

**INDUSIND BANK**

**Result Update**

CMP	1045
Target Price	1120
Previous Target Price	-
Upside	7%
Change from Previous	-

**Market Data**

BSE Code	532187
NSE Symbol	INDUSINDBK
52wk Range H/L	1055/784.45
Mkt Capital (Rs Cr)	62,122
Av. Volume	96850
Nifty	7806

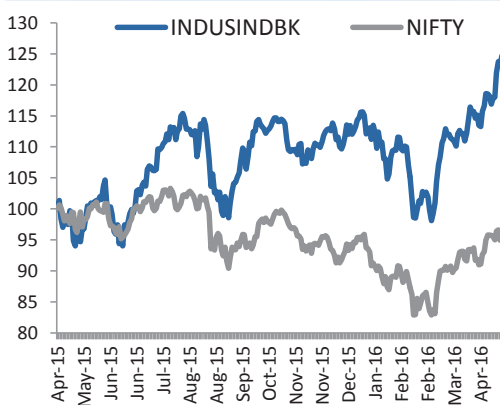
**Stock Performance**

	1Month	3 Month	1Year
Absolute	10.9	26.8	24.1
Rel.to Nifty	9.4	31.2	30.4

**Share Holding Pattern-%**

	4QFY16	3QFY16	4QFY15
Promoters	16.7	16.8	15.1
Public	83.3	83.2	72.7
Others	0.0	0.0	12.2
Total	100.0	100.0	100.0

**Company Vs NIFTY**



**Results in Line with expectation**

PAT grew by 25% (YoY) to Rs 620 Cr backed by robust Net interest Income (NII) growth of 37%, resulted in Net Interest Margin grew by 26 bps (YoY) to 3.94% as on 4Q FY16. NIM growth was mainly due to the decrease in cost of fund by 72 bps (YoY). Non Interest Income (YoY) grew by 39% due to robust growth in fee income and Securities/MM/FX Trading/Others income by 36% and 54% respectively. Credit cost for the full year FY16 was 57 basis point as under the guided range of 60 basis point by the management. Further management expects the credit cost to decrease in FY17.

**Stable Assets Quality**

Gross non-performing assets of the company was fairly stable with marginal increase of 6 bps (YoY) to 0.87% while the NNPA was at 0.36% as on 4Q FY16 against 0.31% a year back. Slippages saw improvement in this quarter with Rs 274 Cr against Rs 449 Cr in the 4Q FY15, a decrease of 39%. Restructured Advances was at 0.53% in 4Q FY16 as same as a year ago of 0.53%. QoQ it decreased by 5 basis point. GNPA on consumer finance improved from 1.16% on 3Q FY15 to 1.08% as on 4Q FY16 where as Corporate advances registered a spike of 16 bps in GNPA from 0.58% on 4Q FY15 to 0.74% as on 4Q FY16.

**NII**

Net Interest Income of the bank grew by 37% (YoY), NIM improved by 26 bps (YoY) to 3.94% mainly due to fall in cost of fund which declined by 72 bps (YoY) but this fall in cost of fund was offset by fall in yield on assets by 46 bps.

**Other Income**

Other Income growth has outpaced the growth of Net Interest Income i.e 37% vs 32% respectively for the full year FY16. In 4Q it has grown by 39% to Rs 913 Cr against 26% from Rs 658 Cr in the corresponding 4Q FY15. Fee income growth was 36% (YoY) led by strong loan processing fees growth of 106% (YoY). Other trading income grew by 54% (YoY).

**Strong Loan Growth**

Loan book saw a growth of 29% YoY to Rs 88419 Cr as on 4Q FY16 from Rs 68788 Cr on 4Q FY15. Loan book was primarily driven by growth in the retail portfolio which registered a growth of 29% (YoY). The pace of growth in corporate book has slowed down from 33% growth in FY15 to 28% growth in FY16. Going forward management expects the loan book with the equal ratio in retail and corporate. As of now corporate book is 59% of net advances.

## Key Highlights of Conference Call

- No impact of Assets Quality Review in this quarter.
- Going forward management expects to balance the corporate and retail book equally.
- Management expects the partnership with TATA AIA will boost fee income. Overall fees will continue to exceed loan growth.
- Targeting the PCR to 70%.
- Management expects the credit cost to fall in coming years.

## Outlook & Valuation:

Strong NII growth and other income growth are likely to maintain the momentum of growing profitability. Advances growth will be backed by the growth in retail segment growth led by healthy growth in commercial vehicle, LAP, car loan and credit card. With the expected improvement in economy corporate loan growth will pick the momentum. With this we expect the NIM to remain largely stable to little improvement with falling interest rate scenario. The stock price is trading at 4.4x and recommend buy with the target price of Rs 1120.

