

INDUSIND BANK

Result Update	
CMP	1124
Target Price	1270
Previous Target Price	-
Upside	13%
Change from Previous	-

Market Data	
BSE Code	532187
NSE Symbol	INDUSINDBK
52wk Range H/L	1,147/799
Mkt Capital (Rs Cr)	66972
Av. Volume (,000)	154
Nifty	8521

Stock Performance			
	1Month	3 Month	1Year
Absolute	1.4	25.9	16.7
Rel.to Nifty	(3.0)	24.6	10.3

Share Holding Pattern-%			
	1QFY17	4QFY16	3QFY17
Promoters	14.9	16.7	15.0
Public	85.1	83.3	74.1
Others			10.9
Total	100.0	100.0	100.0

Company Vs NIFTY		
140	INDUSINDBK	NIFTY
130		
120		
110		
100		
90		
80		
Jul-15		
Jul-15		
Aug-15		
Sep-15		
Oct-15		
Nov-15		
Dec-15		
Jan-16		
Feb-16		
Mar-16		
Mar-16		
Apr-16		
May-16		
Jun-16		
Jun-16		

Results in Line with expectation

Indusind Bank posted 1Q FY17 result, largely in line with our expectation, PAT grew by 26% YoY to Rs 661 Cr. NII saw a healthy growth rate of 38% (YoY) due to 30% growth (YoY) in loan book. QoQ NIM improved by 3 bps to 3.97% mainly due to decline in cost of fund by 6 bps qoq. Cost to Income ratio stabilized to 47%. Assets Quality saw marginal increase in its GNPA by 4 Bps QoQ to 0.91% and net NPA increased by 2 bps QoQ to 0.38%. Slippages were Rs 253 Cr against Rs 274 Cr as on 4Q FY16. PCR was maintained at 59% level.

Healthy Operating Profit

Operating profit of the Indusind bank has shown a healthy growth of 34% YoY backed by strong NII and other income growth of 38% and 34% respectively. Strong loan growth and decline in cost of fund has helped the robust NII growth. Most of the loan book is on fixed interest rate which has provided the hedge towards the declining interest rate. Operating expense has shown a growth of 40% which led the cost to income ratio of 47%, since now management expects the cost to income ratio to decline.

NIM Improved

Reported NIM of Indusind bank has improved by 3 bps QoQ to 3.97% from 3.94% on 4Q FY16. This was mainly due to decline in cost of fund by 6 bps QoQ to 5.67% but offset by decline in yield by 3 bps QoQ to 9.64%. Yield on corporate loan improved by 10 bps QoQ to 10.18% due to decline in foreign currency loan book as this consists of lower yield. CFD yield declined to 14.62% from 14.90% on 4Q FY16. Management has target to achieve 4% NIM.

Other Income

Other income increased by 34% YoY led by 31% growth in core fee income and 52% growth in securities/MM/FX Trading. Under the fee income, loan processing fees has registered the growth of 106%, distribution fees grew by 28% YOY.

Strong Loan Growth

Net advances of the bank has grown by 30% YoY backed by 23% growth from vehicle financing and 43% YoY growth from non Vehicle financing. Under the Vehicle financing commercial vehicle has grown by 32% and small CV has started to pick up and registered the growth of 15% YoY. Other than vehicle financing credit card business grew by 60% YoY, Equipment financing has shown good improvement with 22% rise in demand. Loan sold during the quarter was Rs 1600 Cr.

Assets Quality deteriorate marginally

Non-performing assets of the Indusind bank inches up marginally QoQ with GNPA increased to 0.91% from 0.87% 4Q FY16, where as NNPA increased to 0.38% from 0.36% as on 4Q FY16. The increase in GNPA was mainly due to two accounts from restructured accounts that slip into NPA. Restructured Book stands at 0.49% as against 0.53% as on 4Q FY16. Slippages declined by 8% QoQ to Rs 253 Cr. PCR remained at 59% level.

