

## Result update **NEUTRAL**

CMP	425
Target Price	440
Previous Target Price	440
Upside	4
Change from Previous( Rs)	-

## Market Data

BSE Code	532187
NSE Symbol	INDUSINDBK
52wk Range H/L	531/440
Mkt Capital (Rs Cr)	22400
Average Daily Volume	11.64
Nifty	6112

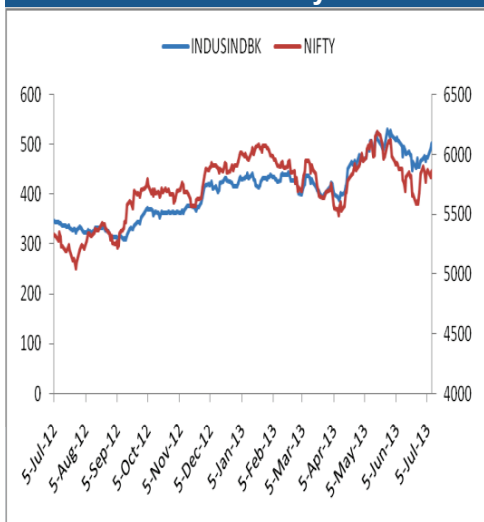
## Stock Performance

	1M	1yr	YTD
Absolute	2.5	14.5	14.5
Rel.to Nifty	-0.2	8.7	8.7

## 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



*During quarter bank's operating performance was lower than expected and ROE and ROA both were declined sequentially. Bank started to see earnings pressure in our view. There was no traction in deposits growth. Although loan grew handsomely despite of slowdown of demand of commercial vehicles. Asset quality was stable sequentially and provision coverage ratio was stood at 80%. At the current price of Rs.425, stock is trading at 2.4 times of one year forward book. We have neutral view on the stock with unchanged price target of Rs.440 which is 2.5 times of one year forward book.*

### Lower than expected NII growth was due to sequentially declined of margin

During 2QFY14, Indusind Bank reported NII growth of 37.4% YoY and 3% QoQ to Rs.700 cr as against expectation of Rs.772 cr. Lower than expected NII growth was due to sequential declined of margin. Credit deposits ratio was higher due to lower growth in deposits. Loan growth was 24% YoY as against average loan growth of 30%. During quarter bank reported fee income of Rs.389.4 up by 32% YoY and 11% QoQ taking overall other income to Rs.417 cr versus Rs.320 cr in 2QFY14 and Rs.471 cr in 1QFY14. Bank is very much focusing on fee income by introducing on new fee enhancer in order to achieve fee income growth.

### Higher CI ratio led operating profit declined by 8.4% QoQ

Bank reported sequential declined of operating profit by 8.4% to Rs.588 cr largely due to 314 bps declined by cost income ratio. During 1QFY14, other income was boosted on account of one off trading gain but on yearly basis CI ratio was declined by 208 bps to 47.4% as against 49.4% in 2QFY13. Employee expenses and other operating expenses were up by 24.6% and 31.6% YoY respectively. During quarter bank added 30 ATMs and 23 branches taking overall ATMs network to 560 and branch network to 1025.

### Lower provisions and healthy fee support profit growth of 32% YoY

Due to lower provisions and healthy fee income net profit was up by 32% YoY and -1.4% QoQ to Rs.330 cr. As against expectation of Rs.291 cr. ROE declined to 16.66% versus 17.62% in 1QFY14 and 20.45% in 2QFY13. ROA was also declined sequentially by 9 bps to 1.74% as against 1.83% in 1QFY14 and 1.56% in 2QFY13.

## Financials

	2011	2012	2013	2014E	2015E
NII	1376	1704	2233	29888	36688
Total Income	2090	2716	3596	31249	38049
PPP	1082	1373	1839	22605	27986
Net Profit	577	803	1061	13832	17096
EPS	12.4	17.2	20.3	26.5	32.8

(Source: Company/Eastwind)

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## **Asset quality stable on sequential basis**

In 2QFY14, bank made provision of Rs.89 cr versus Rs.132 cr in 1QFY14 and Rs.49 cr in 2QFY13. On sequential basis GNPA and net NPA were up by 8% to Rs.546 cr and Rs.109 cr respectively. Fresh slippage was higher at Rs.139 cr as against Rs.113 cr in both 1QFY14 and 2QFY13. Total restructure loan as a percentage of total loan stood at 0.31% against 0.28%. GNPA and NPA both the ratio were stable on sequential basis and were at 1.1% and 0.2% respectively. Provision coverage ratio at the end of second quarter was 80%, by and large stable sequentially and 72% in 2QFY13.