## Quarterly Performance

(Rs in Crore)

Financials	4QFY14	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16
NII	781	801	833	861	925	981	1094	1173	1268
Other Income	523	576	558	611	658	724	784	839	913
Operating Exp.	585	628	667	698	733	782	871	951	1030
PPP	719	749	725	774	851	923	1007	1061	1151
Provisions	121	110	73	98	107	123	158	177	214
PBT	599	639	651	676	743	799	848	884	938
Tax Provisions	202	218	221	229	248	274	288	303	317
Net Profit	396	421	430	447	495	525	560	581	620

## Spread Metrix

Yield on Adv.%	13.65	13.49	13.32	13.01	12.77	12.72	12.35	12.07	12.04
Cost of fund%	6.80	6.85	6.74	6.63	6.45	6.41	5.92	5.80	5.73
NIM%	3.75	3.66	3.63	3.67	3.68	3.68	3.88	3.91	3.94

## Operating Metrix

Deposit Growth %	11.8	14.8	24.4	23.3	22.5	21.6	22.5	24.6	25.4
Loan Growth %	24.3	23.7	22.4	21.7	24.8	23.1	30.6	28.7	28.5
CASA Ratio %	32.5	33.3	33.9	34.1	34.1	34.7	34.7	35.0	35.2
CD Ratio%	91.1	91.8	90.8	92.0	92.8	93.0	96.8	95.1	95.1
Tax Rate %	33.8	34.1	34.0	33.8	33.3	34.3	34.0	34.3	33.8

## Assets Quality Metrix

GNPA (Rs in Cr)	621	654	655	673	563	570	602	681	777
GNPA %	1.12	1.11	1.08	1.05	0.81	0.79	0.77	0.82	0.87
NNPA%	0.33	0.33	0.33	0.32	0.31	0.31	0.31	0.33	0.36
OS Restructured %	0.33	0.40	0.52	0.55	0.53	0.63	0.63	0.58	0.53

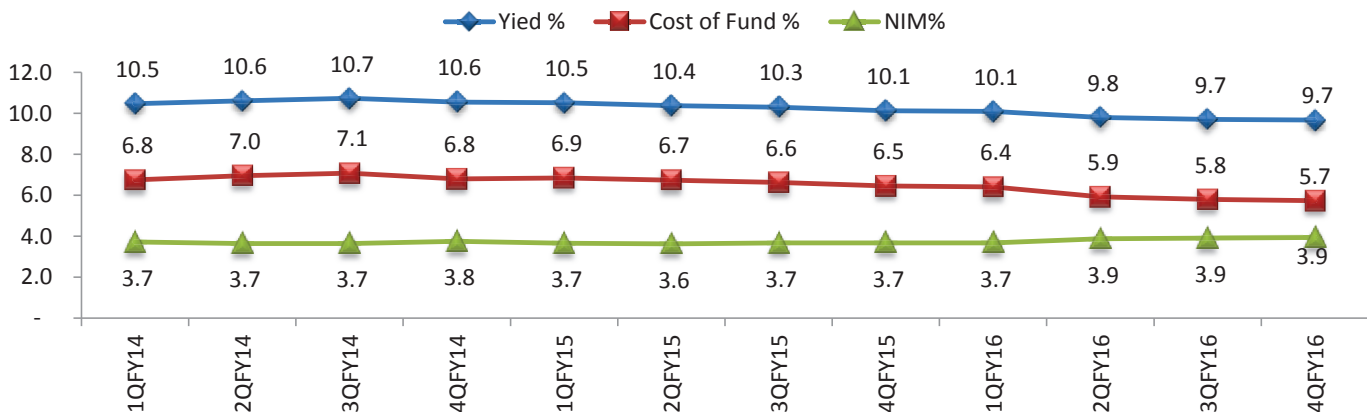
(Source: Company/Eastwind)

