

CMP : Rs 1566
Rating : Hold
Target : Rs 1720
STOCK INFO

INDEX	
BSE	532187
NSE	INDUSINDBK
Bloomberg	IIB IN
Reuters	INBK.BO
Sector	Banks
Face Value (Rs)	10
Equity Capital (Rs cr.)	600
Mkt Cap (Rs cr.)	94,153
52w H/L (Rs)	2038 / 1334
Avg Monthly Vol (BSE+NSE)	1,520,020

SHAREHOLDING PATTERN

	%
(as on September, 2018)	
Promoters	16.7
FII	52.2
DII	10.2
Public & Others	20.9

Source: ACE Equity, Arihant Research

STOCK PERFORMANCE(%)	3m	6m	12m
IndusInd Bank	-0.4	-18.1	-7.1
SENSEX	5.6	0.8	5.1

Source: ACE Equity, Arihant Research

IndusInd Bank v/s SENSEX


Source: ACE Equity, Arihant Research

IndusInd Bank (IIB) delivered strong operating performance with a 27% rise in operating profit at Rs. 2117 cr. Profit impacted largely due to higher provisioning including one off contingent provision of Rs. 255 cr on account of IL&FS. Net profit for the quarter grew by 5% YoY and stood at Rs 985 cr as of Q3FY19. Other income grew by 24% YoY and 12% QoQ at Rs. 1469 cr. C-I ratio increased marginally to 43.65% from 43.41% QoQ.

Healthy Business Growth:

Advances recorded a robust growth of 35% YoY that led to 21% rise in NII at Rs. 2288 cr largely due to corporate and MFI book. Total advances as on Q3FY19 stood at Rs. 173,169 cr.

Deposits for the quarter grew by 20% YoY at Rs. 175,701 cr CASA grew by 22% YoY and stood at Rs 76,549 cr CASA ratio for the quarter stood at 43.6% flat QoQ.

Margins and cost of Funds:

IIB has maintained its margins at 3.83% vs 3.84% QoQ despite a rise in cost of funds due to improving yield. Management has stated bank will be able to maintain margins at current level. The yield on advances stood at 11.52% vs 11.44% YoY.

Asset quality:

Bank has an exposure of Rs. 3000 cr to IL&FS out of which Rs. 2000 cr is for holding company and 1000 cr is for SPVs which is still considered as standard asset but it might turn out to be a NPA in Q4FY19. Bank has made 30% provisioning on these accounts which is 600 cr GNPA for the quarter stood at 1.14% (vs 1.17% in the previous quarter and 1.09 sequentially). NNPA for the quarter inched up by 13 bps YoY at 0.59%.

Slippages for the quarter almost doubled to Rs. 806 cr vs 419 cr qoq primarily in corporate segment. Provision coverage ratio declined significantly to ~48% vs 56% QoQ on account of higher write-offs.

Valuation & Outlook:

We believe IndusInd Bank will continue to show sustainable progress across operational parameters except IL&FS account. We have factored in higher provisioning in our estimates on account of IL&FS. Pressure on asset quality and rise in cost of funds will be the key risk areas going ahead. IndusInd Bank is well capitalised and ready to take advantage of market share in era of liquidity tightening issues on NBFCs sector. At CMP of Rs. 1566 the stock is trading at 3(x) its FY20E ABV. We have a **Hold** rating on the bank with a price target of Rs 1720 based on 3.3(x) its FY 20E ABV. That is an upside of 10%.

(Rs Cr)	FY18	FY19E	FY20E
Net interest income	7,497	9,332	11,997
Operating Profit	12,248	15,204	19,184
PAT	3,606	3,738	5,108
RoA (%)	1.8%	1.5%	1.6%
P/E (x)	26.1	25.1	18.4
ABV (Rs)	385	445	521
P/ABV (x)	4.1	3.5	3.0

Q3FY19 Result Highlights:

