

# IndusInd Bank

| BSE SENSEX            | S&P CNX      |
|-----------------------|--------------|
| 34,427                | 10,565       |
| Bloomberg             | IIB IN       |
| Equity Shares (m)     | 600          |
| M.Cap.(INRb)/(USDb)   | 1,101 / 17.1 |
| 52-Week Range (INR)   | 428 / 252    |
| 1, 6, 12 Rel. Per (%) | 2/14/6       |
| Avg Val, INRm         | 538.0        |
| Free float (%)        | 18.1         |

## Financials & Valuations (INR b)

| Y/E MARCH     | 2018 | 2019E | 2020E |
|---------------|------|-------|-------|
| NII           | 75.0 | 117.2 | 152.8 |
| OP            | 66.6 | 103.6 | 137.3 |
| NP            | 36.1 | 56.3  | 74.5  |
| NIM (%)       | 4.2  | 5.0   | 4.9   |
| EPS (INR)     | 60.2 | 87.4  | 106.9 |
| EPS Gr. (%)   | 25.2 | 45.2  | 22.3  |
| BV/Sh. (INR)  | 394  | 457.3 | 584.6 |
| ABV/Sh. (INR) | 385  | 448.9 | 577.4 |
| RoE (%)       | 16.5 | 20.6  | 20.6  |
| RoA (%)       | 1.8  | 2.2   | 2.3   |
| Payout (%)    | 14.6 | 10.1  | 9.8   |

## Valuations

|                |      |      |      |
|----------------|------|------|------|
| P/E (X)        | 30.5 | 21.0 | 17.2 |
| P/BV (X)       | 4.7  | 4.0  | 3.1  |
| P/ABV (X)      | 4.8  | 4.1  | 3.2  |
| Div. Yield (%) | 0.4  | 0.5  | 0.6  |

**CMP: INR1,834 TP: INR2,150(+17%)**
**Buy**

## In-line performance; divergence higher, but already dealt with

- IndusInd Bank's (IIB) 4QFY18 PAT grew 27% YoY to INR9.53b (in-line). NII rose 20% YoY on stable margins and robust advances growth of 28% YoY.
- Total income grew 12% YoY due to relatively low other income, as treasury gains stood at a modest INR0.95b v/s INR2.15b in 4QFY17. However, controlled opex growth of 9% YoY (CI ratio declined 100bp QoQ to 45%) led to PPop growth of 13% YoY (+6% QoQ).
- Advances growth was led by robust growth in large and small corporates, driving 30% YoY growth (+16% QoQ) in the corporate advances portfolio. Consumer portfolio grew 26% YoY (+8% QoQ), led by strong traction in the CV loans, equipment financing and credit card segments. Retail book stood at 39.5% of total advances (46% after including the business banking segment).
- GNPA/NNPA increased 14% (+26% QoQ), as IIB reported gross divergence of INR13.5b, which includes a large cement M&A bridge loan of INR5.18b that has already been fully repaid. The net effect of this divergence amount has been addition of INR1.86b to GNPLs, of which IIB expects INR1.04b to get converted to standard assets. O/s restructured assets fell 60% QoQ to 5bp of loans, while o/s SR portfolio stood at 0.37% of total loans. IIB's exposure to 40 NCLT cases is INR3.85b, and the bank has already provided 65% on this.
- Other highlights: (1) Robust CASA accretion continued with 70% YoY S/A growth, driving a 110bp QoQ improvement in the CASA ratio to 44%. (2) Tier-1 ratio declined 75bp QoQ to 14.6% (CET1: 13.4%). (3) The bank hopes to conclude the merger with BHAFIN by early 2QFY19.
- **Valuation and view:** IIB's key focus is to scale up on its retail operations, led by a higher share of non-vehicle retail loans by FY20. The bank is targeting 25-30% loan growth, driven by continued branch expansion (aiming 2000 branches by FY20 v/s 1400 currently) and customer acquisition (+2x to 20m). Merger with BHAFIN will strengthen the bank's earnings profile and further boost its return ratios. We revise our numbers as we build in the BHAFIN merger and the proposed warrant issuance to promoters in our projections. Maintain **Buy** with a revised TP of INR2,150 (3.7 FY20E ABV).

## Exhibit 1: Quarterly Performance

|                       | FY17   |        |        |        | FY18E  |        |        |        | FY17     | FY18     | 4QFY18E | V/S our Est |
|-----------------------|--------|--------|--------|--------|--------|--------|--------|--------|----------|----------|---------|-------------|
|                       | 1Q     | 2Q     | 3Q     | 4Q     | 1Q     | 2Q     | 3Q     | 4Q     |          |          |         |             |
| Net Interest Income   | 13,564 | 14,603 | 15,784 | 16,675 | 17,741 | 18,210 | 18,948 | 20,076 | 60,626   | 74,975   | 20,199  | 0.6         |
| % Change (YoY)        | 38.3   | 33.4   | 34.5   | 31.5   | 30.8   | 24.7   | 20.0   | 20.4   | 34.2     | 23.7     | 21.1    | 3.6         |
| Other Income          | 9,730  | 9,704  | 10,168 | 12,113 | 11,673 | 11,876 | 11,868 | 12,085 | 41,715   | 47,501   | 12,346  | 2.2         |
| Net Income            | 23,294 | 24,307 | 25,952 | 28,788 | 29,413 | 30,086 | 30,816 | 32,161 | 1,02,341 | 1,22,476 | 32,545  | 1.2         |
| Operating Expenses    | 10,956 | 11,491 | 12,319 | 13,065 | 13,528 | 13,751 | 14,169 | 14,467 | 47,831   | 55,914   | 14,991  | 3.6         |
| Operating Profit      | 12,338 | 12,816 | 13,633 | 15,722 | 15,885 | 16,335 | 16,647 | 17,694 | 54,510   | 66,561   | 17,554  | -0.8        |
| % Change (YoY)        | 33.7   | 27.3   | 28.5   | 36.6   | 28.8   | 27.5   | 22.1   | 12.5   | 31.6     | 22.1     | 11.6    | -7.1        |
| Core Operating Profit | 10,427 | 11,368 | 12,314 | 13,572 | 13,955 | 14,585 | 15,547 | 16,744 | 51,741   | 60,831   | 17,554  | 4.8         |
| Provisions            | 2,305  | 2,139  | 2,169  | 4,301  | 3,100  | 2,938  | 2,362  | 3,356  | 10,913   | 11,754   | 2,795   | -16.7       |
| Profit before Tax     | 10,033 | 10,677 | 11,465 | 11,421 | 12,786 | 13,398 | 14,285 | 14,338 | 43,597   | 54,807   | 14,759  | 2.9         |
| Tax                   | 3,419  | 3,635  | 3,959  | 3,905  | 4,420  | 4,597  | 4,923  | 4,808  | 14,918   | 18,747   | 5,142   | 7.0         |
| Net Profit            | 6,614  | 7,042  | 7,506  | 7,516  | 8,365  | 8,801  | 9,362  | 9,531  | 28,679   | 36,060   | 9,617   | 0.9         |
| % Change (YoY)        | 26.0   | 25.7   | 29.2   | 21.2   | 26.5   | 25.0   | 24.7   | 26.8   | 25.4     | 25.7     | 27.9    | 4.3         |

| Operating Parameters |       |       |       |       |       |       |       |       |       |       |       |       |
|----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Deposit Growth (%)   | 31.0  | 38.9  | 37.9  | 36.1  | 31.4  | 25.9  | 22.5  | 19.8  | 36.1  | 19.8  | 26.8  | 35.3  |
| Loan Growth (%)      | 29.7  | 26.4  | 25.1  | 27.9  | 24.3  | 24.5  | 25.1  | 28.2  | 27.9  | 28.2  | 25.5  | -9.5  |
| Deposit (INR b)      | 1,018 | 1,123 | 1,192 | 1,266 | 1,337 | 1,414 | 1,461 | 1,516 | 1,266 | 1,516 | 1,605 | 5.8   |
| Loan (INR b)         | 937   | 989   | 1,028 | 1,131 | 1,164 | 1,232 | 1,285 | 1,450 | 1,131 | 1,450 | 1,419 | -2.1  |
| Asset Quality        |       |       |       |       |       |       |       |       |       |       |       |       |
| Gross NPA (INR b)    | 8.6   | 9.0   | 9.7   | 10.5  | 12.7  | 13.5  | 15.0  | 17.0  | 10.5  | 17.0  | 16.0  | -6.4  |
| Gross NPA (%)        | 0.9   | 0.9   | 0.9   | 0.9   | 1.1   | 1.1   | 1.2   | 1.2   | 0.9   | 1.2   | 1.1   | -3.9  |
| Net NPA (INR b)      | 3.6   | 3.7   | 4.0   | 4.4   | 5.1   | 5.4   | 5.9   | 7.5   | 4.4   | 7.5   | 6.2   | -16.5 |
| Net NPA (%)          | 0.4   | 0.4   | 0.4   | 0.4   | 0.4   | 0.4   | 0.5   | 0.5   | 0.4   | 0.5   | 0.4   | -14.0 |
| PCR (%)              | 58.7  | 58.9  | 58.8  | 58.4  | 60.0  | 60.1  | 60.5  | 56.3  | 58.4  | 56.3  | 61.0  | 8.4   |

