

INDUSIND BANK LTD

23-Feb-16

Result Update

| | |
|-----------------------|------|
| CMP | 846 |
| Target Price | 960 |
| Previous Target Price | 1061 |
| Upside | 13% |
| Change from Previous | -10% |

Market Data

| | |
|---------------------|------------|
| BSE Code | 532187 |
| NSE Symbol | INDUSINDBK |
| 52wk Range H/L | 989/784 |
| Mkt Capital (Rs Cr) | 41,172 |
| Av. Volume | 613 |
| Nifty | 7235 |

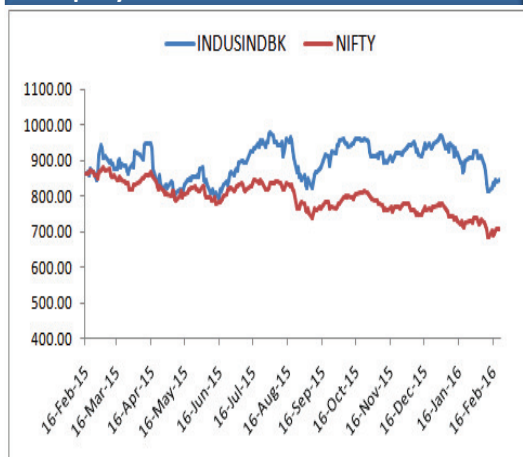
Stock Performance

| | 1Month | 3 Month | 1Year |
|--------------|--------|---------|-------|
| Absolute | -7% | -2% | -2% |
| Rel.to Nifty | -4% | 16% | 16% |

Share Holding Pattern-%

| | 2QFY16 | 1QFY16 | 4QFY15 |
|-----------|--------|--------|--------|
| Promoters | 15.0 | 15.0 | 15.1 |
| FII | 42.8 | 38.6 | 39.7 |
| DII | 11.0 | 9.4 | 9.0 |
| Others | 31.2 | 37.0 | 36.2 |

Company Vs NIFTY



IndusInd Bank reported strong performance in 3QFY16 with net profit of Rs581 cr (up 30% YoY) led by NII growth at 36% YoY and 37.4% YoY growth in non interest income. Corporate loan growth and improving growth in the CV segment drove overall loan growth at 29%. The net interest margin inched up 3 bps QoQ to 3.91%. Despite the reduction in savings deposit rates (rate reduced from 6% to 5% in balance above 1 lakh), the current account and savings account ratio improved to 35%. Momentum in fee income and controlled cost to income ratio led to operating profit growth of 37% YoY. Bank's asset quality deteriorated as fresh slippages at Rs 250 cr in Q3FY16 Vs Rs 189 Cr Q2FY16. The slippage ratio is about 1.2%. The gross NPAs increased by 13% QoQ , Rs 681 cr and Net NPA increased by 14% QoQ , RS 273 Cr. The Bank credit cost is very rang bound and remain bank's target level. The credit cost for Q3FY16 stood by 17 bps and 15 bps in last quarter. The Provision Coverage ratio is flat 60%. We have Buy rating on the stock with price target at Rs. 960/share.

Loan growth was led by consumer division

The bank reported 29% yoy loan growth driven by 27% growth in consumer book and 30% growth in commercial book. Bulk of consumer growth came from CV segment which was up 31.5% yoy. The CV disbursal trend was maintained at Rs52bn in Q3 and Rs146bn in 9MFY16. While growth in UV continued to be muted, that in 2-wheelers picked up marginally on a sequential basis. Loans against Property continued its good run, up 43.6%. Commercial book grew 30% on the back of the bank's acquisition of RBS's jewellery book (Rs 41.3bn) in the previous quarter. Excluding that, the organic growth was 19%. The share of consumer loans is 42%.

Margin expansion

NIM improved 24bps YoY (3 bps QoQ) to 3.91%, which can be largely due to equity capital raised during the previous quarter. The bank recently cut its interest rate on savings deposit less than Rs100,000 by100bps to 4.0%. It also cut interest rates on savings deposits more than Rs100,000 by100bps to 5.0%. The management does not believe that this will significantly impact the bank's hold on savings deposits. The management has given guidance of NIM touching 4.0% over the medium term.

| Financials | FY12 | FY13 | FY14 | FY15 | FY16E |
|------------|-------|-------|-------|-------|-------|
| NII | 57878 | 61160 | 67583 | 74796 | 77497 |
| PPP | 40713 | 40922 | 42097 | 50263 | 55587 |
| Net Profit | 15343 | 17916 | 14174 | 16994 | 20250 |
| ROA | 1.52 | 1.63 | 1.81 | 1.90 | 1.80 |
| ROE | 19.0 | 18.5 | 17.5 | 18.60 | 15.00 |

