

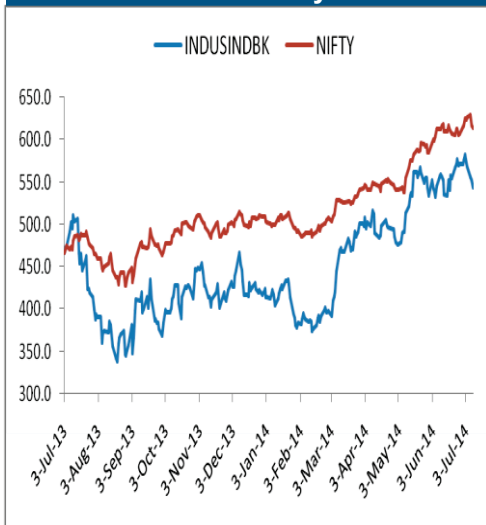
Result update	BUY
CMP	541
Target Price	600
Previous Target Price	590
Upside	11
Change from Previous(Rs)	1.7

Market Data	
BSE Code	532187
NSE Symbol	INDUSINDBK
52wk Range H/L	586/318
Mkt Capital (Rs Cr)	28560
Average Daily Volume	13.08 cr
Nifty	7585

Stock Performance			
	1M	1yr	YTD
Absolute	-2.7	16.4	16.4
Rel.to Nifty	-2.7	-15.0	-15.0

Share Holding Pattern-%			
	Current	24QFY1	3QFY1
Promoters	15.2	15.2	15.3
FII	41.1	39.9	42.3
DII	7.2	7.4	7.0
Others	36.4	37.5	35.4

INDUSIND Bank Vs Nifty



We have slightly raised our price to Rs.600 from earlier of Rs.590 on the back of followings reasons-(1) shifting of portfolio mix in favor of corporate segment due to slowdown in commercial vehicle (2) lower slippage reported, (3) stable fee income base,(4) stable asset quality with higher PCR and (5) strong capital structure with tier 1 capital of 12.06% with total capital base of 13.11% according to basel -3 norms. Our target price implied 3 times of bank's FY15 book value.

NII growth 18% YoY on the back of higher than expected loan growth, CD ratio expansion and stable margin

Indusind Bank reported NII growth of 18% YoY to Rs.801 cr versus our expectation of Rs.864 cr which was due to higher cost of deposits led by lower growth in current accounts deposits as a percentage of total deposits. Higher than expected loan growth, expansion in CD ratio and marginal declined of margin made possible for bank to report healthy NII growth. Non- interest income was grew by 22% YoY to Rs.576 cr as against Rs.471 cr in last quarter which was inline with credit growth and contributed 42% in total revenue versus 41% in 1QFY14. Core fee income (85% of non interest) registered growth of 38% YoY and 10% QoQ while other than fee income in non -interest income de-grew 25% YoY. Overall revenue grew by 20% YoY to Rs.1377 much lower than 43% YoY growth registered in 1QFY14.

CI ratio was up due to higher other operating cost led by branch addition, operating leverage remained flat

Operating cost during the quarter was up by 23% YoY which was basically due to 29% YoY increased of cost other than employee expenses. During quarter bank opened 36 branches taking total network to 638 (includes 41 specialized branches). Employee cost and other operating cost were up by 14% and 29% respectively. Cost to income ratio was up by 140 bps YoY to 45.6% versus 44.2% in 1QFY14. Operating leverage remained flat at 2.8% in YoY and QoQ basis.

Profit growth in line with expectation, helped to expand return ratio

Profit growth of 26% YoY to Rs.421 cr in line with expectation (Rs.402 cr) versus Rs.335 cr in last year, this was due to higher than expected loan growth, CD ratio expansion, and stable margin. Profit growth during the quarter was lower than its previous quarter growth rate that it witnessed. Bank's ROA and ROE improved to 1.92% and 19% from 1.83% and 17.6% in last quarter.

Financials

	Rs, Cr				
	2011	2012	2013	2014	2015E
NII	1376	1704	2233	2891	3330
Total Income	2090	2716	3596	4781	6085
PPP	1082	1373	1839	2596	3103
Net Profit	577	803	1061	1408	1714
EPS	12.4	17.2	20.3	26.8	32.6

(Source: Company/Eastwind)

Stable asset quality helped to make lower provisions

Provisions in absolute term declined were by 8.5% at sequential basis due to stable asset quality. Fresh addition in delinquencies were Rs.163 cr versus Rs.188 cr in previous quarter, consequently fresh slippage ratio was declined to 1.1% from 1.4% in previous quarter. Gross NPA in absolute basis was up by Rs.34 cr to Rs.655 cr while provisions for bad loans during the quarter was up by Rs.22 cr to Rs.459 cr as the result net NPA in absolute basis reached to Rs.196 cr versus Rs.184 cr in 4QFY14. In percentage term, GNPA remained flat at 1.11% from 1.12% sequentially while NPA stood at 0.33%. Provision coverage ratio too was stable at 70% (without technical write off). Restructure book as a percentage of advances stood at 0.4% which is quite reasonable.

Loan growth supported by corporate banking

Loan grew by 24% YoY aided by 38% YoY growth in corporate banking in which exposure to mid and small corporate bank grew by 53% and 38% YoY while loan to corporate banking registered growth of 34% YoY. Consumer segment reported sluggish growth of 9% YoY in which commercial and small CV reported negative growth of 5% and 11% YoY respectively. Loan book composition shifted towards commercial and corporate banking from consumer divisions on the back of slowdown in commercial loan. Corporate banking now constitute 57% of total loan versus 51% in 1QFY14 and consumer divisions share reduce to 43% from 49% in last quarter.