## Exhibit 2: Quarterly Snapshot (INRb)

| INR (m)                       | FY16          |               |               |               | FY17          |               |               |               | FY18          |               |               |               | Variation (%) |          |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------|
|                               | 1Q            | 2Q            | 3Q            | 4Q            | 1Q            | 2Q            | 3Q            | 4Q            | 1Q            | 2Q            | 3Q            | 4Q            | YoY           | QoQ      |
| <b>Profit and Loss</b>        |               |               |               |               |               |               |               |               |               |               |               |               |               |          |
| <b>Net Interest Income</b>    | <b>9,807</b>  | <b>10,943</b> | <b>11,734</b> | <b>12,682</b> | <b>13,564</b> | <b>14,603</b> | <b>15,784</b> | <b>16,675</b> | <b>17,741</b> | <b>18,210</b> | <b>18,948</b> | <b>20,076</b> | <b>20</b>     | <b>6</b> |
| Other Income                  | 7,616         | 7,835         | 8,390         | 9,128         | 9,730         | 9,704         | 10,168        | 12,113        | 11,673        | 11,876        | 11,868        | 12,085        | 0             | 2        |
| Trading profits               | 1,254         | 1,102         | 1,131         | 1,386         | 1,911         | 1,449         | 1,320         | 2,150         | 1,930         | 1,750         | 1,100         | 950           | -56           | -14      |
| Others (Ex non core)          | 6,362         | 6,733         | 7,259         | 7,742         | 7,819         | 8,256         | 8,848         | 9,963         | 9,743         | 10,126        | 10,768        | 11,135        | 12            | 3        |
| <b>Total Income</b>           | <b>17,423</b> | <b>18,778</b> | <b>20,124</b> | <b>21,810</b> | <b>23,294</b> | <b>24,307</b> | <b>25,952</b> | <b>28,788</b> | <b>29,413</b> | <b>30,086</b> | <b>30,816</b> | <b>32,161</b> | <b>12</b>     | <b>4</b> |
| Operating Expenses            | 8,196         | 8,713         | 9,514         | 10,298        | 10,956        | 11,491        | 12,319        | 13,065        | 13,528        | 13,751        | 14,169        | 14,467        | 11            | 2        |
| Employee                      | 2,723         | 3,007         | 3,267         | 3,364         | 3,569         | 3,758         | 3,940         | 3,943         | 4,222         | 4,450         | 4,600         | 4,535         | 15            | -1       |
| Others                        | 5,473         | 5,706         | 6,247         | 6,934         | 7,387         | 7,733         | 8,378         | 9,122         | 9,306         | 9,300         | 9,569         | 9,932         | 9             | 4        |
| <b>Operating Profits</b>      | <b>9,227</b>  | <b>10,065</b> | <b>10,610</b> | <b>11,512</b> | <b>12,338</b> | <b>12,816</b> | <b>13,633</b> | <b>15,722</b> | <b>15,885</b> | <b>16,335</b> | <b>16,647</b> | <b>17,694</b> | <b>13</b>     | <b>6</b> |
| <b>Core Operating Profits</b> | <b>7,973</b>  | <b>8,962</b>  | <b>9,479</b>  | <b>10,126</b> | <b>10,427</b> | <b>11,368</b> | <b>12,314</b> | <b>13,572</b> | <b>13,955</b> | <b>14,585</b> | <b>15,547</b> | <b>16,744</b> | <b>23</b>     | <b>8</b> |
| Provisions                    | 1,233         | 1,581         | 1,771         | 2,137         | 2,305         | 2,139         | 2,169         | 4,301         | 3,100         | 2,938         | 2,362         | 3,356         | -22           | 42       |
| <b>PBT</b>                    | <b>7,994</b>  | <b>8,484</b>  | <b>8,839</b>  | <b>9,375</b>  | <b>10,033</b> | <b>10,677</b> | <b>11,465</b> | <b>11,421</b> | <b>12,786</b> | <b>13,398</b> | <b>14,285</b> | <b>14,338</b> | <b>26</b>     | <b>0</b> |
| Taxes                         | 2,744         | 2,884         | 3,029         | 3,172         | 3,419         | 3,635         | 3,959         | 3,905         | 4,420         | 4,597         | 4,923         | 4,808         | 23            | -2       |
| <b>PAT</b>                    | <b>5,250</b>  | <b>5,600</b>  | <b>5,810</b>  | <b>6,204</b>  | <b>6,614</b>  | <b>7,042</b>  | <b>7,506</b>  | <b>7,516</b>  | <b>8,365</b>  | <b>8,801</b>  | <b>9,362</b>  | <b>9,531</b>  | <b>27</b>     | <b>2</b> |
| <b>Balance Sheet (INR b)</b>  |               |               |               |               |               |               |               |               |               |               |               |               |               |          |
| Loans                         | 722           | 783           | 822           | 884           | 937           | 989           | 1,028         | 1,131         | 1,164         | 1,232         | 1,285         | 1,450         | 28            | 13       |
| Investments                   | 236           | 268           | 277           | 312           | 287           | 365           | 353           | 367           | 421           | 421           | 462           | 501           | 36            | 8        |
| Deposits                      | 777           | 808           | 864           | 930           | 1,018         | 1,123         | 1,192         | 1,266         | 1,337         | 1,414         | 1,461         | 1,516         | 20            | 4        |
| CASA Deposits                 | 269           | 281           | 302           | 327           | 350           | 410           | 442           | 466           | 505           | 598           | 626           | 667           | 43            | 7        |
| of which Savings              | 140           | 150           | 161           | 172           | 191           | 206           | 252           | 270           | 316           | 402           | 422           | 459           | 70            | 9        |
| Current                       | 129           | 130           | 141           | 155           | 160           | 205           | 190           | 196           | 189           | 196           | 204           | 208           | 6             | 2        |
| Borrowings                    | 214           | 211           | 205           | 222           | 172           | 191           | 203           | 225           | 274           | 236           | 234           | 383           | 71            | 64       |
| Total Assets                  | 1,144         | 1,233         | 1,309         | 1,401         | 1,458         | 1,578         | 1,671         | 1,786         | 1,907         | 1,950         | 2,007         | 2,216         | 24            | 10       |
| Risk Weighted Assets          | 906           | 1,016         | 1,064         | 1,163         | 1,216         | 1,274         | 1,318         | 1,435         | 1,452         | 1,561         | 1,594         | 1,732         | 21            | 9        |
| <b>Asset Quality</b>          |               |               |               |               |               |               |               |               |               |               |               |               |               |          |
| GNPA                          | 5,701         | 6,021         | 6,811         | 7,768         | 8,606         | 8,990         | 9,716         | 10,549        | 12,717        | 13,453        | 14,987        | 17,049        | 62            | 14       |
| NNPA                          | 2,248         | 2,408         | 2,733         | 3,218         | 3,555         | 3,692         | 4,007         | 4,389         | 5,083         | 5,369         | 5,922         | 7,457         | 70            | 26       |
| <b>Ratios (%)</b>             |               |               |               |               |               |               |               |               |               |               |               |               |               |          |
| <b>Asset Quality</b>          |               |               |               |               |               |               |               |               |               |               |               |               |               |          |
| GNPA (%)                      | 0.8           | 0.8           | 0.8           | 0.9           | 0.9           | 0.9           | 0.9           | 0.9           | 1.1           | 1.1           | 1.2           | 1.2           | 24            | 1        |
| NNPA (%)                      | 0.3           | 0.3           | 0.3           | 0.4           | 0.4           | 0.4           | 0.4           | 0.4           | 0.4           | 0.4           | 0.5           | 0.5           | 12            | 5        |
| PCR (Calculated, %)           | 60.6          | 60.0          | 59.9          | 58.6          | 58.7          | 58.9          | 58.8          | 58.4          | 60.0          | 60.1          | 60.5          | 56.3          | -213          | -422     |
| <b>Business Ratios</b>        |               |               |               |               |               |               |               |               |               |               |               |               |               |          |
| Fees to Total Income          | 36.5          | 35.9          | 36.1          | 35.5          | 33.6          | 34.0          | 34.1          | 34.6          | 33.1          | 33.7          | 34.9          | 34.6          | 1.4           | -31.9    |
| Cost to Core Income           | 50.7          | 49.3          | 50.1          | 50.4          | 51.2          | 50.3          | 50.0          | 49.0          | 49.2          | 48.5          | 47.7          | 46.4          | -269.6        | -132.9   |
| Tax Rate                      | 34.3          | 34.0          | 34.3          | 33.8          | 34.1          | 34.0          | 34.5          | 34.2          | 34.6          | 34.3          | 34.5          | 33.5          | -66           | -93      |
| CASA (Reported)               | 34.7          | 34.7          | 35.0          | 35.2          | 34.4          | 36.5          | 37.0          | 36.9          | 37.8          | 42.3          | 42.9          | 44.0          | 715           | 114      |
| Loan/Deposit                  | 93.0          | 96.8          | 95.1          | 95.1          | 92.1          | 88.1          | 86.2          | 89.3          | 87.1          | 87.1          | 88.0          | 95.6          | 625           | 760      |
| CAR                           | 12.4          | 16.5          | 16.4          | 15.5          | 15.4          | 15.3          | 15.3          | 15.3          | 16.2          | 15.6          | 15.8          | 15.0          | -28.0         | -80.0    |
| Tier I                        | 11.6          | 15.7          | 15.6          | 14.9          | 14.8          | 14.7          | 14.7          | 14.7          | 15.7          | 15.1          | 15.3          | 14.6          | -14           | -75      |
| <b>Profitability Ratios</b>   |               |               |               |               |               |               |               |               |               |               |               |               |               |          |
| RoA                           | 1.9           | 1.9           | 1.9           | 1.9           | 1.9           | 1.9           | 1.9           | 1.7           | 1.9           | 1.9           | 2.0           | 1.9           | 12            | -10      |
| RoE                           | 20.4          | 16.7          | 14.1          | 14.6          | 15.1          | 15.4          | 15.7          | 15.1          | 16.2          | 16.5          | 17.0          | 16.6          | 144           | -40      |
| Yield on loans                | 12.7          | 12.4          | 12.1          | 12.0          | 12.1          | 11.9          | 11.7          | 11.4          | 11.5          | 11.3          | 11.0          | 11.1          | -33           | 4        |
| Yield On Investments          | 7.1           | 7.1           | 6.3           | 6.6           | 7.0           | 7.1           | 6.9           | 7.2           | 7.4           | 7.3           | 6.8           | 9.1           | 190           | 227      |
| Yield on funds                | 11.2          | 10.7          | 10.5          | 10.5          | 10.5          | 10.4          | 10.4          | 10.2          | 10.3          | 9.1           | 9.3           | 9.1           | -113          | -21      |
| Cost of deposits              | 7.6           | 7.4           | 7.2           | 7.1           | 6.9           | 6.6           | 6.4           | 6.1           | 6.2           | 5.9           | 5.9           | 6.0           | -10           | 5        |
| Cost of funds                 | 7.2           | 6.8           | 6.7           | 6.7           | 6.6           | 6.5           | 6.3           | 6.0           | 6.1           | 6.1           | 5.7           | 5.9           | -11           | 16       |
| Margins                       | 3.7           | 3.9           | 3.9           | 3.9           | 4.0           | 4.0           | 4.0           | 4.0           | 4.0           | 4.0           | 4.0           | 4.0           | -3            | -2       |