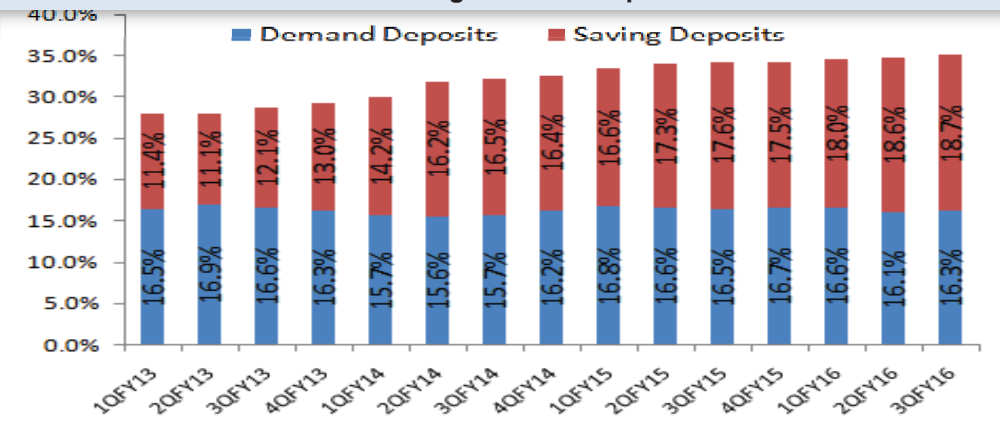
(Source: Company/Eastwind)

Loan Composition



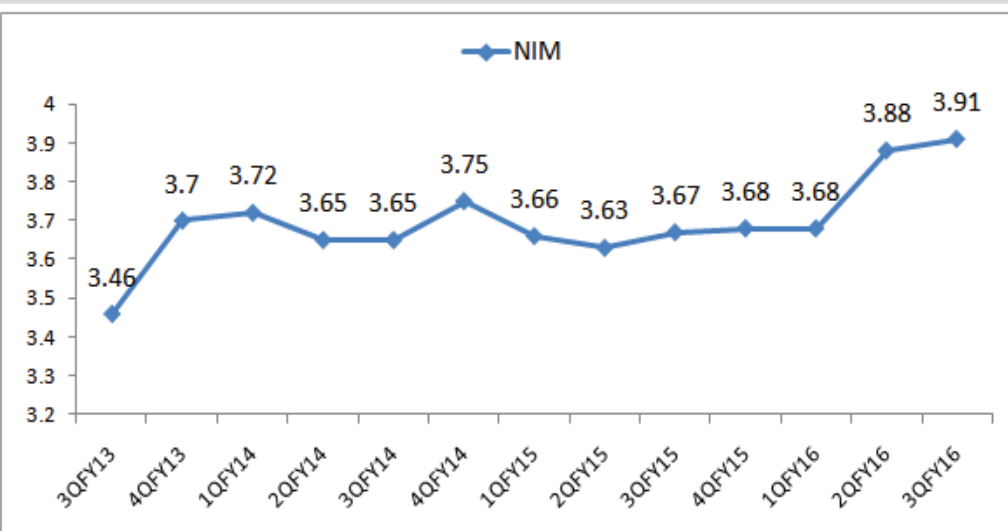
Share of consumer loans continues to fall YoY

Trend in Current Accounts & Saving accounts deposits



Despite the reduction in savings deposit rates (rate reduced from 6% to 5% in balance above 1 lakh), the current account and savings account ratio improved to 35%.

