

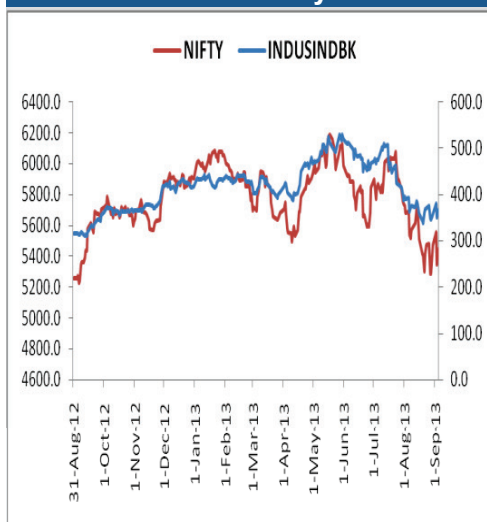
Result update	BUY
CMP	366
Target Price	440
Previous Target Price	520
Upside	20
Change from Previous(Rs)	18

Market Data	
BSE Code	532187
NSE Symbol	INDUSINDBK
52wk Range H/L	530/308
Mkt Capital (Rs Cr)	25929
Average Daily Volume	20.18
Nifty	5445

Stock Performance			
	1M	1yr	YTD
Absolute	-6.9	15.6	15.7
Rel.to Nifty	-2.7	12.0	12.0

Share Holding Pattern-%			
	Current	4QFY13	3QFY1
Promoters	15.3	15.3	17.4
FII	40.5	39.1	36.6
DII	8.5	8.8	9.3
Others	35.7	36.8	36.7

INDUSIND Bank Vs Nifty



Post the recent correction, Indusind bank is trading at 2.1 times of one year forward book and 17 times of forward earnings which we believe is quite attractive for entry. Bank has very strong operating metrics and stable asset quality. During the 1QFY14, bank reported impressive loan growth despite of slowdown in demand of commercial banks. Bank's earnings are expected to grow at 20-23% CAGR over FY13-15 with ROE at 20%. Looking at industry headwind we lower our price multiple to 2.5 from earlier of 3. We recommend buy with price target of Rs.440.

Robust NII growth led by advance growth and margin expansion- During 1QFY14 Indusind bank reported NII growth of 40.4% YoY and 2.8% QoQ to Rs.679 cr driven by healthy loan growth of 27.3% YoY and 4% QoQ and margin expansion of 50 bps YoY. Bank's total income grew by 43.2% YoY and 11.7% QoQ which was supported by consistent fee income growth of 47.6% YoY and 27.9% QoQ. Bank is very much focusing on fee income by introducing on new fee enhancer in order to achieve fee income growth higher than loan growth by FY14.

Best operating profit ever and higher than expected profit- During quarter bank reported pre provision profit growth of 58.8%YoY and 18% QoQ to Rs.642 cr best ever reported by bank. Net Profit grew by 41.7% YoY and 8.9% QoQ Rs.355 cr as against expectation of Rs. 320 cr. Growth in net profit was led by healthy NII growth, fee income growth, margin expansion, cost income ratio and credit deposits ratio. CD ratio during the quarter was 85.2% which is one of best in industry and indicated that bank's efficiency to put deposits in proper use. Indusind bank well managed its cost income and reported 297 bps QoQ improvement to 44.2% versus 47.2% in 4QFY13.

Healthy loan growth well above industry growth- Indusind bank reported loan growth of 27.3% YoY and 7% QoQ to Rs.47425 cr, well diversified between consumer finance and corporate banking. Incremental loan growth came from utilities vehicles loan growth in consumer finance segment which grew by 8.6% on sequential basis while small corporate loan grew by 15.2% QoQ in corporate & commercial banking. Commercial vehicle loan which contributed 21.4% in total loan grew by 7% QoQ while equipment finance which contributed 6% in total loan grew by 5.2% QoQ. Large corporate loan grew by 6.1% sequentially having contribution of 26.5% in overall loan. Bank management guided loan growth of 25-30% in FY14 to FY16 with higher fee income growth. The bank also expects to double its branch network to 1000 from 500 currently over the same period.

Financials

	Rs, Cr				
	2011	2012	2013	2014E	2015E
NII	1376	1704	2233	3374	4195
Total Income	2090	2716	3596	4737	5558
PPP	1082	1373	1839	2416	2835
Net Profit	577	803	1061	1398	1625
EPS	12.4	17.2	20.3	26.8	31.1

(Source: Company/Eastwind)

INDUSIND BANK

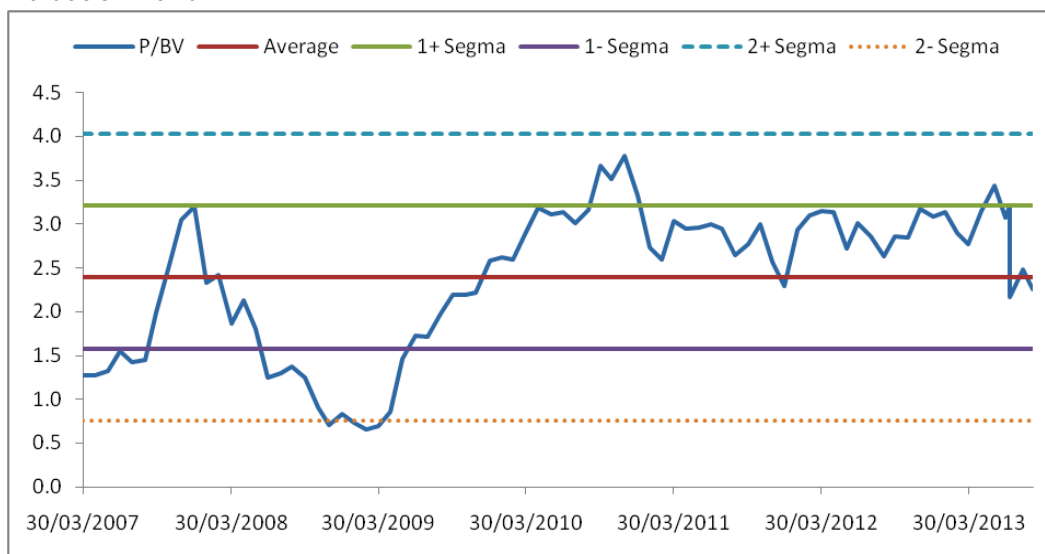
CASA traction remain strong; SA accretion- Indusind bank reported CASA growth of 32.8% on the back of saving account growth of 54% YoY growth taking CASA ratio to overall deposits to 30%. Bank expects to achieve its guidance of 35% CASA ratio by March 2014. The bank has 182 new licenses in hand of which it expects to add 120-130 by FY14E.