**Exhibit 3: Quarterly Performance v/s expectation**

| Y/E March                  | 4QFY18A       | 4QFY18E       | V/S our Est | Comments  |
|----------------------------|---------------|---------------|-------------|---|
| <b>Net Interest Income</b> | <b>20,076</b> | <b>20,199</b> | <b>-1</b>   |   |
| % Change (Y-o-Y)           | 20            | 21            |             |   |
| Other Income               | 12,085        | 12,346        | -2          | Other income impacted by muted treasury gains                                 |
| <b>Total Income</b>        | <b>32,161</b> | <b>32,545</b> | <b>-1</b>   |   |
| Operating Expenses         | 14,467        | 14,991        | -3          | Opex under control  |
| <b>Operating Profit</b>    | <b>17,694</b> | <b>17,554</b> | <b>1</b>    |   |
| % Change (Y-o-Y)           | 13            | 12            |             |   |
| Other Provisions           | 3,356         | 2,795         | 20          | Provisions higher than expected on account of divergence and higher slippages |
| <b>Profit before Tax</b>   | <b>14,338</b> | <b>14,759</b> | <b>-3</b>   |   |
| Tax Provisions             | 4,808         | 5,142         | -7          |   |
| <b>Net Profit</b>          | <b>9,531</b>  | <b>9,617</b>  | <b>-1</b>   |   |
| % Change (Y-o-Y)           | 27            | 28            |             |   |

Source: Company, MOSL

Government business continued to drive robust S/A growth (70% YoY)

**Strong loan growth and CASA traction continue**

- Reported NIM came in at 3.97%. This was aided by strong traction in CASA deposits. CASA deposits grew ~43% YoY (6.6% QoQ) led by strong mobilization of SA deposits (+70% YoY).
- Yield on advances increased 4bp QoQ to 11.08% and cost of deposits increased 5bp QoQ to 5.98%. Overall cost of funds increased 6bp QoQ to 5.09%
- Yields in the corporate book increased by 5bp QoQ while yields in consumer finance book declined by 17bp QoQ.
- CD ratio increased significantly to 95.6% (89.3% in 4QFY17). Risk-Weighted-Assets grew 8.6% QoQ.

**Asset quality ratios stable despite absolute GNPA increases significantly; divergence higher but explainable**

CFD slippages shot up 21% in the quarter to INR3.2b

- GNPA ratio came in at 1.17% (flat QoQ) even as absolute GNPA increased 13.8% QoQ to INR17b, as fresh slippages increased to INR8.6b (INR1.86b of slippages related to divergence, excluding one sale to ARC of 1.82b).
- PCR decreased significantly by 422bp QoQ to 56.3% (including floating provision of INR 0.7b)
- Divergence of INR13.5b was reported following RBI's supervisory review however this includes the large cement M&A bridge loan of INR5.18b which has already been completely repaid. Bad loans worth INR3.55b was addressed by way of NPL recognition plus ARC sale in the prior quarters. Thus, the net affect of this divergence amount that has been added to GNPLs is INR1.86b (of which INR1.04b is expected to be converted into standard assets)
- Slippages in the corporate portfolio increased significantly to INR5.4b (vs 1.42b in 3QFY18) on account of divergence while slippages in the consumer finance division increased 20.7% QoQ to 3.2b (vs 2.6b in 3QFY18). Whereas, in % terms retail GNPA increased marginally to 1.13% (1.10% in 3QFY18)
- Restructured book declined to 5bp (INR0.76b) while O/s SR stands at INR4.7b.

**Exhibit 4: GNPA in the CFD segment flattish QoQ at 1.1%**

| Segmental GNPA                           | 1QFY17     | 2QFY17     | 3QFY17     | 4QFY17     | 1QFY18     | 2QFY18     | 3QFY18     | 4QFY18     |
|--|------------|------------|------------|------------|------------|------------|------------|------------|
| CV                                       | 1.1        | 1.1        | 1.0        | 1.0        | 1.1        | 1.0        | 0.9        | 1.0        |
| Utility                                  | 1.3        | 1.2        | 1.1        | 1.1        | 1.4        | 1.4        | 1.3        | 1.3        |
| CE                                       | 1.4        | 1.4        | 1.2        | 1.2        | 1.1        | 1.0        | 1.1        | 1.1        |
| 3W                                       | 1.1        | 1.0        | 0.8        | 0.9        | 1.3        | 1.1        | 1.2        | 1.3        |
| 2W                                       | 3.2        | 3.6        | 3.6        | 3.5        | 3.6        | 3.6        | 3.8        | 3.8        |
| Cars                                     | 0.5        | 0.5        | 0.8        | 0.7        | 0.7        | 0.7        | 0.6        | 0.7        |
| LAP/HL/PL                                | 0.7        | 0.7        | 0.8        | 0.9        | 1.0        | 0.4        | 0.6        | 0.6        |
| Cards                                    | 1.7        | 1.7        | 1.6        | 1.3        | 1.2        | 1.5        | 1.7        | 1.6        |
| <b>GNPA in Consumer Finance Division</b> | <b>1.1</b> | <b>1.2</b> | <b>1.2</b> | <b>1.2</b> | <b>1.2</b> | <b>1.2</b> | <b>1.1</b> | <b>1.1</b> |

Source: Company, MOSL

**Other highlights**

Trade and remittance fees  
(+26% YoY) continue to drive  
fee income growth

- Growth in fee income (+12% YoY) was broad based with growth in 3<sup>rd</sup> party distribution fees (+13% YoY), general banking fees (+5% YoY) and trade and remittance (+26% YoY). Processing fees growth declined during the quarter (-6% YoY v/s +24% in 3QFY18)
- Operating expenses growth remained well under control at 11% YoY (vs 15% YoY in 3QFY18), trailing total income growth of 12% YoY. This was led by continued moderation in employee expenses (+15% YoY) led by robust digital initiatives taken by the bank.
- RoRWA came in at 2.2% for the quarter, well within reach of management's 2.4% target laid in its Vision 2020 agenda.

**Exhibit 5: Fees grew 12% YoY led by strong traction in third party distribution and trade fees**

|                                   | 1QFY17       | 2QFY17       | 3QFY17       | 4QFY17       | 1QFY18       | 2QFY18        | 3QFY18        | 4QFY18        | YoY(%)     | QoQ(%)    |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|------------|-----------|
| <b>Fee based Income</b>           | <b>7,819</b> | <b>8,256</b> | <b>8,848</b> | <b>9,960</b> | <b>9,740</b> | <b>10,130</b> | <b>10,770</b> | <b>11,130</b> | <b>12%</b> | <b>3%</b> |
| Trade Fees (LC, BG, Remittances)  | 1,093        | 1,025        | 1,061        | 1,210        | 1,310        | 1,280         | 1,270         | 1,530         | 26%        | 20%       |
| Processing Fees and other charges | 2,151        | 2,015        | 1,946        | 2,430        | 1,960        | 2,140         | 2,420         | 2,280         | -6%        | -6%       |
| Fx Clients                        | 1,510        | 1,556        | 1,793        | 1,700        | 1,980        | 1,830         | 2,020         | 1,970         | 16%        | -2%       |
| Third Party Distribution fees     | 1,367        | 1,558        | 1,812        | 2,410        | 2,100        | 2,370         | 2,560         | 2,730         | 13%        | 7%        |
| Investment banking fees           | 1,143        | 1,608        | 1,599        | 1,590        | 1,750        | 1,860         | 1,800         | 1,970         | 24%        | 9%        |
| General banking/other income      | 555          | 494          | 637          | 620          | 640          | 650           | 700           | 650           | 5%         | -7%       |

Source: Company, MOSL



## 4QFY18 conference call highlights

### Asset quality related

- Bank's total exposure to NCLT cases is INR385cr and provision of 65% is done on the same; bank does not expect any further provisions for NCLT-related cases. Some recovery is expected from the ongoing resolutions.
- SMA2 as of 4QFY18: 0.13% of the advances.
- One gems and jewellery account is a legacy account since 1995. Bank has treated the account as "fraud," whereas other banks are still treating it as a standard account.

