

## In-line with expectations

**CMP:** Rs.357  
**Target Price:** Rs.385  
**Recommendation:** ACCUMULATE

### Stock Info

BSE Group	A
BSE Code	532187
NSE Symbol	INDUSINDBK
Bloomberg	IIB IN
Reuters	INBK.BO
BSE Sensex	17618.4
NSE Nifty	5345.4

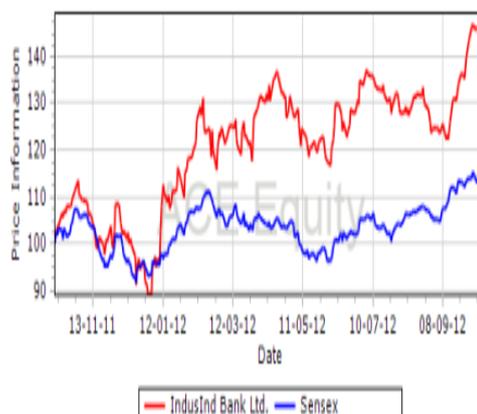
### Market Info

Market Capital	16771cr
Equity Capital	468cr
Avg. Trading Vol. (NSE Qtly)	482
52 Wk High/ Low	376/222
Face Value	10

### Shareholding Pattern (%) (30<sup>th</sup> Sep 2012)

Promoters	19.4
Domestic Institutions	8.8
Foreign Institutions	34.3
Public & Others	37.6
Govt. Holdings	NA

Financials	FY12	FY13E	FY14E
PAT (Rs in Cr)	803	975	1173
EPS (in Rs)	17.2	20.8	25.0
PE (x)	20.8	17.2	14.3
PABV (x)	3.7	3.2	2.9



Indusind Bank (IIB) posted healthy profitability with whopping 30% growth YoY; and absolutely in-line with our expectations; driven by strong core income and robust non- interest income performance. While the loan book grew at healthy pace too, the asset quality demonstrated good show with negligible restructuring during the quarter. However, tightened spreads and not so encouraging CASA momentum offset the robust topline performance to a certain extent.

**Healthy business growth, CASA growth not encouraging:** The loan book recorded sturdy growth YoY of 31% at Rs 39427 crs followed by strong deposit growth of 24% at Rs 47765 crs. While the proportion of loan mix remains equally divided between corporate and consumer finance, the traction in loan book largely came from the consumer finance portfolio that recorded stupendous growth of 45% YoY. On the deposits front, although the quantum of total deposits grew by healthy 25%, the CASA uptick moderated primarily due to lower traction in SA accounts and also not very encouraging growth on CA front.

**Strong earnings growth:** Sturdy interest income backed by strong vehicle finance portfolio drove the NII to record 22% growth YoY at Rs 510 crs in-line with our expectations. The robust other income performance at 34% growth YoY was aided by 40% growth in core fee income which in turn was backed by lumpy income coming from Investment banking activities and other loan processing fees followed by healthy traction in trade income. Going forward, the bank targets fee to total income growth at 35% levels. As the trend continues, strong NII and fee income contributed to the robust PAT growth of 30% YoY at Rs 250 crs. The return ratios remained more or less stagnant; yet at decent levels.

**Margin pressures to persist:** Though yields did not move up in a big way owing to challenging macros, costs of deposits were contained which resulted in marginal NIM expansion QoQ. The NIMs stood at 3.25%, however were seen down from 3.35% in the same period a year ago. Going forward, we expect the margin pressures to sustain; given the higher deposit rates and delayed monetary easing.

### Asset quality not a worry, yet caution required

Asset quality is not a major worry for IIB at this juncture with no glaring negative surprises in the portfolio. However, that said, we do sense pain in CV portfolio and also the fact that CV portfolio contributes 50% to the total GNPA's. The net non-performing asset (NNPA) inched upwards to 1.03% while the gross NPA (GNPA) to 0.29%. The restructured stands negligible. On conservative note, we estimate GNPA's of 1.3-1.4% for FY13-14.

**Outlook:** We reiterate positive stance on the bank given the stable asset quality, enduring operational matrix and improving liability franchise. Stock is currently trading at higher valuations of 3.2X P/BV FY13E and we recommend Investors to Accumulate on declines maintaining our price target at Rs 385.

## Q2FY13 Earnings Summary

Reported Quarterly Results						
Particulars (Rs in Cr)	Q2FY13	Q2FY12	YoY	Q1FY13	QoQ	Comments
Interest Earned	1,728	1,324	31%	1,632	6%	
Yield on Advances (%)	14	14		14		
Interest Expended	1,218	905	35%	1,148	6%	
Cost of Funds (%)	8	7		8		
<b>Net Interest Income</b>	<b>510</b>	<b>419</b>	<b>22%</b>	<b>484</b>	<b>5%</b>	Loan growth supported the NII growth performance and in-line with our expectations
Other Income	320	239	34%	318.78	1%	Other income performance turned out to be strong as in Q1
Other income / Net Income (%)	39	36		40		
<b>Total income</b>	<b>830</b>	<b>658</b>	<b>26%</b>	<b>803</b>	<b>3%</b>	
Employee Expenses	162	115	41%	152.56	6%	Opex stood on the higher side yet under control
Non-Employee expenses	248	210	18%	246.29	1%	
<b>Operating Expenses</b>	<b>410</b>	<b>325</b>	<b>26%</b>	<b>399</b>	<b>3%</b>	
Cost-income Ratio (%)	49	49		50		
<b>Pre-Prov Profits</b>	<b>420</b>	<b>333</b>	<b>26%</b>	<b>404</b>	<b>4%</b>	
Provisions & Contingencies	49	47	4%	53.50	-8%	Credit costs moderated which is a good sign
<b>PBT</b>	<b>371</b>	<b>286</b>	<b>30%</b>	<b>351</b>	<b>6%</b>	
Provisions for Tax	121	93	30%	114.27	5%	
Effective Tax Rate (%)	33	32		33		
<b>PAT (reported)</b>	<b>250</b>	<b>193</b>	<b>30%</b>	<b>236</b>	<b>6%</b>	Exactly in-line with our expectations with sturdy growth emerging from strong NII performance and fee income
EPS Basic	5.3	4.1		5.1		
EPS Diluted	5.2	4.1		5.0		
BVPS	106.8	90.1		101.7		
GNPA	409.5	332.6		365.1		
NNPA	114.3	93.1		99.9		
GNPA (%)	1.03	1.09		0.97		GNPAs inched upwards
NNPA (%)	0.29	0.31		0.27		
Total CAR (%)	11.8	14.3		12.9		
Tier 1 (%)	9.9	11.4		10.6		
Tier 2 (%)	1.8	2.9		2.2		
NIM	3.3	3.4		3.2		NIMS not very encouraging
Advances	39,427.2	30,135.0	31%	37,245.0		Sturdy Loan growth
Deposits	47,764.5	38,367.2	24%	45,076.0		

Source: - Company, Arianth Research

## Income Statement

Year to 31st March (Rs.Cr)	FY11	FY12	FY13E	FY14E
Interest Income	3,589	5,359	6,612	8,184
Interest Expenses	2,213	3,655	4,482	5,450
<b>Net Interest Income</b>	<b>1,377</b>	<b>1,705</b>	<b>2,130</b>	<b>2,734</b>
- growth %	55	24	25	28
Other Income	714	1,012	1,294	1,668
<b>Operating Income</b>	<b>2,090</b>	<b>2,716</b>	<b>3,424</b>	<b>4,402</b>
- growth %	45	30	26	29
Operating Expenses	1,008	1,343	1,680	2,143
- Staff Cost	383	485	641	845
- Other Operating Exp.	626	858	1,039	1,298
<b>Gross Profits</b>	<b>1,082</b>	<b>1,373</b>	<b>1,744</b>	<b>2,260</b>
- growth %	54	27	27	30
Provisions	202	180	288	510
<b>Profit Before Taxes</b>	<b>880</b>	<b>1,193</b>	<b>1,455</b>	<b>1,750</b>
Taxes	302	390	480	578
<b>Profit After Taxes</b>	<b>577</b>	<b>803</b>	<b>975</b>	<b>1,173</b>
- growth %	65	39	21	20

## Balance sheet

As on 31st March (Rs. Cr)	FY11	FY12	FY13E	FY14E
Capital	466	468	469	470
Reserves & Surplus	3,584	4,274	5,105	6,086
Deposits	34,365	42,362	52,317	64,611
- growth %	29	23	24	24
Borrowings	5,525	8,682	12,155	15,801
Other liabilities & provisions	1,695	1,811	2,274	2,929
<b>TOTAL LIABILITIES</b>	<b>45,636</b>	<b>57,596</b>	<b>72,319</b>	<b>89,898</b>
Cash, Inter-bank, etc	2,456	2,904	4,221	5,212
Money at call and short notice	1,569	2,636	3,603	4,632
Advances	26,166	35,064	44,181	55,668
- growth %	27	34	26	26
Investments	13,551	14,572	17,019	20,555
Fixed assets	596	657	685	816
Other assets	1,298	1,764	2,611	3,015
<b>TOTAL ASSETS</b>	<b>45,636</b>	<b>57,596</b>	<b>72,319</b>	<b>89,898</b>

## Ratio Analysis

	FY11	FY12	FY13E	FY14E
<b>Basic Ratio (Rs.)</b>				
EPS	13.2	17.2	20.3	25.8
Book Value per share	87	97	113	134
Adjusted Book Value	87	97	113	127
Dividend per share	2.0	2.2	2.5	3.5
<b>Asset Quality (%)</b>				
Gross NPAs	1.0	1.0	1.1	1.4
Net NPAs	0.3	0.2	0.3	0.4
NPA Coverage	72.6	79.0	71.0	71.0
<b>Profitability ratios (%)</b>				
RoAE	19.3	19.3	19.8	20.1
RoAA	1.4	1.6	1.5	1.5
NIM	3.6	3.5	3.5	3.6
Operating Profit Margin	25.1	21.6	22.1	22.9
Net Profit Margin	13.4	12.6	12.3	11.9
Cost to Income	48.2	49.4	49.1	48.7

	FY11	FY12	FY13E	FY14E
<b>Spread analysis (%)</b>				
Yield on advances	12.1	13.8	13.5	13.4
Yield on investments	6.1	7.7	7.4	7.3
Cost of deposits	6.0	8.0	7.8	7.8
Cost of funds	6.2	8.0	7.8	7.5
Spread	3.3	3.6	3.1	3.4
Interest Income to AWF	9.3	10.8	10.5	10.5
Net Interest Income to AWF	3.6	3.4	3.4	3.5
Non Interest Income to AWF	1.8	2.0	2.1	2.1
Operating Expense to AWF	2.6	2.7	2.7	2.7
Operating Profit to AWF	2.8	2.8	2.8	2.9
Net Profit to AWF	1.5	1.6	1.6	1.5

<b>Valuation ratios (x)</b>				
P/E	27.1	20.8	17.2	14.3
P/BV	4.1	3.7	3.1	2.6
P/ABV	4.1	3.7	3.2	2.9

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**Stock Rating Scale**

	<b>Absolute Return</b>
BUY	>20
ACCUMULATE	12-20
HOLD	5-12
REDUCE	<5

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