

Q3FY15-In-line with expectations

14th Jan, 2015

CMP:	Rs. 823
Target Price:	Rs. 852
Recommendation:	NEUTRAL

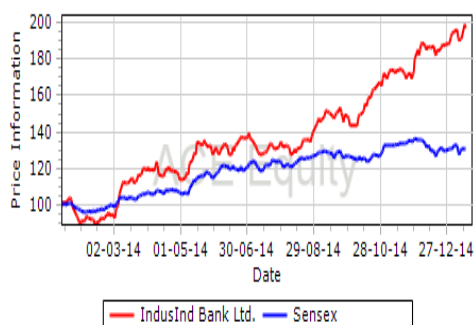
Stock Info

BSE Group	A
BSE Code	532187
NSE Symbol	INDUSINDBK
Bloomberg	IIB IN
Reuters	INBK.BO
BSE Sensex	27,426
NSE Nifty	8,299

Market Info

Market Capital	Rs 43,473cr
Equity Capital	Rs528.5cr
Avg. Trading Vol.	13,82,330
52 Wk High/ Low	849/369
Face Value	10

Shareholding Pattern (%)	(31 st Dec 2014)
Promoters	15.1
Domestic Institutions	9.0
Foreign Institutions	40.6
Public & Others	35.3
Govt. Holdings	NA



Indusind Bank (IIB) posted healthy growth both on the top-line and bottom-line front. Net profit grew by 29% YoY and stood at Rs 447 crs. Loan book grew at healthy pace of 22% YoY. The ratio of corporate to retail loans stood at 58:42. However going forward we believe with a pick-up in GDP this ratio to tilt in favour of retail loans as demand for CV financing increases.

Healthy business growth: The loan book recorded a steady growth of 22% while deposits grew at a faster pace by 23%. Consumer finance growth of 9.6% was disappointing, however corporate loan book growth of 32.4% made up for it. On the deposits front, the CASA stood at 34.1% compared to 33.9% QoQ, Retail deposits was ~20-22% and rest is wholesale deposits. In the current quarter bank added 42 branches, in Q4FY15 it plans to add 50+ branches.

Strong earnings growth: NII growth of 18% is in line with expectations. Going forward with pick-up in Consumer finance biz which is high margin business NII is expected to grow at faster pace. The robust other income growth of 27% YoY backed by strong 22% growth in core fee income drove the operating profits of the bank. The fee income growth continues to outpace loan growth. RoA's remained stable at 1.9%, RoE at 18.31% also remains strong.

Margins surprised positively: The fixed-rate nature of loan book and appropriate loan pricing, rich loan mix coupled with CASA traction aided margin expansion for the quarter. Foreign currency loans constitute ~20% of total corporate loan book which is low yield business, however spreads on these loans are similar to rupee loans. Therefore, despite softening of yields, margins at 3.67% surprised positively.

Asset quality stable: Asset quality for the bank looks improved slightly with GNPA's at 1.05% levels and NNPA's at 0.32% for the quarter. Credit costs were sequentially higher at 17 bps vs. 10 bps. That said; provision sufficiency, diversified loan-mix and lower exposure to sensitive sectors will ensure stable asset quality for the bank.

Outlook: Strong loan traction, resilient asset book and superior liability franchise makes us positive on the bank. We recommend **NEUTRAL** rating with a price target of Rs 852 based on 3.75x FY16E ABV of Rs 227.

(Rs Cr)	FY13	FY14	FY15E	FY16E
Net interest income	2,233	2,891	3,484	4,390
Operating Profit	3,596	4,781	5,807	7,320
PAT	1,061	1,408	1,795	2,379
EPS (Rs)	21.4	26.9	34.1	45.0
EPS Growth (%)	32.2%	25.4%	26.8%	32.2%
RoA (%)	1.6	1.8	1.9	2.0
P/E (x)	38.4	30.6	24.2	18.3
ABV	147	161	190	227
P/ABV (x)	5.6	5.1	4.3	3.6