### Balance-sheet related

- Bank used 80bp of capital in the quarter. Out of the 80bp, ~40bp was used due to market risk and operational risk, and the balance for loan growth.
- Bank experienced significant pricing pressure in new LAP loans disbursed in the quarter.
- Bank has been very selective in lending in the "GEMS" (not jewellery) segment. Within the "GEMS" segment, the bank is looking at the USD82b global market (out of which USD42b is the US market, USD7b is the China market).

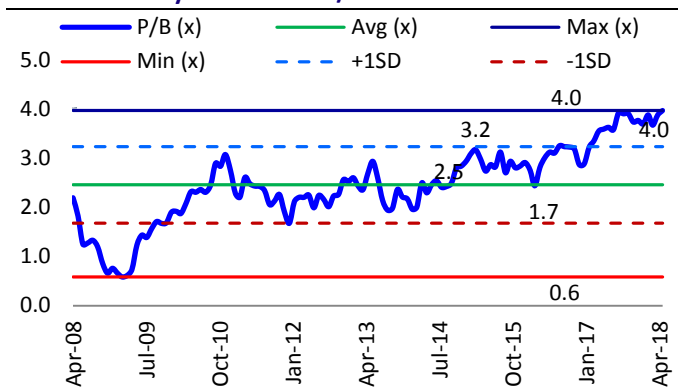
### P&L related

- Bank has participated in refinancing for few NCLT-related cases during the end of the quarter, and thus, the impact on NII is expected to flow in next quarter. Also, the bank raised its MCLR by 40bp during the quarter.
- For the bank: Entire retail book is on fixed rate; non-vehicle retail is also fixed, but 50% is on MCLR (short fixed and other half is long fixed), 10% of the book is on a variable base rate.
- Huge bond losses in Q4; banks were not able to book profits in Q4.
- Bank won't increase S/A rate to attract customers. In fact, average cost of S/A has moved downward for the bank in the last couple of quarters.
- Cross-sell ratio for SA customer : 3.6x product per customer. For top end customers, the cross sell ratio is 5x product per customer.
- Yields have gone up on the corporate side, and retail yields have gone down due to pricing pressure.

### Other updates

- BHAFIN merger was driven by gaps in the strategy identified by the management.:
  - Extension of the banking to cover rural India: from BHAFIN (new frontier). It was not possible to cover rural India inorganically (as bank had its own MFI division where it operated 300 branches covering just 1000 villages).
  - Bank is also considering to enter into insurance through the "manufacturing route" rather than being a pure play distributor.
- Post SEBI approval (withn the next few months), IL&FS will be integrated with the bank.
- With respect to BHAFIN merger, the bank is waiting for SEBI and NCLT approval. Integration will happen from July with retrospective effect.
- Credit cost for FY19 between 50-60bp.
- CI ratio is expected to reduce by 200bp.

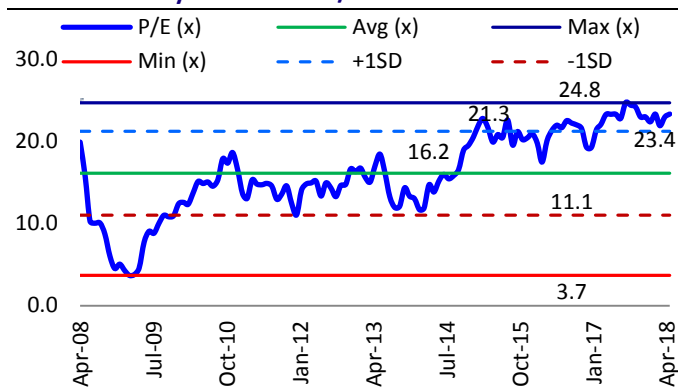
Exhibit 6: One year forward P/B



Note: Chart is for Indusind standalone

Source: Company, MOSL

Exhibit 7: One year forward P/E



Note: Chart is for Indusind standalone

Source: Company, MOSL

### Valuation and view

- Strong core profitability (3%+ of average assets v/s private banks average of 2.5% and HDFCB of 2.7%), improving CASA ratio (best amongst mid-sized private banks), healthy return ratios (ROA of 1.9%+ and ROE of 16-17%) and capitalization (Tier 1 ratio of ~14.6%) are key positives. We expect IIB to report strong 32%+ loan CAGR driven by multi products, new product addition, market share gains and base effect as it does not include BHAFIN merger.
- Performance on the first three planning cycle under the leadership of Mr. Sobti has been extremely impressive. Bank communicated its next three years strategy in the 4<sup>th</sup> stage Planning Cycle (2017-20) in the previous quarters with the clear focus of strong growth with profitability and increasing the granularity of balance sheet. IIB is targeting strong growth (25-30%), higher share of non-vehicle retail loans (25% by FY20 v/s 14% currently), strengthened liability franchise by maintaining CASA ratio above 40%, return on risk weighted assets >2.4%, continued branch expansion (2000 by FY20 v/s 1400 currently) and customer acquisition (2x increase to 20m+).
- Overall we expect underlying growth in consumer finance division product to show continued revival with broad-based growth in vehicle finance division and new product additions. IIB is already witnessing healthy growth in LAP and credit cards. Corporate loan growth is likely to be opportunistic (based on spreads available). IIB has levers like less sell down of loans, selectively doing project loan etc.
- NIMs are expected to improve led by higher yielding microfinance book from BHAFIN as well as higher share of retail liabilities, expected improvement in loan mix towards high yielding CFD, benefit of refinancing few NCLT related cases and higher share of fixed rate loans. Close-to-customer business model of CV financing helped the bank maintain strong asset quality performance, despite tough times.
- Overall superior margins, focused fee income strategy and control over C/I ratio will keep earnings momentum healthy (~32% CAGR over FY18-20). Capitalization remains one of the best in the industry at 14.6% Tier 1 ratio. Merger with BHAFIN will strengthen bank's earnings profile and further boost return ratios. We revise our numbers as we build in BHAFIN merger and proposed warrant issuance to promoters in our projections. Maintain Buy with a target price of INR 2,150 (3.7x FY20 ABV) based on RI model compared to earlier TP of INR 2,076 at 4.0x Dec 19 BV). Key assumptions in our RI model are a) Cost of equity of 13.9%, b) extended forecast average growth of 18% for 17 years and c) Terminal growth of 5%.



**Exhibit 8: Estimates are revised for FY19-20 incorporating merger with BHAFIN**

| INR B                    | Old Estimates |              | New estimates |              | Variation (%) |             |
|--------------------------|---------------|--------------|---------------|--------------|---------------|-------------|
|                          | FY19          | FY20         | FY19          | FY20         | FY19          | FY20        |
| Net Interest Income      | 94.8          | 120.1        | 117.2         | 152.8        | 23.6          | 27.2        |
| Other Income             | 59.7          | 74.6         | 69.8          | 88.7         | 17.0          | 18.8        |
| <b>Total Income</b>      | <b>154.5</b>  | <b>194.8</b> | <b>187.0</b>  | <b>241.5</b> | <b>21.0</b>   | <b>24.0</b> |
| Operating Expenses       | 70.1          | 86.4         | 83.4          | 104.2        | 19.0          | 20.6        |
| <b>Operating Profits</b> | <b>84.4</b>   | <b>108.4</b> | <b>103.6</b>  | <b>137.3</b> | <b>22.7</b>   | <b>26.7</b> |
| Provisions               | 13.7          | 17.6         | 18.2          | 24.4         | 32.7          | 38.9        |
| <b>PBT</b>               | <b>70.7</b>   | <b>90.8</b>  | <b>85.4</b>   | <b>112.9</b> | <b>20.8</b>   | <b>24.3</b> |
| Tax                      | 24.0          | 30.9         | 29.0          | 38.4         | 20.8          | 24.3        |
| <b>PAT</b>               | <b>46.6</b>   | <b>59.9</b>  | <b>56.3</b>   | <b>74.5</b>  | <b>20.8</b>   | <b>24.3</b> |
| Loans                    | 1,791         | 2,266        | 2,002         | 2,515        | 11.8          | 11.0        |
| Deposits                 | 2,029         | 2,572        | 1,949         | 2,436        | -3.9          | -5.3        |
| Margins (%)              | 4.20          | 4.21         | 4.95          | 4.90         |               |             |
| Credit Cost (%)          | 0.67          | 0.68         | 0.80          | 0.90         |               |             |
| <b>RoA (%)</b>           | <b>1.9</b>    | <b>1.9</b>   | <b>2.2</b>    | <b>2.3</b>   | <b>19.6</b>   | <b>19.2</b> |
| <b>RoE (%)</b>           | <b>18.4</b>   | <b>20.0</b>  | <b>20.6</b>   | <b>20.6</b>  | <b>11.7</b>   | <b>-1.3</b> |
| BV                       | 460           | 546          | 457.8         | 584.6        | -0.5          | 14.7        |
| ABV                      | 452.5         | 537.1        | 448.4         | 577.1        | -0.7          | 15.1        |
| EPS                      | 78.0          | 100.2        | 87.4          | 106.9        | 12.0          | 6.7         |