## Other income growth was robust backed by healthy fee growth of 36%.

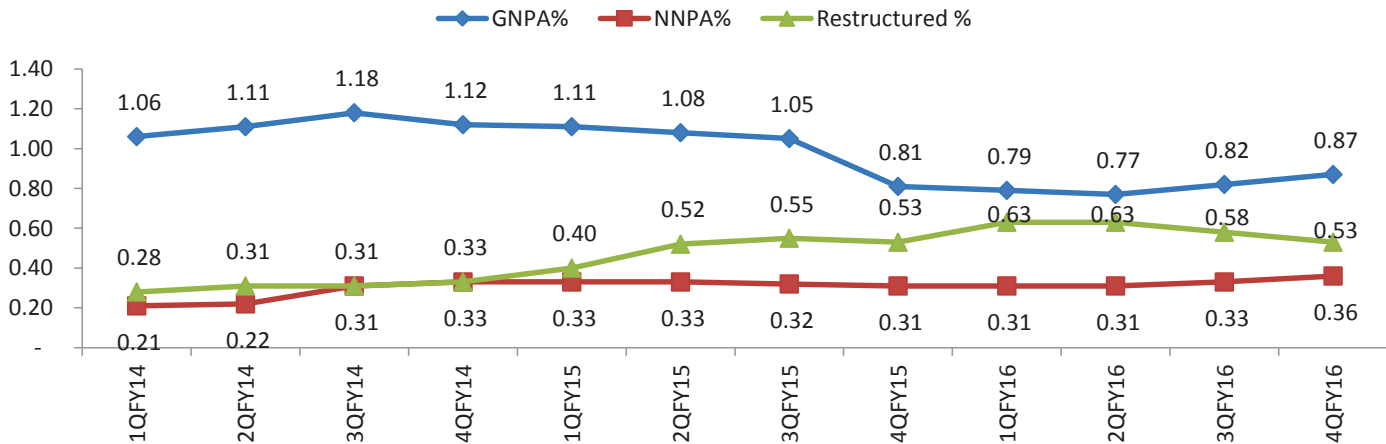
(Rs in Crore)

Other Income	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	YoY growth%
Trade and Remittances	62	62	62	80	56	84	85	97	21.9%
Foreign Exchange Income	135	139	169	110	159	170	170	140	27.1%
Distribution Fees	75	85	98	127	107	119	126	138	8.6%
General Banking Fees	43	41	42	45	49	41	46	48	7.3%
Loan Processing fees	86	90	91	111	104	145	185	228	106.1%
Investment Banking	87	93	59	96	123	114	113	122	27.9%
<b>Total Fee-Based Income</b>	<b>487</b>	<b>509</b>	<b>522</b>	<b>569</b>	<b>599</b>	<b>673</b>	<b>726</b>	<b>774</b>	<b>36.2%</b>
Securities/MM/FX	90	49	88	90	125	110	113	139	54.2%
Trading/Others									
Others									
<b>Other Income</b>	<b>576</b>	<b>558</b>	<b>611</b>	<b>658</b>	<b>724</b>	<b>784</b>	<b>839</b>	<b>913</b>	<b>38.6%</b>

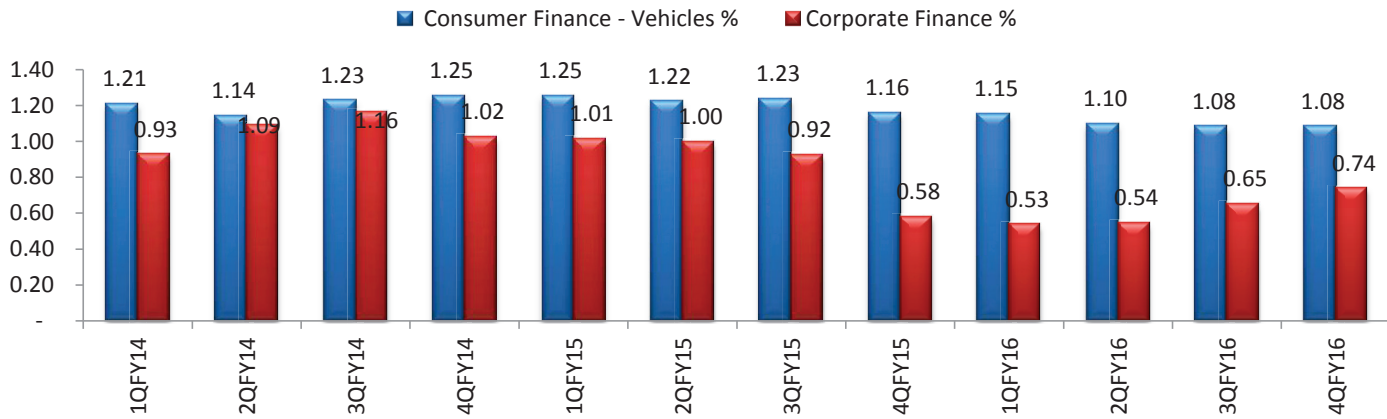
## NIM Improved largely due to fall in cost of fund