Key Highlights of Conference Call

- > Increase in GNPA was mainly due to slip of two 2 accounts from restructured book.
- > Provisions increased due to additional standard assets provisioning of Rs 35 Cr on account of food corporation of India which still remain in standard assets. Bank has fully recognised 15% provisioning on this account.
- > Sold to ARC was Rs 17 Cr and recovered Rs 33 Cr. SR book stands at 221 Cr.
- > Loan sold down was Rs 1600 Cr.
- > Management said that SMA 2 accounts remain in bottom 3 in the industry.
- > Outlook for vehicle financing is very good and non vehicle retail loan has grown by 44%.
- > Bank has target to achieve a consumer-corporate loan mix of 50:50. In this qtr adjusted for one-off corporate loan of Rs 1300 Cr the consumer mix would be 45%.
- > Corporate yield has grown due to decline in foreign currency book which has lower yield.
- > O/S MFI book is around Rs 3000 Cr and is growing by healthy pace. Expects MFI book to cross Rs 10000 Cr over 3 years horizon.
- > Expects C/I Ratio to decline due to lower pace of opening new branches.
- > Indusind Bank source Rs 200-250 Cr per month home loan for HDFC.
- > CASA Target of 40% in 3 years.
- > Target of crossing NIM of 4% and RAO of 2%.
- > Bank has market share of 16% in Ashok Leyland and 12% in Tata Motors.

Quarterly	(Rs in Crore)								
Financials	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17
NII	801	833	861	925	981	1094	1173	1268	1356
Other Income	576	558	611	658	724	784	839	913	973
Operating Exp.	628	667	698	733	782	871	951	1030	1096
PPP	749	725	774	851	923	1007	1061	1151	1234
Provisions	110	73	98	107	123	158	177	214	230
PBT	639	651	676	743	799	848	884	938	1003
Tax Provisions	218	221	229	248	274	288	303	317	342
Net Profit	421	430	447	495	525	560	581	620	661

Spread Metrix

Yield on Adv.%	13.49	13.32	13.01	12.77	12.72	12.35	12.07	12.04	12.07
Cost of fund%	7.97	7.88	7.63	7.54	7.48	6.87	6.72	6.75	6.65
NIM%	3.66	3.63	3.67	3.68	3.68	3.88	3.91	3.94	3.97

Outlook & Valuation:

With the improving economic environment and declining interest rate scenario we expect the consumer loan demand to pick up with vehicle financing and card business giving the boost. NIM is expected to improve further with increasing loan mix towards consumer finance division (High Yield on consumer loan as against corporate loan) and the CASA to improve further (Management target the CASA of 40%). C/I ratio is at 47%, still room is there to improve significantly giving the boost to operating profit. **With the continuing strong core operating profitability, overall improving margins and adequate capital (CET at 14.8%), we recommend to BUY the INDUSINDBK with the target price of Rs 1270.**

Other income Break Up

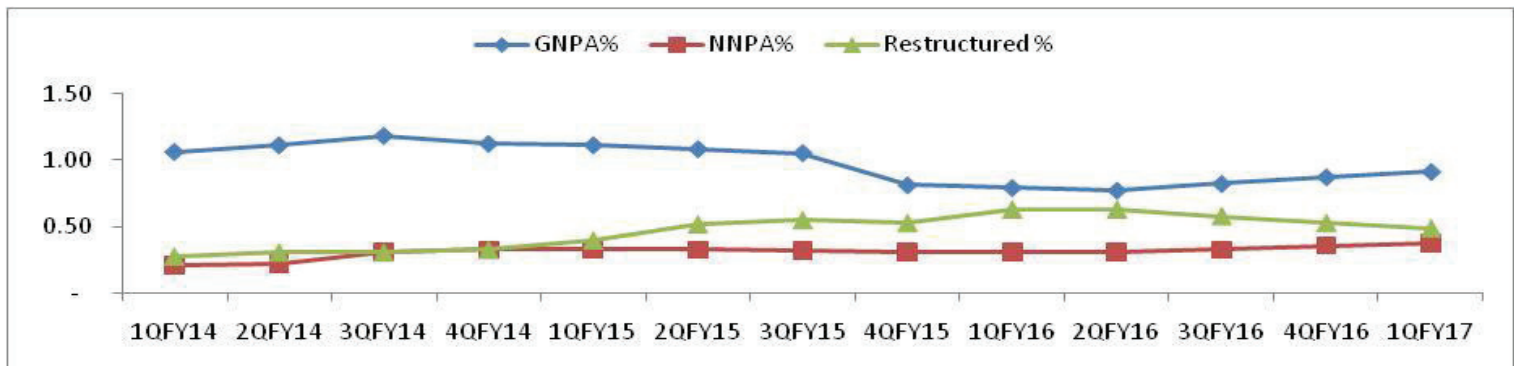
(Rs in Crore)