Margin improves 24 bps by and large in line with expectation- Indusind bank's margin improved by 50 bps YoY to 3.72% as against expectation of 3.7%. Improvement in margin was due to 20 bps QoQ declined in cost of deposits versus 27 bps QoQ declined in yield on assets.

Stable asset quality trend maintained- Indusind bank reported another strong performance in term of asset quality. GNPA and NPA stood at 1.1% and 0.2% as against 1% and 0.3% in 4QFY13. Provision coverage ratio (without technical write off) improved to 80% in 1QFY14 from 70% in 4QFY13. During quarter slippage ratio declined to 0.2% from 0.3% in last quarter and we believe this ratio to remain low as the bank had not increased retail vehicle loan.

Valuation & View – Post the recent correction, Indusind bank is trading at 2.1 times of one year forward book and 17 times of forward earnings which we believe is quite attractive for entry. Bank has very strong operating metrics and stable asset quality. During the 1QFY14, bank reported impressive loan growth despite of slowdown in demand of commercial banks. Bank's earnings are expected to grow at 19-20% CAGR over FY13-15 with ROE of 20%. Looking at industry headwind we lower our price multiple to 2.5 from earlier of 3. We recommend buy with price target of Rs.440.

Valuation Band



Source:Eastwind/Company

INDUSIND BANK

IndusInd Bank, Quarterly Performance

Quarterly Result(Rs Cr)

	1QFY14	4QFY13	1QFY13	% YoY Gr	% QoQ Gr
Interest/discount on advances / bills	1512	1462	1312	15.2	3.4
Income on investments	367	331	303	21.3	10.9
Interest on balances with Reserve Bank of India	33	30	17	98.3	11.0
Total Interest Income	1912	1823	1632	17.2	4.9
Others Income	471	368	319	47.6	27.9
Total Income	2383	2191	1951	22.1	8.8
Interest Expended	1233	1162	1148	7.4	6.1
NII	679	661	484	40.4	2.8
Other Income	471	368	319	47.6	27.9
Total Income	1150	1029	803	43.2	11.7
Employee	194	178	153	26.9	8.5
Other Expenses	315	307	246	27.8	2.5
Operating Expenses	508	486	399	27.5	4.7
PPP(Rs Cr)	642	544	404	58.8	18.0
Provisions	132	82	54	146.8	61.3
PBT	510	462	351	45.4	10.4
Tax	175	154	114	52.9	13.3
Net Profit	335	308	236	41.7	8.9

Balance sheet Data(Rs Cr)

Deposits	55660	54117	45076	23.5	2.9
CASA	16673	15867	12557	32.8	5.1
Term Loan	38987	38249	32519	19.9	1.9
Borrowings	7755	9460	8705	-10.9	-18.0
Loan	47425	44321	37245	27.3	7.0
Investments	17364	19654	16308	6.5	-11.7

Asset Quality(%)

GNPA	1.1	1.0	1.0
NPA	0.2	0.3	0.2
PCR	79.9	70.1	82.5

Source: Eastwind/Company

INDUSIND BANK

Financials

Income Statement	2011	2012	2013	2014E	2015
Interest Income	3589	5359	6983	8564	10683
Interest Expense	2213	3655	4750	5190	6488
NII	1376	1704	2233	3374	4195
Change (%)					
Non Interest Income	714	1012	1363	1363	1363
Total Income	2090	2716	3596	4737	5558
Change (%)					
Operating Expenses	1008	1343	1756	2321	2723
Pre Provision Profits	1082	1373	1839	2416	2835
Change (%)					
Provisions	504	180	263	329	410
PBT	577	1193	1576	2087	2425
PAT	577	803	1061	1398	1625
Change (%)					

Balance Sheet	2011	2012	2013	2014E	2015E
Deposits(Rs Cr)	34365	42362	54117	67646	84557
Change (%)		23	28	25	25
of which CASA Dep	9331	11563	15867	20294	25367
Change (%)		24	37	28	25
Borrowings(Rs Cr)	5525	8682	9460	9224	11531
Investments(Rs Cr)	13551	14572	19654	23830	29787
Loans(Rs Cr)	26166	35064	44321	55401	69251
Change (%)		34	26	25	25

Ratio	2011	2012	2013	2014E	2015E
Avg. Yield on loans	10.8	12.0	12.7	12.5	12.5
Avg. Yield on Investments	5.4	7.4	6.5	6.5	6.5
Avg. Cost of Deposit	5.3	7.3	8.8	7.7	7.7
Avg. Cost of Borrowings	7.0	6.7	7.6	7.5	7.5

Valuation	2011	2012	2013	2014E	2015E
Book Value	87	101	146	176	203
CMP	264	321	452	366	366
P/BV	3.0	3.2	3.1	2.1	1.8

Source: Eastwind/Company