Source: Company, MOSL

**Exhibit 9: DuPont Analysis: Improved profitability to continue to drive RoE higher**

| Y/E March                  | FY13        | FY14        | FY15        | FY16        | FY17        | FY18        | FY19E       | FY20E       |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Interest Income            | 10.7        | 10.3        | 9.7         | 9.2         | 9.0         | 8.6         | 10.0        | 9.9         |
| Interest Expense           | 7.3         | 6.7         | 6.3         | 5.6         | 5.2         | 4.9         | 5.4         | 5.3         |
| <b>Net Interest Income</b> | <b>3.41</b> | <b>3.61</b> | <b>3.44</b> | <b>3.59</b> | <b>3.80</b> | <b>3.75</b> | <b>4.65</b> | <b>4.66</b> |
| Core Fee Income            | 2.0         | 2.2         | 2.4         | 2.5         | 2.4         | 2.1         | 2.50        | 2.45        |
| Trading and others         | 0.10        | 0.16        | 0.12        | 0.12        | 0.17        | 0.29        | 0.27        | 0.3         |
| <b>Non Interest income</b> | <b>2.08</b> | <b>2.36</b> | <b>2.56</b> | <b>2.62</b> | <b>2.62</b> | <b>2.37</b> | <b>2.77</b> | <b>2.7</b>  |
| <b>Total Income</b>        | <b>5.49</b> | <b>5.96</b> | <b>6.00</b> | <b>6.21</b> | <b>6.42</b> | <b>6.12</b> | <b>7.41</b> | <b>7.36</b> |
| <b>Operating Expenses</b>  | <b>2.68</b> | <b>2.73</b> | <b>2.89</b> | <b>2.92</b> | <b>3.00</b> | <b>2.79</b> | <b>3.31</b> | <b>3.17</b> |
| Employee cost              | 1.01        | 1.01        | 0.99        | 0.98        | 0.95        | 0.89        | 1.18        | 1.1         |
| Others                     | 1.67        | 1.72        | 1.90        | 1.93        | 2.05        | 1.90        | 2.13        | 2.0         |
| <b>Operating Profit</b>    | <b>2.81</b> | <b>3.24</b> | <b>3.12</b> | <b>3.29</b> | <b>3.42</b> | <b>3.33</b> | <b>4.11</b> | <b>4.19</b> |
| Core operating Profits     | 2.71        | 3.08        | 3.00        | 3.17        | 3.25        | 3.04        | 3.83        | 3.9         |
| <b>Provisions</b>          | <b>0.40</b> | <b>0.58</b> | <b>0.39</b> | <b>0.53</b> | <b>0.68</b> | <b>0.59</b> | <b>0.72</b> | <b>0.74</b> |
| NPA                        | 0.34        | 0.39        | 0.34        | 0.40        | 0.44        | 0.43        | 0.55        | 0.6         |
| Others                     | 0.07        | 0.19        | 0.05        | 0.14        | 0.24        | 0.16        | 0.18        | 0.1         |
| <b>PBT</b>                 | <b>2.41</b> | <b>2.65</b> | <b>2.73</b> | <b>2.76</b> | <b>2.74</b> | <b>2.74</b> | <b>3.38</b> | <b>3.44</b> |
| Tax                        | 0.79        | 0.90        | 0.92        | 0.94        | 0.94        | 0.94        | 1.15        | 1.2         |
| <b>RoA</b>                 | <b>1.62</b> | <b>1.76</b> | <b>1.80</b> | <b>1.82</b> | <b>1.80</b> | <b>1.80</b> | <b>2.23</b> | <b>2.28</b> |
| Leverage (x)               | 11.0        | 10.0        | 10.5        | 9.1         | 8.5         | 9.2         | 9.2         | 9.0         |
| <b>RoE</b>                 | <b>17.8</b> | <b>17.5</b> | <b>19.0</b> | <b>16.6</b> | <b>15.3</b> | <b>16.5</b> | <b>20.6</b> | <b>20.6</b> |

Source: Company, MOSL

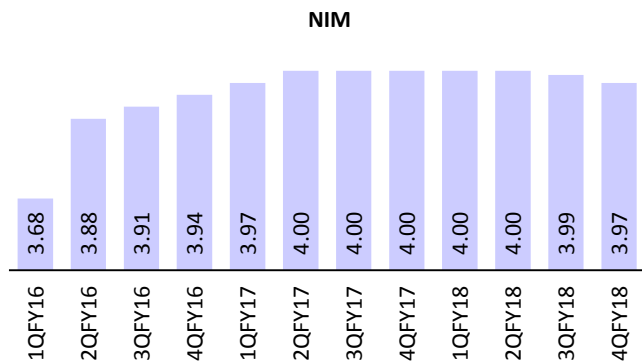
**Exhibit 10: Dupont Analysis: ROA remained healthy at ~1.8%**

|                            | 1QFY16      | 2QFY16      | 3QFY16      | 4QFY16      | 1QFY17      | 2QFY17      | 3QFY17      | 4QFY17      | 1QFY18      | 2QFY18      | 3QFY18      | 4QFY18      |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>NII</b>                 | <b>3.51</b> | <b>3.68</b> | <b>3.69</b> | <b>3.74</b> | <b>3.80</b> | <b>3.85</b> | <b>3.89</b> | <b>3.86</b> | <b>3.84</b> | <b>3.78</b> | <b>3.83</b> | <b>3.80</b> |
| Fee income                 | 2.28        | 2.27        | 2.28        | 2.29        | 2.19        | 2.18        | 2.18        | 2.30        | 2.11        | 2.10        | 2.18        | 2.11        |
| Trading and others         | 0.45        | 0.37        | 0.36        | 0.41        | 0.53        | 0.38        | 0.32        | 0.50        | 0.42        | 0.36        | 0.22        | 0.18        |
| <b>Non interest income</b> | <b>2.73</b> | <b>2.64</b> | <b>2.64</b> | <b>2.69</b> | <b>2.72</b> | <b>2.56</b> | <b>2.50</b> | <b>2.80</b> | <b>2.53</b> | <b>2.46</b> | <b>2.40</b> | <b>2.29</b> |
| <b>Total Income</b>        | <b>6.24</b> | <b>6.32</b> | <b>6.33</b> | <b>6.44</b> | <b>6.52</b> | <b>6.41</b> | <b>6.39</b> | <b>6.66</b> | <b>6.37</b> | <b>6.24</b> | <b>6.23</b> | <b>6.09</b> |
| <b>Operating costs</b>     | <b>2.93</b> | <b>2.93</b> | <b>2.99</b> | <b>3.04</b> | <b>3.07</b> | <b>3.03</b> | <b>3.03</b> | <b>3.02</b> | <b>2.93</b> | <b>2.85</b> | <b>2.86</b> | <b>2.74</b> |
| - Emp Costs                | 0.97        | 1.01        | 1.03        | 0.99        | 1.00        | 0.99        | 0.97        | 0.91        | 0.91        | 0.92        | 0.93        | 0.86        |
| - Other Expenses           | 1.96        | 1.92        | 1.97        | 2.05        | 2.07        | 2.04        | 2.06        | 2.11        | 2.02        | 1.93        | 1.93        | 1.88        |
| <b>Operating Profit</b>    | <b>3.30</b> | <b>3.39</b> | <b>3.34</b> | <b>3.40</b> | <b>3.45</b> | <b>3.38</b> | <b>3.36</b> | <b>3.64</b> | <b>3.44</b> | <b>3.39</b> | <b>3.37</b> | <b>3.35</b> |
| Core Operating Profit      | 2.85        | 3.02        | 2.98        | 2.99        | 2.92        | 3.00        | 3.03        | 3.14        | 3.02        | 3.03        | 3.14        | 3.17        |
| Provisions                 | 0.44        | 0.53        | 0.56        | 0.63        | 0.65        | 0.56        | 0.53        | 1.00        | 0.67        | 0.61        | 0.48        | 0.64        |
| Tax                        | 0.98        | 0.97        | 0.95        | 0.94        | 0.96        | 0.96        | 0.97        | 0.90        | 0.96        | 0.95        | 1.00        | 0.91        |
| <b>ROAA</b>                | <b>1.88</b> | <b>1.88</b> | <b>1.83</b> | <b>1.83</b> | <b>1.85</b> | <b>1.86</b> | <b>1.85</b> | <b>1.74</b> | <b>1.81</b> | <b>1.83</b> | <b>1.89</b> | <b>1.81</b> |
| Leverage (x)               | 10.2        | 8.5         | 7.4         | 7.7         | 7.9         | 8.1         | 8.3         | 8.5         | 8.8         | 8.9         | 8.8         | 9.0         |
| <b>ROAE</b>                | <b>19.3</b> | <b>16.0</b> | <b>13.6</b> | <b>14.2</b> | <b>14.7</b> | <b>15.0</b> | <b>15.4</b> | <b>14.8</b> | <b>15.9</b> | <b>16.2</b> | <b>16.7</b> | <b>16.3</b> |