Other Income	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17
Trade and Remittances	62	62	62	80	56	84	85	97	109
Foreign Exchange Income	135	139	169	110	159	170	170	140	151
Distribution Fees	75	85	98	127	107	119	126	138	137
General Banking Fees	43	41	42	45	49	41	46	48	56
Loan Processing fees	86	90	91	111	104	145	185	228	215
Investment Banking	87	93	59	96	123	114	113	122	114
Total Fee-Based Income	487	509	522	569	599	673	726	774	782
Securities/MM/FX	90	49	88	90	125	110	113	139	191
Others									
Other Income	576	558	611	658	724	784	839	913	973

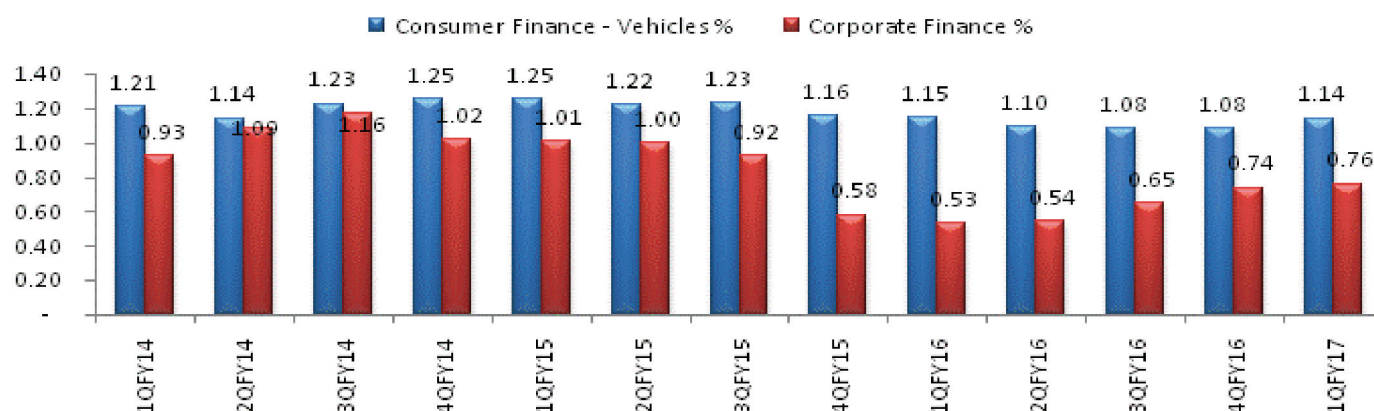
Operating Metrix	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17
Deposit Growth %	14.79	24.39	23.34	22.53	21.60	22.49	24.57	25.45	31.00
Loan Growth %	23.70	22.39	21.69	24.84	23.15	30.64	28.69	28.54	29.70
CASA Ratio %	33.34	33.89	34.07	34.13	34.68	34.74	34.98	35.19	34.43
CD Ratio%	91.82	90.81	92.03	92.79	92.99	96.85	95.08	95.07	92.05
Tax Rate %	34.09	33.96	33.83	33.35	34.32	33.99	34.27	33.83	31.08