CASA growth handsome but share to current deposits declined in overall deposits

Deposits grew by 15% supported from 34% YoY growth in saving deposits while current accounts grew by 22% YoY. CASA in absolute term reported growth in 28% YoY while percentage to total deposits, it stood at 33.5% during the quarter as against 30% in 1QFY14. Bank's term deposits grew by 9%, due to which CASA grew handsomely. But in percentage of current deposits to total deposits, current account share reduce to 50.4% from 53% due to which cost of fund during the quarter was up to 9.4% versus 8.9% in previous quarter and 8.9% in last quarter. Borrowings as a percentage to NDTL declined to 18.2% from 19.6% which indicated declined share of current account was sole responsible for cost of fund escalation.

Margin declined marginally at sequential basis

Net interest margin was declined by 5 bps on QoQ basis to 3.66% from 3.71% largely due to higher cost of fund to 9.4% from 8.9% in previous quarter. Yield on loan declined by 30 bps QoQ to 12.5% from 12.8% due to bank's shifting to portfolio exposure towards corporate banking which is lower yield in nature when compare to retail loan. Yield in corporate segment declined by 11.55% from 11.64% on sequential basis while in consumer segment yield remained flat at 15.75%.

INDUSIND BANK

Quarterly Performance

Quarterly Result(Rs. Cr)	1QFY15	4QFY14	1QFY14	% YoY	% QoQ	1QFY15E	Variation
Interest/discount on advances / bills	1837	1766	1512	21.6	4.1	1846	-0.5
Income on investments	411	376	367	12.0	9.5	397	3.6
Interest on balances with Reserve Bank of India	48	38	33	46.8	28.9	33	46.8
Others	0	0	0	-44.0	16.7	0	
Total Interest Income	2297	2179	1912	20.1	5.4	2276	0.9
Others Income	576	523	471	22.4	10.2	574	0.4
Total Income	2874	2702	2383	20.6	6.3	2850	0.8
Interest Expended	1497	1398	1233	21.4	7.1	1412	6.0
NII	801	781	679	17.8	2.5	864	-7.3
Other Income	576	523	471	22.4	10.2	574	0.4
Total Income	1377	1304	1150	19.7	5.6	1438	-4.2
Employee	220	208	194	13.8	5.9	267	-17.7
Other Expenses	408	377	315	29.4	8.1	436	-6.6
Operating Expenses	628	585	508	23.5	7.3	704	-10.8
PPP(Rs Cr)	749	719	642	16.7	4.2	734	2.1
Provisions	110	121	132	-16.4	-8.4	133	-17.0
PBT	639	599	510	25.3	6.7	601	6.3
Tax	218	202	175	24.6	7.5	198	9.8
Net Profit	421	396	335	25.7	6.3	402	4.6
Balance Sheet data(Rs. Bn)							
Net Worth	9477	9043	7970	18.9	4.8		
Deposits	63893	60502	55660	14.8	5.6		
Borrowings	14196	14762	7755	83.1	-3.8		
Total Liabilities	90355	87026	73731	22.5	3.8		
Investments	21288	21563	17364	22.6	-1.3		
Advances	58664	55102	47425	23.7	6.5		
Total Assets	90355	87026	73731	22.5	3.8		
Asset Quality							
GNPA	655	621	505	29.7	5.5		
NPA	196	184	101	92.9	6.3		
% GNPA	1.1	1.1	1.1				
% NPA	0.3	0.3	0.2				

Source: Eastwind/Company

INDUSIND BANK

Financials & Assuptions

Income Statement	2011	2012	2013	2014	2015E
Interest Income	3589	5359	6983	8254	10342
Interest Expense	2213	3655	4750	5363	7012
NII	1376	1704	2233	2891	3330
Non Interest Income	714	1012	1363	1891	2755
Total Income	2090	2716	3596	4781	6085
Operating Expenses	1008	1343	1756	2185	2982
Pre Provision Profits	1082	1373	1839	2596	3103
Provisions	504	180	263	468	545
PBT	577	1193	1576	2128	2558
PAT	577	803	1061	1408	1714
Change (%)					
Balance Sheet	2011	2012	2013	2014	2015E
Deposits(Rs Cr)	34365	42362	54117	60502	73813
Change (%)		23	28	12	22
of which CASA Dep	9331	11563	15868	19691	24358
Change (%)		24	37	24	24
Borrowings(Rs Cr)	5525	8682	9460	14762	18453
Investments(Rs Cr)	13551	14572	19654	21563	27680
Loans(Rs Cr)	26166	35064	44321	55102	68877
Change (%)		34	26	24	25
Ratio	2011	2012	2013	2014	2015E
Avg. Yield on loans	10.8	12.0	12.7	12.0	12.0
Avg. Yield on Investments	5.4	7.4	6.5	6.8	6.8
Avg. Cost of Deposit	5.3	7.3	8.8	8.9	9.5
Avg. Cost of Borrowings	7.0	6.7	7.6	7.5	7.5
Valuation	2011	2012	2013	2014	2015E
Book Value	87	101	146	171	201
CMP	264	321	405	542	540
P/BV	3.0	3.2	2.8	3.2	2.7

Source: Eastwind/Company