Source: Company, MOSL

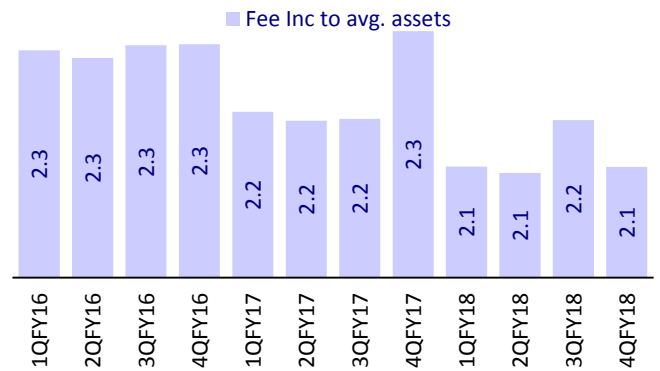
## Story in Charts

**Exhibit 11: NIM largely stable at 3.97%**



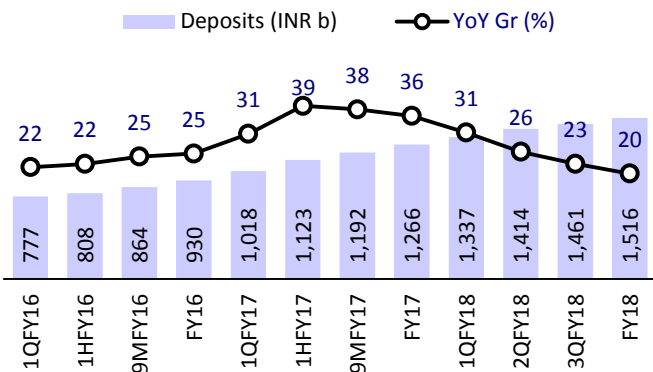
Source: MOSL, Company

**Exhibit 12: Fee income to average assets declines by 7bp**



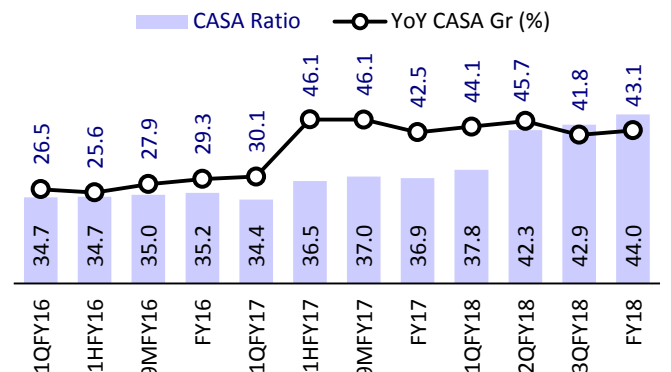
Source: MOSL, Company

**Exhibit 13: Deposit growth moderates to 20% YoY**



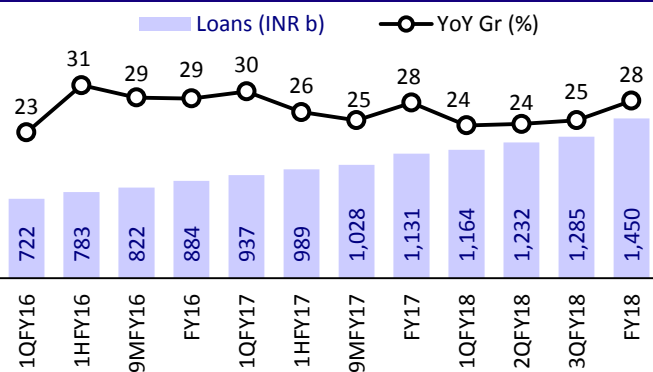
Source: MOSL, Company

**Exhibit 14: CASA growth came in at ~43% YoY**



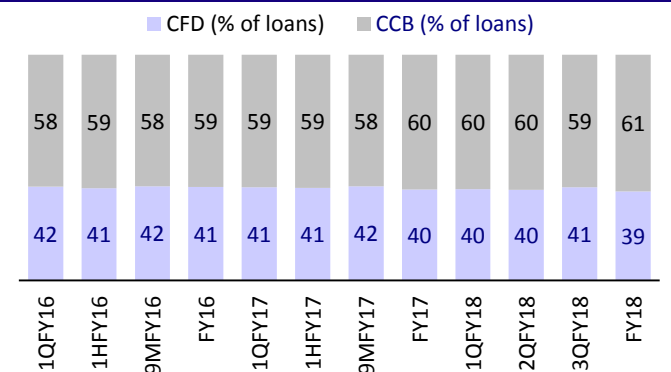
Source: MOSL, Company

**Exhibit 15: Loan growth strong at ~28% YoY**



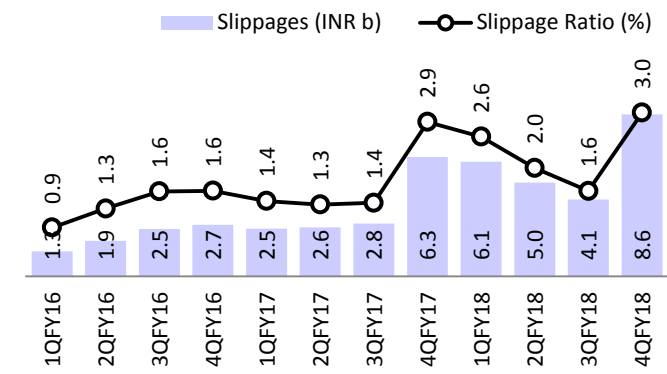
Source: MOSL, Company

**Exhibit 16: Loan mix shifting towards CCB (Corporate)**

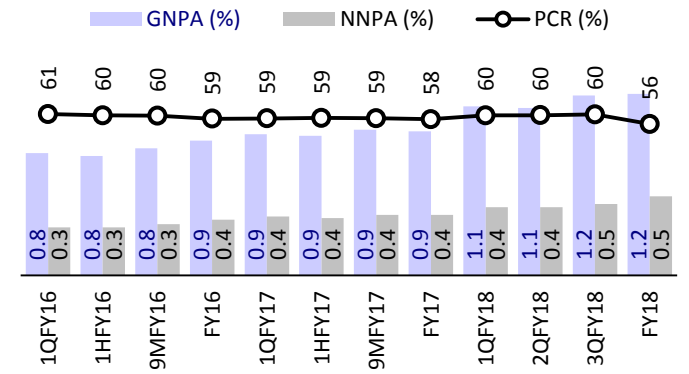


Source: MOSL, Company

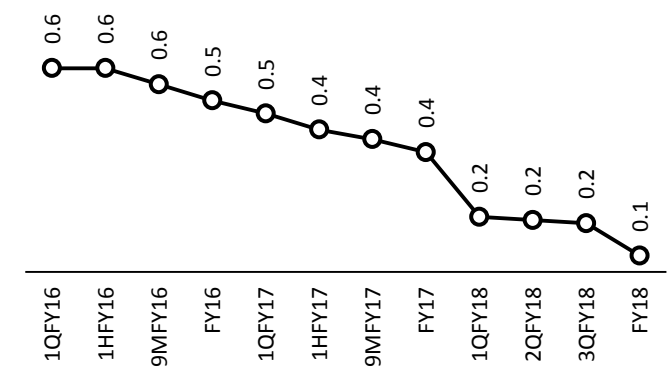


**Exhibit 17: Annualized slippage ratio elevated to 3%**


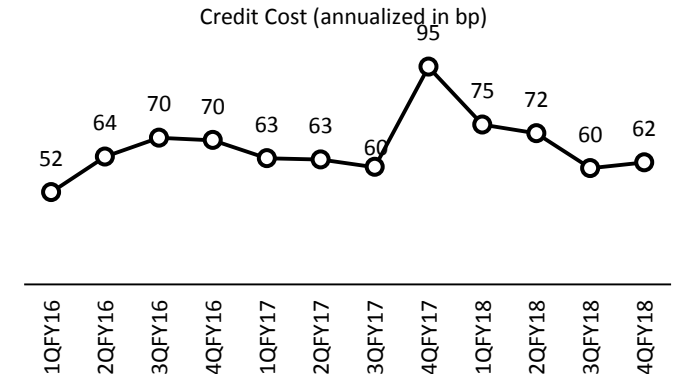
Source: MOSL, Company

**Exhibit 18: PCR ratio declined QoQ to 56%**


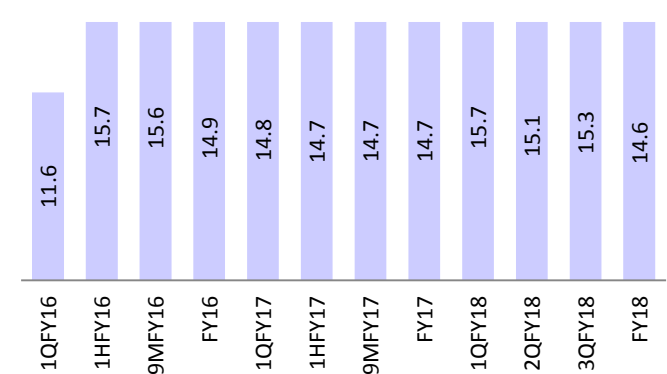
Source: MOSL, Company

**Exhibit 19: Restructured book declined to 5bp of advances**


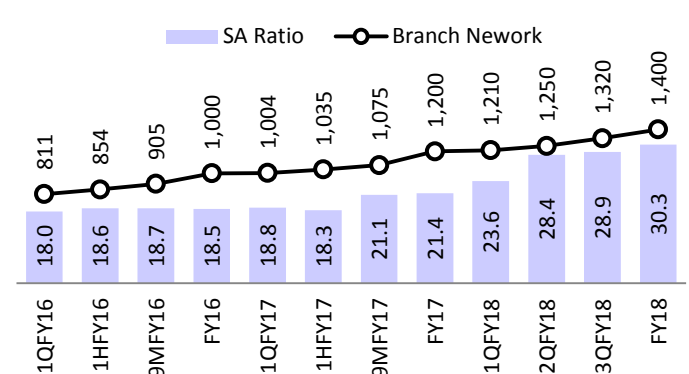
Source: MOSL, Company

**Exhibit 20: Credit costs increased slightly during the quarter**


Source: MOSL, Company

**Exhibit 21: Strong tier 1 capital ratio(%) despite consuming some capital**


Source: MOSL, Company

**Exhibit 22: Bank added 80 branches during the quarter**


Source: MOSL, Company

## Financials and Valuations

### Income Statement

(INR million)