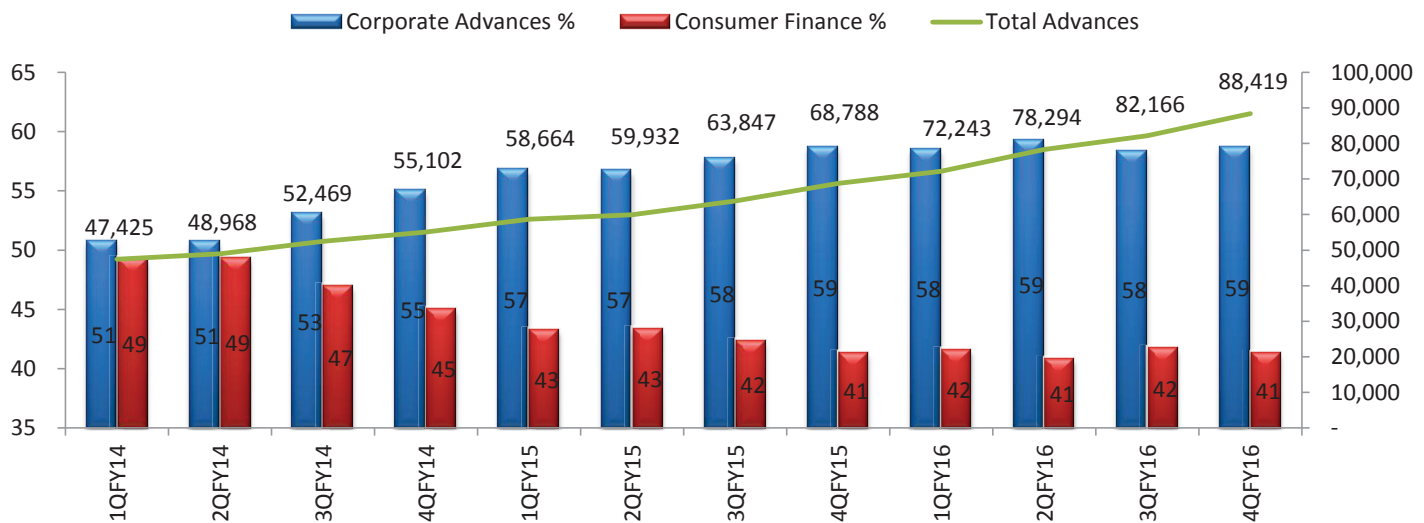
## Assets quality was fairly stable.



## Gross NPA Composition



## Healthy Loan Growth of 29%



## Consumer Finance Break Up %

	4QFY14	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16
Comm. Vehicle Loans	17.4	16.4	16.2	15.7	15.4	15.8	15.8	16.1	15.9
Utility Vehicle Loans	3.7	3.5	3.4	3.2	2.9	2.8	2.6	2.5	2.3
Small CV	3.5	3.2	3.2	2.9	2.7	2.6	2.5	2.5	2.3
Two Wheeler Loans	4.6	4.4	4.5	4.4	4.1	3.9	3.6	3.7	3.4
Car Loans	4.8	4.7	4.8	4.7	4.6	4.6	4.5	4.6	4.4
Equipment Financing	5.2	4.9	4.7	4.4	4.1	3.9	3.7	3.7	3.7
Credit Card	0.8	0.9	0.9	0.9	1.0	1.1	1.1	1.2	1.4
Loan Against Property	4.5	4.6	5.0	5.2	5.4	5.6	5.5	5.8	5.9
Others-BL,PL,GL,etc	0.5	0.6	0.7	0.9	1.1	1.3	1.5	1.7	1.9

## 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
<b>Total Interest Income</b>	<b>8,254</b>	<b>9,692</b>	<b>11,581</b>	<b>14,323</b>
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
<b>Total Income</b>	<b>4,781</b>	<b>5,824</b>	<b>7,814</b>	<b>10,036</b>
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
<b>Net Profit attributable to the group</b>	<b>1,408</b>	<b>1,794</b>	<b>2,286</b>	<b>2,928</b>

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
<b>Total Capital &amp; Liabilities</b>	<b>87026</b>	<b>109116</b>	<b>140057</b>	<b>170498</b>
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
<b>Total Assets</b>	<b>87026</b>	<b>109116</b>	<b>140057</b>	<b>170498</b>

Source: Eastwind/Company

### RATIOS

	FY14	FY15	FY16	FY17E
<b>Business Ratios</b>				
Credit-Deposit(%)	91.1	92.8	95.1	95.0
CASA %	32.5	34.1	35.2	35.5
<b>Efficiency Ratios</b>				
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
<b>Spread Analysis As Calculated</b>				
Yield on Advances (%)	13.6	13.2	12.3	12.2
Yield on Investments (%)	7.9	8.0	7.3	7.1
<b>Yield on Earning Assets (%)</b>	<b>11.5</b>	<b>11.2</b>	<b>10.7</b>	<b>10.6</b>
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
<b>NIM (%)</b>	<b>4.0</b>	<b>4.0</b>	<b>4.2</b>	<b>4.3</b>
<b>Profitability Ratio</b>				
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
<b>Asset Quality Ratio</b>				
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	
<b>Capital Adequacy Ratio</b>				
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