Trend in Current Accounts & Saving accounts deposits



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Financials Snap Shot

| INCOME STATEMENT | | | | | RATIOS | | | | |
|---|----------|----------|----------|---------|--|--------|--------|-------|-------|
| | FY12 | FY13 | FY14 | FY15 | | FY12 | FY13 | FY14 | FY15 |
| Income on Investments | 1078 | 1283 | 1477 | 1680 | Business Ratios | | | | |
| Intt. on bal.with RBI & other inter-bar | 24 | 86 | 149 | 277 | Total Business Growth% | 0.0 | 27.1 | 17.4 | 23.6 |
| Others | 41 | 5 | 1 | 17 | Credit-Deposit(%) | 82.8 | 81.9 | 91.1 | 92.8 |
| Total Interest Income | 5359 | 6983 | 8254 | 9692 | CASA | 146.33 | 125.62 | 98.59 | 95.46 |
| Total Interest expended | 3655 | 4750 | 5363 | 6272 | Earnings Ratios | | | | |
| Net Interest Income | 1704 | 2233 | 2891 | 3420 | Interest Expended / Interest Earned (%) | 68.2 | 68.0 | 65.0 | 64.7 |
| Other Income | 1012 | 1363 | 1891 | 2404 | Cost Income Ratio | 56.1 | 56.2 | 55.5 | 53.5 |
| Total Income | 2716 | 3596 | 4781 | 5824 | Spread Analysis As Calculated | | | | |
| Total Operating Expenses | 1343 | 1756 | 2185 | 2726 | Yield on Advances (%) | 15.2 | 14.3 | 13.9 | 12.8 |
| Pre Provisioning Profit | 1373 | 1839 | 2596 | 3098 | Cost of Depostis (%) | 0.0 | 0.0 | 0.0 | 0.0 |
| Provisions (other than tax) and Contir | 180 | 263 | 468 | 389 | NIM% | 0.0 | 4.2 | 4.1 | 3.9 |
| Profit Before Tax | 1193 | 1576 | 2128 | 2709 | Spread% | 0.0 | 3.7 | 3.5 | 3.5 |
| Tax | 390 | 515 | 720 | 915 | Return Ratios | | | | |
| Minority Interest | 0 | 0 | 0 | 0 | Return on Assets% as reported | 1.4 | 1.4 | 1.6 | 1.6 |
| Profit/ loss of Associates | 0.0 | 0.0 | 0.0 | 0.0 | RONW (%) as calculated | 20.0 | 16.7 | 18.5 | 19.8 |
| Balance in Profit and Loss A/c brough | 0 | 0 | 0 | 0 | Asset Quality | | | | |
| Net Profit attributable to the group | 802.6116 | 1061.184 | 1408.019 | 1793.72 | Gross NPA as % of Gross Advances | 1.0 | 1.0 | 1.1 | 0.8 |
| Souce: Eastwind/Company | | | | | Net NPA as % of Gross Advances | 0.3 | 0.3 | 0.3 | 0.3 |
| | | | | | Restructured Assets to Advances Ratio(%) | 0.0 | 0.0 | 0.0 | 0.7 |
| BALANCE SHEET | | | | | Capital Adequacy Ratio | | | | |
| | FY12 | FY13 | FY14 | FY15 | Capital Adequacy Ratio (%) | 0.0 | 13.9 | 15.4 | 13.8 |
| Capital | 468 | 523 | 526 | 529 | Tier I Capital (%) | 0.0 | 11.4 | 13.8 | 12.7 |
| Reserves & Surplus | 4263 | 7097 | 8506 | 10101 | Souce: Eastwind/Company | | | | |
| Deposits | 4263 | 7097 | 8506 | 10101 | Valuation | | | | |
| Borrowings | 42362 | 54117 | 60502 | 74134 | | FY12 | FY13 | FY14 | FY15 |
| Other Liabilities & Provisions | 8682 | 9460 | 14762 | 20618 | | | | | |
| Total Capital & Liabilities | 57596 | 73307 | 87026 | 109116 | | | | | |
| | | | | | Net Profit before taxation | 1193 | 1576 | 2128 | 2709 |
| Cash & Balances with Reserve Bank o | 2904 | 3250 | 4414 | 4035 | Net cash flow before changes in Workin | 2037 | 2645 | 3701 | 4361 |
| Balances with Banks and Money at Ca | 2636 | 3599 | 2356 | 6744 | Cash Flow from Operating Activities | -840 | -486 | -4106 | -321 |
| Investments | 14572 | 19654 | 21563 | 22878 | Cash Flow From Investing Activities : | -141 | -174 | -174 | -276 |
| Advances | 35064 | 44321 | 55102 | 68788 | Cash Flow From Financing Activities | 2496 | 1969 | 4200 | 4607 |
| Fixed Assets | 657 | 756 | 1016 | 1158 | Cash Flow For The Year | 1515 | 1309 | -79 | 4010 |
| Other Assets | 1764 | 1727 | 2575 | 5513 | Cash & Cash Equivalents At The Beginni | 4025 | 5540 | 6849 | 6769 |
| Total Assets | 57596 | 73307 | 87026 | 109116 | Cash & Cash Equivalents At The Year Of | 5540 | 6849 | 6769 | 10779 |
| | | | | | | | | | |
| Souce: Eastwind/Company | | | | | Souce: Eastwind/Company | | | | |