

## INDUSIND BANK

**Robust NII growth led by advance growth and margin expansion-** During 4QFY13 Indusind bank reported NII growth of 42% YoY and 14% QoQ to Rs.661 cr driven by healthy loan growth of 26% YoY and 4% QoQ and margin expansion of 24 bps. Bank's total income grew by 36% YoY and 10% QoQ which was supported by consistent fee income growth of 31% YoY and 5% 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.

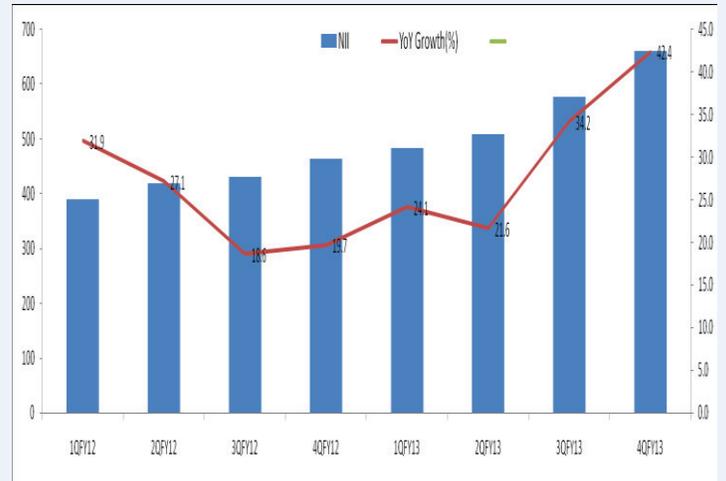
**Best operating profit ever and higher than expected profit-** During quarter bank reported pre provision profit growth of 43% YoY and 15% QoQ to Rs.544 cr best ever reported by bank. Net Profit grew by 38% YoY and 15% QoQ Rs.308 cr as against expectation of Rs. 290 cr. Growth in net profit was led by healthy NII growth, fee income growth, margin expansion, cost income ratio and credit deposits ratio. CD ratio during the quarter was 81.9% which is one of best in industry and indicated that bank's efficiency to put deposits in proper use. However banks management has guided CD ratio to be higher of 75% but below 80% in comings years. Indusind bank well managed its cost income and reported 224 bps QoQ improvement to 47.2% versus 49.4% in 3QFY13.

**Healthy loan growth well above industry growth-** Indusind bank reported loan growth of 26.4% YoY and 4.5% QoQ to Rs.44321 cr, well diversified between consumer finance and corporate banking. Incremental loan growth came from two wheeler loan growth in consumer finance segment which grew by 12.3% on sequential basis while large corporate loan grew by 7.3% QoQ in corporate & commercial banking. CV loan which contributed 22.5% in total loan grew by 2.2% QoQ while equipment finance which contributed 6.1% in total loan grew by 6.2% QoQ. Llarge corporate loan grew by 7.3% sequentially having contribution of 26.7% 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.

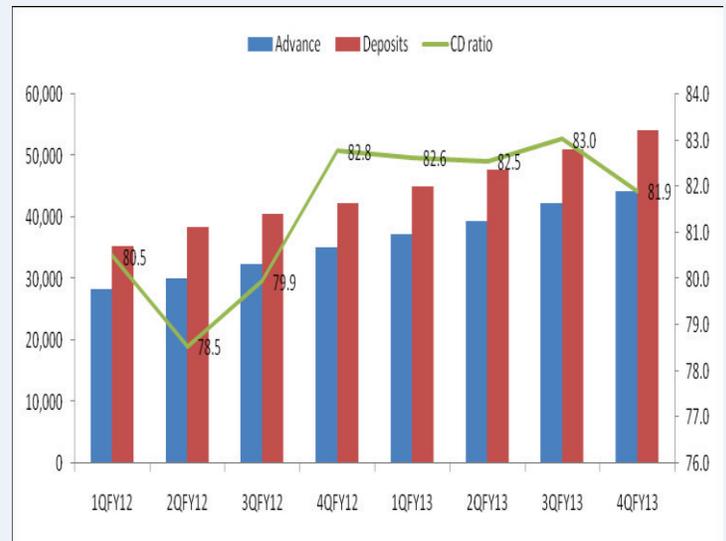
**CASA traction remain strong; SA accretion-** Indusind bank reported CASA growth of 37.2% on the back of handsome saving account growth of 49.8% YoY growth taking CASA ratio to overall deposits to 29.3%. Bank expects to achieve its guidance of 35% CASA ratio by March 2014. The bank has 182 new licenses 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 24 bps YoY to 3.7% as against expectation of 3.9%. Improvement in margin was due to 37 bps QoQ declined in cost of deposits versus 24 bps QoQ declined in yield on assets. Management guided to continue traction in NIM in next two quarters without factoring further growth in CASA.

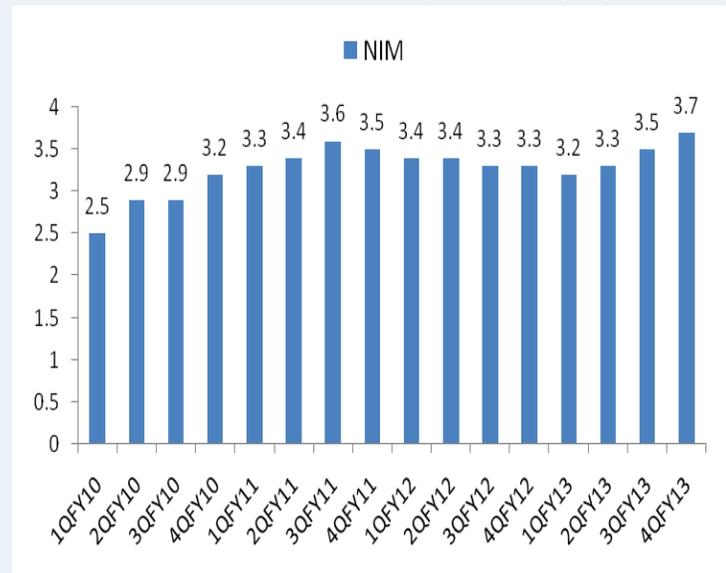
**Valuation & View** - Indusind bank trades at 2.8 times of FY14 book value of Rs.162 and 15 times of FY14 EPS of Rs.30. Looking at growth parameters of bank, we believe bank to trade in the range of 3 to 3.5 times of one year forward book. We recommend buy with price target of Rs.520 on which bank would trade at 3.2 times of book.



(Source: Company/Eastwind)



(Source: Company/Eastwind)



(Source: Company/Eastwind)