## **Healthy loan growth but moderate deposits growth**

Overall loan grew by 24.2% YoY and 3.3% QoQ to Rs.490 bn well diversified between consumer finance and corporate & commercial banking. Consumer finance division constitutes 51% of total loan whereas corporate banking contributed 49% in total loan. Consumer finance reported 3.5% growth in sequential basis whereas corporate banking reported grew by 3% on QoQ basis. Incremental loan in consumer finance came in two wheelers loan which grew by 6% QoQ whereas large corporate and mid corporate grew by 3% and 3.3% sequentially in corporate banking. Deposits grew by 11% YoY and declined by 4.7% QoQ to Rs.531 bn. Current and saving deposits grew by 62% and 2.6% respectively while term deposits grew by 5.3% YoY. CASA deposits grew by 24.7% YoY to Rs.167 bn and in percentage of total deposits stood at 31.4% versus 30% in 1QFY14 and 28% in 2QFY13. Bank expects to achieve CASA ratio of 35% in FY14E and has 182 new licenses in hand of which it expects to add 120-130 by FY14E.

## **Margin declined on account of higher cost of deposits**

Indusind bank's margin was declined by 7bps QoQ to 3.65% as against in 3.72% in 1QFY14. Declined in margin was due to 76 bps QoQ increased cost of deposits (calculated) versus 0.6 bps increased in yield on advances (calculated).

## **Valuation & View**

During quarter bank's operating performance was lower than expected and ROE and ROA both were declined sequentially. Bank started to see earnings pressure in our view. There was no traction in deposits growth. Although loan grew handsomely despite of slowdown of demand of commercial vehicles. Asset quality was stable sequentially and provision coverage ratio was stood at 80%. At the current price of Rs.425, stock is trading at 2.4 times of one year forward book. We have neutral view on the stock with unchanged price target of Rs.440 which is 2.5 times of one year forward book.

# INDUSIND BANK

## IndusInd Bank, Quarterly Performance

Quarterly Result( Rs. Cr)	2QFY14	1QFY14	2QFY13	% YoY	% QoQ
Interest/discount on advances / bills	1611	1512	1382	16.6	6.6
Income on investments	365	367	324	12.9	-0.5
Interest on balances with Reserve Bank of India	42	33	18	131.2	26.1
Others	0	0	4	-96.5	-40.0
Total Interest Income	2019	1912	1728	16.8	5.6
Others Income	417	471	320	30.0	-11.4
Total Income	2435	2383	2048	18.9	2.2
Interest Expended	1319	1233	1218	8.2	7.0
NII	700	679	510	37.3	3.0
Other Income	417	471	320	30.0	-11.4
Total Income	1117	1150	830	34.5	-2.9
Employee	202	194	162	24.6	4.3
Other Expenses	327	315	248	31.6	3.8
Operating Expenses	529	508	410	28.8	4.0
PPP( Rs Cr)	588	642	420	40.0	-8.4
Provisions	89	132	49	81.1	-32.7
PBT	499	510	371	34.6	-2.1
Tax	169	175	121	40.1	-3.4
Net Profit	330	335	250	32.0	-1.4
<b>Balance Sheet data( Rs. Bn)</b>					
Net Worth	83	80	52	58.6	4.3
Deposits	531	557	478	11.1	-4.7
Borrowings	140	78	67	107.5	80.5
Total Liabilities	774	737	621	24.8	5.0
Investments	194	174	156	24.4	11.8
Advances	490	474	394	24.2	3.3
Total Assets	774	737	621	24.8	5.0
<b>Asset Quality</b>					
GNPA	546	505	410	33.2	8.1
NPA	109	101	114	-4.2	7.8
% GNPA	1.1	1.1	1.0		
% NPA	0.2	0.2	0.3		

Source: Eastwind/Company