Reported Quarterly Results					
Particulars (Rs in Cr)	Q3FY19	Q3FY18	YoY	Q2FY19	QoQ
Interest Earned	5,763	4,287	34%	5,438	6%
Yield on Advances (%)	11.5	10.3		11.4	
Interest Expended	3,475	2,392	45%	3,235	7%
Cost of Funds (%)	5.8	5.0		5.6	
Net Interest Income	2288	1895	21%	2203	4%
Other Income	1,469	1,187	24%	1,317	12%
Other income / Net Income (%)	39	39		37	
Total income	3757	3082	22%	3521	7%
Employee Expenses	452	460	-2%	458	-1%
Non-Employee expenses	1,188	957	24%	1,070	11%
Operating Expenses	1640	1417	16%	1528	7%
Cost-income Ratio (%)	43.7	46.0		43.4	
Pre-Prov Profits	2117	1665	27%	1992	6%
Provisions & Contingencies	607	236	157%	590	3%
PBT	1510	1429	6%	1402	8%
Provisions for Tax	525	492	7%	482	9%
Effective Tax Rate (%)	34.8	34.5		34.4	
PAT (reported)	985	936	5%	920	7%
EPS Basic	16.4	15.6		15.3	
EPS Diluted	16.3	15.5		15.2	
GNPA	1,968	1,499	31%	1,781	10%
NNPA	1,029	592	74%	788	31%
GNPA (%)	1.14	1.17		1.09	
NNPA (%)	0.59	0.46		0.48	
Total CAR (%)	14.19%	15.83%		14.28%	
Tier 1 (%)	13.78%	15.32%		13.86%	
Tier 2 (%)	0.41%	0.50%		0.42%	
NIM	3.83%	3.99%		3.84%	
Advances	173,169	128,542	35%	163,144	6%
Deposits	175,701	146,086	20%	168,219	4%

Financial Highlights:

Income Statement			
Year to 31st March (Rs.Cr)	FY18	FY19E	FY20E
Interest Income	17,281	22,714	28,699
Interest Expenses	9,783	13,382	16,702
Net Interest Income	7,497	9,332	11,997
- growth %	24	24	29
Other Income	4,750	5,872	7,188
Operating Income	12,248	15,204	19,184
- growth %	20	24	26
Operating Expenses	5,591	6,520	8,003
- Staff Cost	1,781	2,021	2,829
- Other Operating Exp.	3,599	4,499	5,174
Gross Profits	6,656	8,684	11,182
- growth %	22	30	29
Provisions	1,175	3,003	3,442
Profit Before Tax	5,481	5,681	7,740
Taxes	1,875	1,943	2,632
Profit After Tax	3,606	3,738	5,108
- growth %	26	4	37

Balance Sheet			
As on 31st March (Rs. cr)	FY18	FY19E	FY20E
LIABILITIES			
Capital	600	600	600
Reserves & Surplus	23,227	26,424	30,933
Deposits	151,639	198,078	248,901
Borrowings	38,289	46,188	57,423
Other liabilities & provisions	7,856	8,799	9,855
Total Liabilities	221,626	280,104	347,726
ASSETS			
Cash on hand & with RBI	13,216	14,537	15,991
Money at call and short notice	2,253	2,479	2,727
Advances	144,954	189,165	236,456
Investments	50,077	57,443	74,670
Fixed assets	1,339	1,429	1,794
Other assets	12,041	15,051	18,814
Total Assets	221,626	280,104	347,726

Ratio Analysis			
Year to 31st March	FY18	FY19E	FY20E
Basic Ratio (Rs.)			
EPS	60.1	62.3	85.1
Book Value per share	397	450	525
Adjusted Book Value	385	445	521
Dividend per share	7.5	9.0	10.0
Asset Quality (%)			
Gross NPAs	1.2%	1.5%	1.3%
Net NPAs	0.5%	0.2%	0.1%
NPA Coverage	56.0%	55.0%	55.0%
Profitability ratios (%)			
RoAE	16.2%	14.7%	17.4%
RoAA	1.8%	1.5%	1.6%
NIMs (Calculated)	4.0%	4.0%	4.1%
Cost to Income	45.7%	42.9%	41.7%

Spread Analysis			
	FY18	FY19E	FY20E
Spread analysis (%)			
Yield on advances	10.6%	11.0%	11.0%
Yield on investments	7.1%	6.8%	6.8%
Cost of deposits	5.8%	6.6%	6.6%
Spread	4.8%	4.4%	4.4%
Interest Income to AWF			
Interest Income to AWF	9.0%	9.4%	9.4%
Net Interest Income to AWF	3.9%	3.8%	3.9%
Non Interest Income to AWF	2.5%	2.4%	2.4%
Operating Expense to AWF	2.9%	2.7%	2.6%
Operating Profit to AWF	3.5%	3.6%	3.7%
Net Profit to AWF	2.8%	2.3%	2.5%
Valuation ratios (x)			
P/E	26.1	25.1	18.4
P/BV	3.9	3.5	3.0
P/ABV	4.1	3.5	3.0

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Stock Rating Scale

	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	<-5%

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