| Y/E March                    | 2013          | 2014          | 2015          | 2016          | 2017            | 2018            | 2019E           | 2020E           |
|------------------------------|---------------|---------------|---------------|---------------|-----------------|-----------------|-----------------|-----------------|
| Interest Income              | 69,832        | 82,535        | 96,920        | 1,15,807      | 1,44,057        | 1,72,808        | 2,53,080        | 3,25,120        |
| Interest Expense             | 47,504        | 53,628        | 62,717        | 70,641        | 83,431          | 97,833          | 1,35,903        | 1,72,326        |
| <b>Net Interest Income</b>   | <b>22,329</b> | <b>28,907</b> | <b>34,203</b> | <b>45,166</b> | <b>60,626</b>   | <b>74,975</b>   | <b>1,17,177</b> | <b>1,52,794</b> |
| Growth (%)                   | 31.0          | 29.5          | 18.3          | 32.1          | 34.2            | 23.7            | 56.3            | 30.4            |
| Non Interest Income          | 13,630        | 18,905        | 25,480        | 32,969        | 41,715          | 47,501          | 69,826          | 88,680          |
| <b>Total Income</b>          | <b>35,958</b> | <b>47,812</b> | <b>59,683</b> | <b>78,135</b> | <b>1,02,341</b> | <b>1,22,476</b> | <b>1,87,004</b> | <b>2,41,473</b> |
| Growth (%)                   | 32.4          | 33.0          | 24.8          | 30.9          | 31.0            | 19.7            | 52.7            | 29.1            |
| Operating Expenses           | 17,564        | 21,853        | 28,701        | 36,721        | 47,831          | 55,914          | 83,411          | 1,04,154        |
| <b>Pre Provision Profits</b> | <b>18,395</b> | <b>25,960</b> | <b>30,982</b> | <b>41,414</b> | <b>54,510</b>   | <b>66,561</b>   | <b>1,03,593</b> | <b>1,37,319</b> |
| Growth (%)                   | 34.0          | 41.1          | 19.3          | 33.7          | 31.6            | 22.1            | 55.6            | 32.6            |
| <b>Core PPP</b>              | <b>17,750</b> | <b>24,676</b> | <b>29,824</b> | <b>39,892</b> | <b>51,741</b>   | <b>60,831</b>   | <b>96,717</b>   | <b>1,29,068</b> |
| Growth (%)                   | 35.0          | 39.0          | 20.9          | 33.8          | 29.7            | 17.6            | 59.0            | 33.4            |
| Provisions (excl tax)        | 2,631         | 4,676         | 3,891         | 6,722         | 10,913          | 11,754          | 18,242          | 24,439          |
| <b>PBT</b>                   | <b>15,764</b> | <b>21,283</b> | <b>27,092</b> | <b>34,693</b> | <b>43,597</b>   | <b>54,807</b>   | <b>85,351</b>   | <b>1,12,880</b> |
| Tax                          | 5,152         | 7,203         | 9,155         | 11,828        | 14,918          | 18,747          | 29,019          | 38,379          |
| Tax Rate (%)                 | 32.7          | 33.8          | 33.8          | 34.1          | 34.2            | 34.2            | 34.0            | 34.0            |
| <b>PAT</b>                   | <b>10,612</b> | <b>14,080</b> | <b>17,937</b> | <b>22,864</b> | <b>28,679</b>   | <b>36,060</b>   | <b>56,332</b>   | <b>74,501</b>   |
| Growth (%)                   | 32.2          | 32.7          | 27.4          | 27.5          | 25.4            | 25.7            | 56.2            | 32.3            |

### Balance Sheet

(INR million)

| Y/E March                 | 2013            | 2014            | 2015             | 2016             | 2017             | 2018             | 2019E            | 2020E            |
|---------------------------|-----------------|-----------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Equity Share Capital      | 5,229           | 5,256           | 5,295            | 5,950            | 5,982            | 6,002            | 6,892            | 7,050            |
| Reserves & Surplus        | 70,967          | 85,063          | 1,01,010         | 1,70,872         | 2,00,328         | 2,32,269         | 3,10,150         | 4,06,962         |
| <b>Net Worth</b>          | <b>76,195</b>   | <b>90,319</b>   | <b>1,06,305</b>  | <b>1,76,822</b>  | <b>2,06,309</b>  | <b>2,38,271</b>  | <b>3,17,042</b>  | <b>4,14,012</b>  |
| <b>Deposits</b>           | <b>5,41,167</b> | <b>6,05,023</b> | <b>7,41,344</b>  | <b>9,30,001</b>  | <b>12,65,722</b> | <b>15,16,392</b> | <b>19,48,563</b> | <b>24,35,704</b> |
| Growth (%)                | 27.7            | 11.8            | 22.5             | 25.4             | 36.1             | 19.8             | 28.5             | 25.0             |
| <b>of which CASA Dep</b>  | <b>1,58,674</b> | <b>1,96,909</b> | <b>2,52,996</b>  | <b>3,27,240</b>  | <b>4,66,460</b>  | <b>6,67,290</b>  | <b>8,20,345</b>  | <b>10,57,096</b> |
| Growth (%)                | 37.2            | 24.1            | 28.5             | 29.3             | 42.5             | 43.1             | 22.9             | 28.9             |
| Borrowings                | 94,596          | 1,47,620        | 2,06,181         | 2,21,559         | 2,24,537         | 3,82,891         | 4,44,422         | 7,17,636         |
| Other Liabilities & Prov. | 21,000          | 27,187          | 63,900           | 72,050           | 89,764           | 78,563           | 1,17,996         | 1,36,888         |
| <b>Total Liabilities</b>  | <b>7,33,065</b> | <b>8,70,259</b> | <b>11,17,869</b> | <b>14,00,570</b> | <b>17,86,484</b> | <b>22,16,262</b> | <b>28,28,024</b> | <b>37,04,240</b> |
| Current Assets            | 68,487          | 67,694          | 1,07,791         | 1,01,119         | 1,86,283         | 1,32,159         | 2,36,906         | 3,12,181         |
| <b>Investments</b>        | <b>1,96,542</b> | <b>2,15,630</b> | <b>2,28,780</b>  | <b>3,12,143</b>  | <b>3,67,021</b>  | <b>5,00,767</b>  | <b>6,29,226</b>  | <b>7,86,533</b>  |
| Growth (%)                | 34.9            | 9.7             | 6.1              | 36.4             | 17.6             | 36.4             | 25.7             | 25.0             |
| <b>Loans</b>              | <b>4,43,206</b> | <b>5,51,018</b> | <b>6,87,882</b>  | <b>8,84,193</b>  | <b>11,30,805</b> | <b>14,49,537</b> | <b>20,01,934</b> | <b>25,15,381</b> |
| Growth (%)                | 26.4            | 24.3            | 24.8             | 28.5             | 27.9             | 28.2             | 38.1             | 25.6             |
| Fixed Assets              | 7,561           | 10,164          | 11,576           | 12,553           | 13,352           | 13,388           | 16,337           | 17,989           |
| Other Assets              | 17,269          | 25,753          | 81,840           | 90,561           | 89,023           | 1,20,412         | -56,026          | 1,01,295         |
| <b>Total Assets</b>       | <b>7,33,065</b> | <b>8,70,259</b> | <b>11,17,869</b> | <b>14,00,570</b> | <b>17,86,484</b> | <b>22,16,262</b> | <b>28,28,024</b> | <b>37,04,240</b> |

### Asset Quality

| Y/E March                  | 2013  | 2014  | 2015  | 2016  | 2017   | 2018   | 2019E  | 2020E  |
|----------------------------|-------|-------|-------|-------|--------|--------|--------|--------|
| GNPA (INR m)               | 4,578 | 6,208 | 5,629 | 7,768 | 10,549 | 17,049 | 25,219 | 26,238 |
| NNPA (INR m)               | 1,368 | 1,841 | 2,104 | 3,216 | 4,388  | 7,457  | 8,217  | 7,591  |
| GNPA Ratio                 | 1.0   | 1.1   | 0.8   | 0.9   | 0.9    | 1.2    | 1.3    | 1.0    |
| NNPA Ratio                 | 0.3   | 0.3   | 0.3   | 0.4   | 0.4    | 0.5    | 0.4    | 0.3    |
| Slippage Ratio             | 1.33  | 1.26  | 1.43  | 1.08  | 1.42   | 1.84   | 1.25   | 1.05   |
| Credit Cost                | 0.55  | 0.63  | 0.55  | 0.64  | 0.70   | 0.91   | 0.80   | 0.90   |
| PCR (Excl Tech. write off) | 70.1  | 70.4  | 62.6  | 58.6  | 58.4   | 56.3   | 67.4   | 71.1   |

## Financials and Valuations

### Ratios

| Y/E March                         | 2013        | 2014        | 2015        | 2016        | 2017       | 2018       | 2019E       | 2020E       |
|-----------------------------------|-------------|-------------|-------------|-------------|------------|------------|-------------|-------------|
| <b>Yield and Cost Ratios (%)</b>  |             |             |             |             |            |            |             |             |
| <b>Avg. Yield-Earning Assets</b>  | <b>11.1</b> | <b>10.7</b> | <b>10.4</b> | <b>10.0</b> | <b>9.7</b> | <b>9.2</b> | <b>10.2</b> | <b>10.0</b> |
| Avg. Yield on loans               | 14.1        | 13.3        | 12.5        | 11.8        | 11.4       | 10.6       | 11.9        | 11.7        |
| Avg. Yield on Investments         | 6.1         | 7.7         | 7.5         | 7.2         | 7.2        | 6.6        | 7.3         | 7.1         |
| <b>Avg. Cost-Int. Bear. Liab.</b> | <b>8.3</b>  | <b>7.7</b>  | <b>7.4</b>  | <b>6.7</b>  | <b>6.3</b> | <b>5.8</b> | <b>6.3</b>  | <b>6.2</b>  |
| Avg. Cost of Deposits             | 8.3         | 7.6         | 7.7         | 6.8         | 6.3        | 6.1        | 6.0         | 5.8         |
| <b>Interest Spread</b>            | <b>2.7</b>  | <b>3.1</b>  | <b>2.7</b>  | <b>3.1</b>  | <b>3.3</b> | <b>3.1</b> | <b>4.2</b>  | <b>4.2</b>  |
| <b>Net Interest Margin</b>        | <b>3.7</b>  | <b>3.9</b>  | <b>3.9</b>  | <b>4.0</b>  | <b>4.2</b> | <b>4.2</b> | <b>5.0</b>  | <b>4.9</b>  |