Assets Quality Metrix

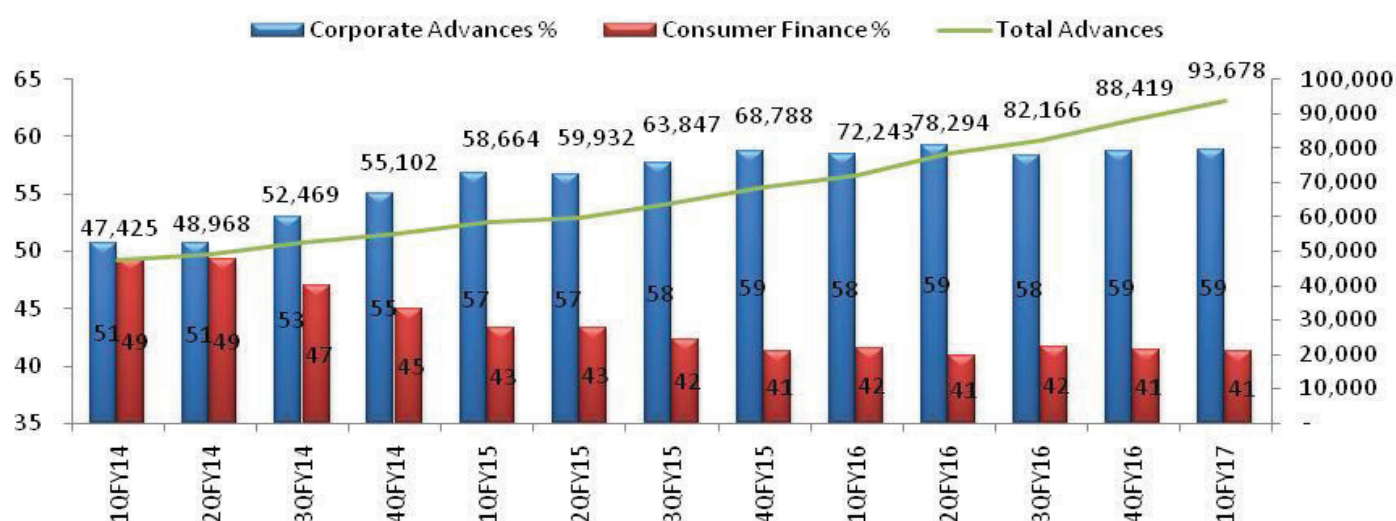
GNPA (Rs in Cr)	654	655	673	563	570	602	681	777	861
GNPA %	1.11	1.08	1.05	0.81	0.79	0.77	0.82	0.87	0.91
NNPA%	0.33	0.33	0.32	0.31	0.31	0.31	0.33	0.36	0.04
PCR%	70.1	70.2	70.0	62.6	60.6	60.0	59.9	58.6	58.7
OS Restructured %	0.40	0.52	0.55	0.53	0.63	0.63	0.58	0.53	0.49



Gross NPA Composition



Healthy Loan Growth of 30%



Consumer Finance Break Up %

	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17
Comm. Vehicle Loans	16.4	16.2	15.7	15.4	15.8	15.8	16.1	15.9	16.1
Utility Vehicle Loans	3.5	3.4	3.2	2.9	2.8	2.6	2.5	2.3	2.2
Small CV	3.2	3.2	2.9	2.7	2.6	2.5	2.5	2.3	2.3
Two Wheeler Loans	4.4	4.5	4.4	4.1	3.9	3.6	3.7	3.4	3.3
Car Loans	4.7	4.8	4.7	4.6	4.6	4.5	4.6	4.4	4.4
Equipment Financing	4.9	4.7	4.4	4.1	3.9	3.7	3.7	3.7	3.7
Credit Card	0.9	0.9	0.9	1.0	1.1	1.1	1.2	1.4	1.3
Loan Against Property	4.6	5.0	5.2	5.4	5.6	5.5	5.8	5.9	6.0
Others-BL,PL,GL,etc	0.6	0.7	0.9	1.1	1.3	1.5	1.7	1.9	2.0

Financials Snap Shot

INCOME STATEMENT

(Rs in Crore)

	FY14	FY15	FY16	FY17E
Interest / discount on advances / bills	6,627	7,717	9,245	11,643
Income on Investments	1,477	1,680	1,781	2,201
Intt. on bal.with RBI & other inter-bank Funds	149	277	409	341
Others	1	17	147	137
Total Interest Income	8,254	9,692	11,581	14,323
Total Interest expended	5,363	6,272	7,064	8,470
Net Interest Income	2,891	3,420	4,517	5,853
Other Income	1,891	2,404	3,297	4,184
Total Income	4,781	5,824	7,814	10,036
Total Operating Expenses	2,185	2,726	3,672	4,809
Pre Provisioning Profit	2,596	3,098	4,141	5,228
Provisions (other than tax) and Contingencies	468	389	672	803
Profit Before Tax	2,128	2,709	3,469	4,425
Tax	720	915	1,183	1,497
Net Profit attributable to the group	1,408	1,794	2,286	2,928

Source: Eastwind/Company

BALANCE SHEET

(Rs in Crore)

	FY14	FY15	FY16	FY17E
Capital	526	529	595	595
Reserves & Surplus	8517	10115	17101	19625
Deposits	60502	74134	93000	116341
Borrowings	14762	20618	22156	25179
Other Liabilities & Provisions	2719	3719	7205	8758
Total Capital & Liabilities	87026	109116	140057	170498
Cash & Balances with Reserve Bank of India	4414	4035	4521	7161
Balances with Banks and Money at Call & Short No	2356	6744	5591	6112
Investments	21563	22878	31214	35368
Advances	55102	68788	88419	110524
Fixed Assets	1016	1158	1255	1386
Other Assets	2575	5513	9057	9947
Total Assets	87026	109116	140057	170498

Source: Eastwind/Company

RATIOS

Business Ratios	FY14	FY15	FY16	FY17E
Credit-Deposit(%)	91.1	92.8	95.1	95.0
CASA %	32.5	34.1	35.2	35.5
Efficiency Ratios				
Employ. Cost as a % of Total Inco. (%)	16.9	16.8	15.8	15.9
Other Exp./Total Inco. (%)	28.8	30.0	31.2	32.0
Cost Income Ratio (%)	45.7	46.8	47.0	47.9
Spread Analysis As Calculated				
Yield on Advances (%)	13.6	13.2	12.3	12.2
Yield on Investments (%)	7.9	8.0	7.3	7.1
Yield on Earning Assets (%)	11.5	11.2	10.7	10.6
Cost of Deposits (%)	8.2	7.9	7.3	6.9
Cost of Funnd (%)	8.1	7.8	7.0	6.7
Interest Spread (%)	3.5	3.5	3.8	4.0
NIM (%)	4.0	4.0	4.2	4.3
Profitability Ratio				
RoE %	17.5	19.0	16.6	16.2
RoA %	1.8	1.8	1.8	1.9
Interest Expended / Interest Earned (%)	65.0	64.7	61.0	59.1
Provisions/PPP (%)	18.0	12.6	16.2	15.4
Other Income/Net Income (%)	39.5	41.3	42.2	41.7
Tax Rate (%)	33.8	33.8	34.1	33.8
Asset Quality Ratio				
GNPA (%)	1.1	0.8	0.9	
NNPA (%)	0.3	0.3	0.4	
PCR (%)	70.4	62.6	58.6	
Os. Restr. Assets (%)	0.3	0.5	0.5	
Capital Adequacy Ratio				
Capital Adequacy Ratio (%)	13.8	12.1	15.5	
Tier I Capital (%)	12.7	11.2	14.9	
Tier II Capital (%)	1.1	0.9	0.6	

Source: Eastwind/Company