Source: Company data, Arihant Research

Q3FY15 Earnings Summary

Particulars (Rs in Cr)	Reported Quarterly Results					Comments
	Q3FY15	Q3FY14	YoY	Q2FY15	QoQ	
Interest Earned	2,437	2,143	14%	2,379	2%	
Yield on Advances (%)	13.0	13.8		13.3		Yield reduced as proportion of Corporate loan book was higher
Interest Expended	1,576	1,413	11%	1,546	2%	
Cost of Funds (%)	6.6	7.1		6.7		
Net Interest Income	861	730	18%	833	3%	NII growth at 18% YoY is in line with expectations
Other Income	611	480	27%	558	9%	22% growth in core fee income
Other income / Net Income (%)	41	40		40		
Total income	1472	1210	22%	1391	6%	
Employee Expenses	256	206	24%	239	7%	Added 42 branches
Non-Employee expenses	443	357	24%	427	4%	
Operating Expenses	698	563	24%	667	5%	
Cost-income Ratio (%)	47	47		48		
Pre-Prov Profits	774	647	20%	725	7%	
Provisions & Contingencies	98	126	-22%	73	34%	
PBT	676	521	30%	651	4%	
Provisions for Tax	229	174	31%	221	3%	
Effective Tax Rate (%)	33.8	33.4		34.0		
PAT (reported)	447	347	29%	430	4%	
EPS Basic	8.5	6.6		8.2		
EPS Diluted	8.3	6.6		8.0		
BVPS	189.2	154.6		180.6		
GNPA	672.7	626.0		654.5		
NNPA	201.5	165.0		195.0		
GNPA (%)	1.05	1.18		1.08		GNPAs well under control
NNPA (%)	0.32	0.31		0.33		
Total CAR (%)	12.4	14.4		13.0		
Tier 1 (%)	11.5	13.3		12.0		
Tier 2 (%)	0.9	1.1		0.9		
NIM	3.7	3.7		3.6		
Advances	63,847	52,469	22%	59,931.3	7%	
Deposits	69,376	56,247	23%	65,996.1	5%	

Source: - Company data, Arianth Research

Income Statement

Year to 31st March (Rs.Cr)	FY13	FY14	FY15E	FY16E
Interest Income	6,983	8,254	9,739	11,906
Interest Expenses	4,750	5,363	6,254	7,516
Net Interest Income	2,233	2,891	3,484	4,390
- growth %	31	29	21	26
Other Income	1,363	1,891	2,323	2,930
Fee-based Income	962	1,219	1,702	2,212
Treasury Income	70	52	62	75
Other non interest income	3	3	4	5
Operating Income	3,596	4,781	5,807	7,320
- growth %	32	33	21	26
Operating Expenses	1,756	2,185	2,602	3,175
- Staff Cost	661	809	977	1,180
- Other Operating Exp.	1,095	1,376	1,625	1,995
Gross Profits	1,839	2,596	3,205	4,145
- growth %	34	41	23	29
Provisions	263	468	485	539
Profit Before Taxes	1,576	2,128	2,720	3,605
Taxes	515	720	925	1,226
Profit After Taxes	1,061	1,408	1,795	2,379
- growth %	32	33	27	33

Ratio Analysis

Year to 31st March	FY13	FY14	FY15E	FY16E
Basic Ratio (Rs.)				
EPS	21.4	26.9	34.1	45.0
Book Value per share	149	165	193	232
Adjusted Book Value	147	161	190	227
Dividend per share	3.0	3.5	4.0	5.0
Asset Quality (%)				
Gross NPAs	1.0	1.1	1.1	1.0
Net NPAs	0.31	0.34	0.29	0.28
NPA Coverage	70.1	70.4	73.0	71.2
Profitability ratios (%)				
RoAE	17.8	17.6	19.1	21.2
RoAA	1.6	1.8	1.9	2.0
NIM	3.6	3.8	3.8	3.9
Operating Profit Margin	22.0	25.6	26.6	27.9
Net Profit Margin	12.7	13.9	14.9	16.0
Cost to Income	48.8	48.0	47.0	45.5

Source: Company data, Arian Research

Balance Sheet

As on 31st March (Rs. cr)	FY13	FY14	FY15E	FY16E
LIABILITIES				
Capital	523	526	529	529
Reserves & Surplus	7,097	8,506	10,054	12,124
Deposits	54,117	60,502	71,393	89,241
Borrowings	9,460	14,762	19,191	23,988
Other liabilities & provisions	2,111	2,730	3,767	4,321
Total Liabilities	73,306	87,026	1,04,933	1,30,203
ASSETS				
Cash on hand & with RBI	3,250	4,414	4,763	5,924
Money at call and short notice	3,599	2,356	2,591	2,850
Advances	44,321	55,102	68,877	87,474
Investments	19,654	21,563	24,546	29,144
Fixed assets	756	1,016	1,220	1,464
Other assets	1,727	2,575	2,936	3,347
Total Assets	73,306	87,026	1,04,933	1,30,203

Spread analysis (%)	FY13	FY14	FY15E	FY16E
Yield on advances	14.1	13.3	12.9	12.7
Yield on investments	7.5	7.2	7.0	6.8
Cost of deposits	8.3	7.6	7.7	7.6
Cost of funds	8.3	7.7	7.5	7.4
Spread	3.0	3.1	3.1	3.3
Interest Income to AWF	11.0	10.7	10.5	10.5
Net Interest Income to AWF	3.5	3.7	3.8	3.9
Non Interest Income to AWF	2.2	2.4	2.5	2.6
Operating Expense to AWF	2.8	2.8	2.8	2.8
Operating Profit to AWF	2.9	3.4	3.5	3.7
Net Profit to AWF	1.7	1.8	1.9	2.1
Valuation ratios (x)				
P/E	38.4	30.6	24.2	18.3
P/BV	5.5	5.0	4.3	3.5
P/ABV	5.6	5.1	4.3	3.6

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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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