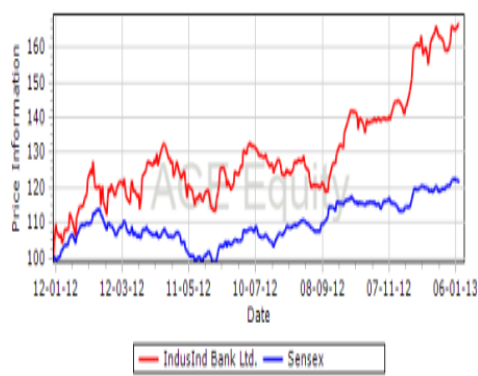
BSE Group	A
BSE Code	532187
NSE Symbol	INDUSINDBK
Bloomberg	IIB IN
Reuters	INBK.BO
BSE Sensex	19666.6
NSE Nifty	5971.5

### Market Info

Market Capital	` 23,084cr
Equity Capital	` 522.3cr
Avg. Trading Vol. (NSE Qtly)	929.4
52 Wk High/ Low	437/262
Face Value	10

Shareholding Pattern (%)	(31 <sup>st</sup> Dec 2012)
Promoters	15.3
Domestic Institutions	8.8
Foreign Institutions	39.0
Public & Others	36.8
Govt. Holdings	NA

Financials	FY12	FY13E	FY14E
PAT (Rs in Cr)	803	1100	1437
EPS (in Rs)	17.2	22.2	27.5
PE (x)	25.3	19.6	16.0
PABV (x)	4.5	2.9	2.1



Indusind Bank (IIB) posted healthy growth both on the top-line and bottom-line front. Profitability with whopping 30% growth YoY; and absolutely in-line with our expectations was driven by strong core income and robust non-interest income performance. While the loan book grew at healthy pace too, the asset quality demonstrated good show with stressed accounts being provided for. NIM expansion came as a positive surprise and Management confides sustainability. Further, return ratios look quite promising. Therefore, together all the above factors bolster our confidence in the bank.

**Healthy business growth, CFD portfolio looking strong:** The loan book recorded sturdy growth YoY of 31% at Rs 42426 crs followed by strong deposit growth of 26% at Rs 51098 crs. While the proportion of loan mix remains equally divided between corporate and consumer finance (CFD), the traction in loan book largely came from the consumer finance portfolio that recorded stupendous growth of 38% YoY. On the deposits front, the CASA uptick of 36% YoY was largely supported by SA traction and expanding branch network. Average loan book came higher than average balance sheet growth.

**Strong earnings growth:** Sturdy interest income backed by strong vehicle finance portfolio drove the NII to record 34% growth YoY at Rs 578 crs that turned out to be higher than our expectations. The robust other income performance at 34% growth YoY backed by strong 32% growth in core fee income and healthy traction in trade income (52% YoY growth) drove the operating profits of the bank. The fee income growth continues to outpace loan growth. As the trend continues, strong NII and fee income contributed to the robust PAT growth of 30% YoY at Rs 267 crs. Effectively, RoAs improved climbing to 1.6% which stands as one of the best in industry; RoEs at 17% were down on account of equity dilution, but that said, going ahead RoE accretion stands imminent.

**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 3.5% surprised positively.

**Asset quality stable:** Asset quality for the bank looks stable with GNPAAs arrested at 0.99% levels and NNPAAs at 0.3% for the quarter. Credit costs were sequentially higher at 16 bps and slippages at Rs 185 crs also spiked up sequentially; both on account of the Deccan Chronicle exposure. That said; provision sufficiency, diversified loan-mix and lower exposure to sensitive sectors will ensure stable asset quality for the bank.

**Outlook:** The stock momentum already is upbeat with stock at all-time high and we still do see further 10% upside from current levels and increase our price target to Rs 482 (11% upside) in near term. 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.

## Q3FY13 Earnings Summary

Reported Quarterly Results						
Particulars (Rs in Cr)	Q3FY13	Q3FY12	YoY	Q2FY13	QoQ	Comments
Interest Earned	1,800	1,390	30%	1,728	4%	
Yield on Advances (%)	14	14		14		
Interest Expended	1,223	959	27%	1,218	0%	
Cost of Funds (%)	7	7		8		
Net Interest Income	578	431	34%	510	13%	NII growth at 34% YoY turned out to be quite strong for the bank supported by 31% healthy loan growth and CASA uptick
Other Income	356	265	34%	320	11%	34% robust growth in non-interest income
Other income / Net Income (%)	38	38		39		
Total income	934	696	34%	830	12%	
Employee Expenses	168	126	34%	162	4%	Opex stood on the higher side yet under control
Non-Employee expenses	293	220	33%	248	18%	
Operating Expenses	461	347	33%	410	12%	21 branches opened during the quarter have also added to the opex
Cost-income Ratio (%)	49	50		49		
Pre-Prov Profits	472	349	35%	420	12%	
Provisions & Contingencies	79	43	84%	49	60%	Credit costs stood higher as Deccan Chronicle account has been fully provided for
PBT	394	307	28%	371	6%	
Provisions for Tax	126	100	26%	121	5%	
Effective Tax Rate (%)	32	34		33		
PAT (reported)	267	206	30%	250	7%	Exactly in-line with our expectations with sturdy growth emerging from strong NII performance and fee income; despite reporting higher provisions
EPS Basic	5.5	4.4		5.3		
EPS Diluted	5.4	4.4		5.2		
BVPS	139.5	94.6		106.8		
GNPA	421.6	334.2		409.5		
NNPA	125.2	93.6		114.3		
GNPA (%)	0.99	1.02		1.03		GNPAs well under control
NNPA (%)	0.30	0.29		0.29		
Total CAR (%)	15.0	13.4		11.8		QIP raised during the quarter to the tune of Rs 52 crs boosted the capital base
Tier 1 (%)	13.3	10.7		9.9		
Tier 2 (%)	1.7	2.7		1.8		
NIM (%)	3.5	3.3		3.3		NIM expansion was a positive surprise despite softening yields
Advances	42,426.0	32,426.0	31%	39,427.2		Sturdy Loan growth stood 31% higher
Deposits	51,098.0	40,558.0	26%	47,764.5		Deposit growth recorded 26% YoY