### Capitalisation Ratios (%)

|         |      |      |      |      |      |      |      |      |
|---------|------|------|------|------|------|------|------|------|
| CAR     | 15.4 | 13.8 | 12.1 | 15.5 | 15.3 | 15.0 | 14.9 | 15.5 |
| Tier I  | 13.8 | 12.7 | 11.2 | 14.9 | 14.7 | 14.6 | 14.6 | 15.2 |
| Tier II | 1.6  | 1.1  | 0.9  | 0.6  | 0.6  | 0.5  | 0.3  | 0.3  |

### Business and Efficiency Ratios (%)

|                            |      |      |      |      |      |      |       |       |
|----------------------------|------|------|------|------|------|------|-------|-------|
| Loans/Deposit Ratio        | 81.9 | 91.1 | 92.8 | 95.1 | 89.3 | 95.6 | 102.7 | 103.3 |
| CASA Ratio                 | 29.3 | 32.5 | 34.1 | 35.2 | 36.9 | 44.0 | 42.1  | 43.4  |
| Cost/Assets                | 2.4  | 2.5  | 2.6  | 2.6  | 2.7  | 2.5  | 2.9   | 2.8   |
| Cost/Total Income          | 48.8 | 45.7 | 48.1 | 47.0 | 46.7 | 45.7 | 44.6  | 43.1  |
| Cost/Core Income           | 49.7 | 47.0 | 49.0 | 47.9 | 48.0 | 47.9 | 46.3  | 44.7  |
| Int. Expense/Int.Income    | 68.0 | 65.0 | 64.7 | 61.0 | 57.9 | 56.6 | 53.7  | 53.0  |
| Fee Income/Total Income    | 25.8 | 29.7 | 30.7 | 29.5 | 29.4 | 22.3 | 25.5  | 26.0  |
| Non Int. Inc./Total Income | 37.9 | 39.5 | 42.7 | 42.2 | 40.8 | 38.8 | 37.3  | 36.7  |
| Empl. Cost/Total Expense   | 37.7 | 37.0 | 34.2 | 33.7 | 31.8 | 31.8 | 35.6  | 36.2  |
| Investment/Deposit Ratio   | 36.3 | 35.6 | 30.9 | 33.6 | 29.0 | 33.0 | 32.3  | 32.3  |

### Valuations

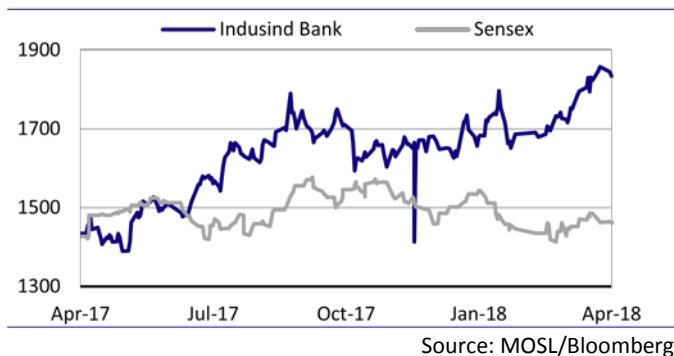
| Y/E March                 | 2013        | 2014        | 2015        | 2016        | 2017        | 2018        | 2019E       | 2020E       |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| RoE                       | 17.8        | 17.5        | 19.0        | 16.6        | 15.3        | 16.5        | 20.5        | 19.8        |
| RoA                       | 1.6         | 1.8         | 1.8         | 1.8         | 1.8         | 1.8         | 2.2         | 2.3         |
| RoRWA                     | 2.0         | 2.1         | 2.0         | 2.0         | 2.0         | 2.1         | 2.5         | 2.6         |
| Book Value (INR)          | 143.9       | 168.3       | 197.4       | 294.2       | 342.0       | 394.1       | 457.8       | 626.0       |
| Growth (%)                |             | 16.9        | 17.3        | 49.1        | 16.3        | 15.2        | 16.2        | 36.7        |
| <b>Price-BV (x)</b>       | <b>12.7</b> | <b>10.9</b> | <b>9.3</b>  | <b>6.2</b>  | <b>5.4</b>  | <b>4.7</b>  | <b>4.0</b>  | <b>3.1</b>  |
| Adjusted BV (INR)         | 142.1       | 165.8       | 194.6       | 290.4       | 336.9       | 385.4       | 449.4       | 618.4       |
| <b>Price-ABV (x)</b>      | <b>12.9</b> | <b>11.1</b> | <b>9.4</b>  | <b>6.3</b>  | <b>5.4</b>  | <b>4.8</b>  | <b>4.1</b>  | <b>3.2</b>  |
| EPS (INR)                 | 21.4        | 26.9        | 34.0        | 40.7        | 48.1        | 60.2        | 87.4        | 106.9       |
| Growth (%)                |             | 25.4        | 26.6        | 19.6        | 18.2        | 25.2        | 45.2        | 22.3        |
| <b>Price-Earnings (x)</b> | <b>85.6</b> | <b>68.3</b> | <b>53.9</b> | <b>45.1</b> | <b>38.2</b> | <b>30.5</b> | <b>21.0</b> | <b>17.2</b> |
| Dividend Per Share (INR)  | 3.5         | 4.1         | 4.8         | 5.9         | 7.2         | 8.2         | 8.8         | 10.5        |
| <b>Dividend Yield (%)</b> | <b>0.2</b>  | <b>0.2</b>  | <b>0.3</b>  | <b>0.3</b>  | <b>0.4</b>  | <b>0.4</b>  | <b>0.5</b>  | <b>0.6</b>  |

## Corporate profile

### Company description

IndusInd Bank (IIB) is one of the ten new private sector banks which were awarded license in 1994. The bank has pan-India presence with 1,004 branches and 1,885 ATMs as on June 20, 2016. It also has one representative office each in Dubai and London. Current management team, led by Managing Director Mr Romesh Sobti, took charge in February 2008 and has since been effecting structural and operational changes to improve productivity and efficiency, leading to strong improvement in core operating performance.

### Exhibit 1: Sensex rebased



### Exhibit 2: Shareholding pattern (%)

|          | Mar-18 | Dec-17 | Mar-17 |
|----------|--------|--------|--------|
| Promoter | 15.0   | 15.0   | 15.0   |
| DII      | 10.0   | 11.7   | 12.3   |
| FII      | 57.2   | 55.3   | 54.2   |
| Others   | 17.8   | 18.0   | 18.6   |

Note: FII Includes depository receipts

Source: Capitaline

### Exhibit 3: Top holders

| Holder Name                                     | % Holding |
|---|-----------|
| Bridge India Fund                               | 3.9       |
| Icici Prudential Life Insurance Company Limited | 1.8       |
| Afrin Dia                                       | 1.7       |
| Government Of Singapore                         | 1.6       |
| Uti - Equity Fund                               | 1.6       |

Source: Capitaline

### Exhibit 4: Top management

| Name             | Designation             |
|------------------|-------------------------|
| R Seshasayee     | Chairman                |
| Romesh Sobti     | Managing Director & CEO |
| Haresh K Gajwani | Company Secretary       |
|                  |                         |
|                  |                         |
|                  |                         |
|                  |                         |
|                  |                         |
|                  |                         |
|                  |                         |

Source: Capitaline

### Exhibit 5: Directors

| Name                | Name              |
|---------------------|-------------------|
| TT Ram Mohan        | Kanchan Chitale   |
| Ranbir Butola       | Shanker Annaswamy |
| T Anantha Narayanan | Vijay Vaid        |
| Yashodhan M Kale    |                   |
|                     |                   |
|                     |                   |
|                     |                   |
|                     |                   |
|                     |                   |

\*Independent

### Exhibit 6: Auditors

| Name  | Type              |
|---|-------------------|
| Bhandari & Associates                           | Secretarial Audit |
| Price Waterhouse & Co Chartered Accountants LLP | Statutory         |
|   |                   |
|   |                   |
|   |                   |

Source: Capitaline

### Exhibit 7: MOSL forecast v/s consensus

| EPS (INR) | MOSL forecast | Consensus forecast | Variation (%) |
|-----------|---------------|--------------------|---------------|
| FY18      | 60.2          | 76.7               | -21.6         |
| FY19      | 87.4          | 97.0               | -9.9          |
| FY20      | 106.9         | 119.7              | -10.7         |

Source: Bloomberg

## NOTES

## Explanation of Investment Rating

### Investment Rating

|              |  |
|--------------|--|
| BUY          | >=15%  |
| SELL         | < - 10%  |
| NEUTRAL      | > - 10 % to 15%  |
| UNDER REVIEW | Rating may undergo a change  |
| NOT RATED    | We have forward looking estimates for the stock but we refrain from assigning recommendation |

\*In case the recommendation given by the Research Analyst becomes inconsistent with the investment rating legend, the Research Analyst shall within 28 days of the inconsistency, take appropriate measures to make the recommendation consistent with the investment rating legend.

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### