

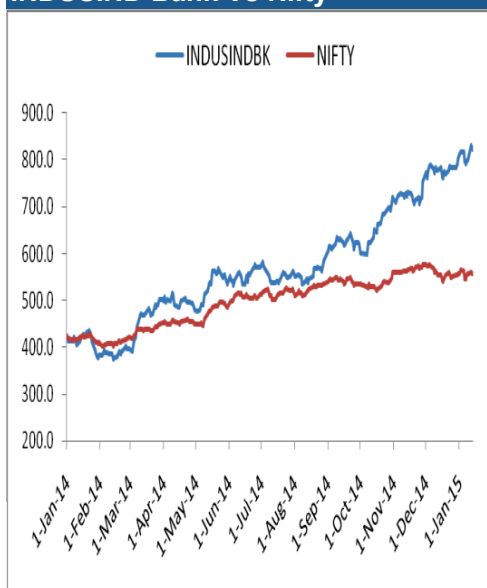
Result update	BUY
CMP	820
Target Price	870
Previous Target Price	770
Upside	6
Change from Previous(Rs)	13.0

Market Data	
BSE Code	532187
NSE Symbol	INDUSINDBK
52wk Range H/L	849/369
Mkt Capital (Rs Cr)	35624
Average Daily Volume	32.6 lakhs
Nifty	8299

Stock Performance			
	1M	1yr	YTD
Absolute	5.6	94.1	94.1
Rel.to Nifty	4.7	62.4	62.4

Share Holding Pattern-%			
	Current	24QFY1	4QFY1
Promoters	15.1	15.1	15.2
FII	40.6	43.2	43.6
DII	9.0	8.6	8.6
Others	35.3	33.0	32.7

INDUSIND Bank Vs Nifty



At the current price of Rs. 820/share stock is trading at 3.3 times FY16E book value. The bank is almost playing with upper side of valuation band and we are not sure for further valuation multiple expansions beyond 3.5 times in medium term with ROE at 16-18% with ROA at 1.8-2%. The stock is already factored macro economy recovery and low risk in impairment of assets. Higher side of target price could be possible only if bank surprises street with better than expected earnings. Our valuation multiple at 3.5 times of FY16E earnings are at higher side of its historical average. We value bank at Rs. 870/share.

Profitability growth was in-line with expectation; return ratios are comfortable

Indusind Bank's profitability was grown by 29% YoY to Rs.447 cr as against our expectation of Rs.434 cr. The bank maintains its growth trajectory in almost all counts and delivered in-line with all return ratio. We find little room while expanding its valuation multiple and giving valuation multiple at 3.5 times of FY16E earnings at the higher end. We believe bank to report ROE at 16-18% with ROA at 1.8-2% in medium term range. Indusind Bank is running at comfortable leverage ratio at 10% with tier 1 capital of 11.5%. The bank has enough cushions while expanding its business without raising capital. We believe in medium term bank would trade at 3 to 3.5 times of one year forward book.

NII growth was due to impressive loan growth, margin improvement slightly at sequential basis

During quarter bank's NII was grown by 18% YoY to Rs.861 cr on the back of 22% loan growth and slightly improvement of margin at sequential basis. Other income was Rs. 611 cr in which core fee income was Rs.522 cr up by 22 YoY., this has continued to follow credit growth. However banking system experienced loan growth of mere 11% due to weak corporate demand. But Indusind bank corporate loan book increased by 32% and able to report healthy fee income growth. Non- interest income other than fee income was reported growth of 65% YoY to Rs.89 cr.

Impairment of asset stable with PCR at 70%

Sequentially asset quality was flat with GNPA and net NPA were stood at 1% and 0.31% as against 1.1% and 0.33%. In absolute basis bank saw 3% deterioration in GNPA while net NPA was flat. As the result provisions was up by 4% YoY. Fresh slippages were remained at flat at 1% as against 0.8% in previous quarter. Out of total slippages, about 87% came from consumer divisions and banks has continuous reduced its exposure to this divisions. This segment reported loan growth of 10% while corporate segment reported growth of 32%. Moreover exposure to this segment came down to 42% as against 47% in last quarter. Provisions coverage ratio was healthy at 71% without technical write off.

Financials

	Rs, Cr				
	2011	2012	2013	2014	2015E
NII	1376	1704	2233	2891	3416
Total Income	2090	2716	3596	4781	5809
PPP	1082	1373	1839	2596	3072
Net Profit	577	803	1061	1408	1760
EPS	12.4	17.2	20.3	26.8	33.3

(Source: Company/Eastwind)

INDUSIND BANK

Loan growth at 22% YoY, consumer finance divisions lowest ever

Bank's balance sheet was grown by 22% in which loan and deposits were also up by 22% and 23% respectively. Bank's loan composition was divided into two parts (1) Corporate division, (2) consumer divisions. Corporate divisions registered growth of 32% YoY and share in overall loan composition increased from 53% in 3QFY14 to 58% in this quarter. Further consumer division loan growth was sluggish at 10% on account of slowdown in auto segment. Auto segment has shown earlier sign of recovery with improving trend of economy and we believe bank may report better asset quality in this segment in next 2-3 quarters. In corporate divisions large, mid and small corporate were registered growth of 31%, 19% and 62% respectively.

Deposits growth was led by healthy CASA accretions

Deposits growth was 23% YoY on the back of healthy CASA growth at 31%. Demand deposits and saving account deposits were grown by 30% and 32% YoY respectively. CASA in percentage term stood at 34% as against 32% in last quarter. Term deposits were grown by 20% YoY. Lucrative interest rate has helped bank to accrete CASA mobilization and it also helped bank to report lower cost of fund. Cost of fund (calculated) (Deposits+ Borrowing) has come down to 9.1% from 9.9% in last quarter. We have modeled 22% growth in deposits for FY15E and 22% for FY16E.

Limited margin expansion on account of declined share of consumer divisions

Margin reported by bank at 3.67%, marginal improvement of 4 bps sequentially largely on account of softening of cost of fund at 30 bps to 9.1% while yield on assets declined to 10.3% from 10.4%. Margin improvement at sequential basis was positive despite of continuous reduction of share in consumer divisions. Consumer division yield improved by 7 bps sequentially to 15.82% while corporate divisions yield reduced to 10.93% from 11.55% in previous quarter. On margin front we are positive and believe that margin would improve from herein because in consumer division share has come down to its historical low at 42% where margin difference between consumer divisions and corporate divisions are 500 bps. We believe that bank would increase its share in consumer division with the improvement of macro economy. The auto numbers reported by SIAM has shown earlier sign of recovery.

Valuation & View

At the current price of Rs. 820/share stock is trading at 3.3 times FY16E book value. The bank is almost playing with upper side of valuation band and we are not sure for further valuation multiple expansions in medium term with ROE at 16-18% with ROA at 1.8-2%. The stock is already factored macro economy recovery and low risk in impairment of assets. Higher side of target price could be possible only if bank surprises street with better than expected earnings. Our valuation multiple at 3.5 times of FY16E earnings are at higher side of its historical average. We value bank at Rs. 870/share.

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Quarterly Performance

Quarterly Result(Rs. Cr)

	3QFY15	2QFY15	3QFY14	% YoY	% QoQ	3QFY15E	Variation
Interest/discount on advances / bills	1954	1909	1739	12.4	2.4	1997	-2.2
Income on investments	412	411	368	11.8	0.2	471	-12.5
Interest on balances with Reserve Bank of India	71	58	36	95.6	21.5	63	11.9
Others	0	0	0	76.9	15.0	0	
Total Interest Income	2437	2379	2143	13.7	2.4	2531	-3.7
Others Income	611	558	480	27.2	9.4	597	2.2
Total Income	3048	2937	2624	16.2	3.8	3128	-2.6
Interest Expended	1576	1546	1413	11.5	1.9	1637	-3.8
NII	861	833	730	18.0	3.4	894	-3.6
Other Income	611	558	480	27.2	9.4	597	2.2
Total Income	1472	1391	1210	21.6	5.8	1491	-1.3
Employee	256	239	206	24.2	6.8	272	-5.9
Other Expenses	443	427	357	23.9	3.6	443	-0.1
Operating Expenses	698	667	563	24.0	4.7	715	-2.3
PPP(Rs Cr)	774	725	647	19.5	6.8	777	-0.4
Provisions	98	73	126	-22.3	33.9	128	-23.6
PBT	676	651	521	29.7	3.7	648	4.2
Tax	229	221	174	31.2	3.3	214	6.8
Net Profit	447	430	347	28.9	3.9	434	2.9

Balance Sheet data(Rs. Cr)

Net Worth	10390	9932	8664	19.9	4.6
Deposits	69376	65996	56247	23.3	5.1
Borrowings	16752	13319	14771	13.4	25.8
Total Liabilities	100007	92290	81799	22.3	8.4
Investments	23158	21461	20134	15.0	7.9
Advances	63847	59931	52469	21.7	6.5
Total Assets	100007	92290	81799	22.3	8.4

Asset Quality

GNPA	673	655	626	7.5	2.7
NPA	195	195	165	18.2	0.0
% GNPA	1.0	1.1	1.2		
% NPA	0.3	0.3	0.3		

Source: Eastwind/Company

INDUSIND BANK

Financials & Assuptions

Income Statement	2012	2013	2014	2015E	2016E
Interest Income	5359	6983	8254	9710	11837
Interest Expense	3655	4750	5363	6294	7544
NII	1704	2233	2891	3416	4294
Non Interest Income	1012	1363	1891	2394	2950
Total Income	2716	3596	4781	5809	7244
Operating Expenses	1343	1756	2185	2737	3413
Pre Provision Profits	1373	1839	2596	3072	3831
Provisions	180	263	468	417	617
PBT	1193	1576	2128	2655	3214
PAT	803	1061	1408	1760	2153

Balance Sheet

Eq Capital	468	523	526	529	529
Reserve & Surplus	4263	7107	8517	10319	12467
Net Worth	4731	7630	9043	10848	12996
Deposits(Rs Cr)	42362	54117	60502	73813	88575
Borrowings(Rs Cr)	8682	9460	14762	18453	22144
Other Liability	1811	2100	2719	3502	5579
Total Liabilities	57585	73307	87026	106616	129294
Cash in hand	2904	3250	4414	3785	4542
Money at call	2636	3599	2356	5240	6287
Investments(Rs Cr)	14572	19654	21563	24912	29894
Loans(Rs Cr)	35064	44321	55102	67775	82686
Fixed Assets	657	756	1016	1199	1438
Other assets	1764	1727	2575	3706	4447
Total Assets	57596	73307	87026	106616	129294

Yield Calculation

Avg. Yield on loans	12.0	12.7	12.0	12.0	11.8
Avg. Yield on Investments	7.4	6.5	6.8	6.7	6.7
Avg. Cost of Deposit	7.3	8.8	8.9	8.5	8.5
Avg. Cost of Borrowings	6.7	7.6	7.5	7.5	7.5

Valuation

Book Value	101	146	171	205	246
CMP	321	405	542	820	820
P/BV	3.2	2.8	3.2	4.0	3.3

Source: Eastwind/Company