Source: - Company, Arihant Research

## Income Statement

Year to 31st March (Rs.Cr)	FY11	FY12	FY13E	FY14E
Interest Income	3,589	5,359	6,778	8,574
Interest Expenses	2,213	3,655	4,476	5,502
Net Interest Income	1,377	1,705	2,302	3,072
- growth %	55	24	35	33
Other Income	714	1,012	1,345	1,663
Operating Income	2,090	2,716	3,648	4,735
- growth %	45	30	34	30
Operating Expenses	1,008	1,343	1,692	2,143
- Staff Cost	383	485	641	845
- Other Operating Exp.	626	858	1,051	1,298
Gross Profits	1,082	1,373	1,955	2,592
- growth %	54	27	42	33
Provisions	202	180	338	479
Profit Before Taxes	880	1,193	1,617	2,113
Taxes	302	390	518	676
Profit After Taxes	577	803	1,100	1,437
- growth %	65	39	37	31

## Ratio Analysis

	FY11	FY12	FY13E	FY14E
<b>Basic Ratio (Rs.)</b>				
EPS	13.2	17.2	22.2	27.5
Book Value per share	87	97	151	204
Adjusted Book Value	87	97	151	207
Dividend per share	2.0	2.2	2.5	3.5
<b>Asset Quality (%)</b>				
Gross NPAs	1.0	1.0	1.1	1.4
Net NPAs	0.3	0.2	0.3	0.4
NPA Coverage	72.6	79.0	75.3	71.0
<b>Profitability ratios (%)</b>				
RoAE	19.3	19.3	18.4	15.9
RoAA	1.4	1.6	1.7	1.7
NIM	3.6	3.5	3.7	4.0
Operating Profit Margin	25.1	21.6	24.1	25.3
Net Profit Margin	13.4	12.6	13.5	14.0
Cost to Income	48.2	49.4	46.4	45.3

## Balance sheet

As on 31st March (Rs. Cr)	FY11	FY12	FY13E	FY14E
Capital	466	468	522	522
Reserves & Surplus	3,584	4,274	7,163	10,336
Deposits	34,365	42,362	53,376	67,253
- growth %	29	23	26	26
Borrowings	5,525	8,682	10,418	12,502
Other liabilities & provisions	1,695	1,811	2,320	3,048
<b>TOTAL LIABILITIES</b>	<b>45,636</b>	<b>57,596</b>	<b>73,800</b>	<b>93,662</b>
Cash, Inter-bank, etc	2,456	2,904	4,180	5,173
Money at call and short notice	1,569	2,636	3,603	4,632
Advances	26,166	35,064	44,181	55,668
- growth %	27	34	26	26
Investments	13,551	14,572	17,429	21,329
Fixed assets	596	657	908	1,092
Other assets	1,298	1,764	3,499	5,768
<b>TOTAL ASSETS</b>	<b>45,636</b>	<b>57,596</b>	<b>73,800</b>	<b>93,662</b>

	FY11	FY12	FY13E	FY14E
<b>Spread analysis (%)</b>				
Yield on advances	12.1	13.8	13.8	13.9
Yield on investments	6.1	7.7	7.6	7.8
Cost of deposits	6.0	8.0	7.7	7.7
Cost of funds	6.2	8.0	7.8	7.7
Spread	3.3	3.0	3.2	3.5
Interest Income to AWF	9.3	10.8	10.7	10.6
Net Interest Income to AWF	3.6	3.4	3.6	3.8
Non Interest Income to AWF	1.8	2.0	2.1	2.1
Operating Expence to AWF	2.6	2.7	2.7	2.7
Operating Profit to AWF	2.8	2.8	3.1	3.2
Net Profit to AWF	1.5	1.6	1.7	1.8

## Valuation ratios (x)

P/E	33.0	25.3	19.6	15.8
P/BV	5.0	4.5	2.9	2.1
P/ABV	5.0	4.5	2.9	2.1

Source: - Company, Arian Research

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**Stock Rating Scale**

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

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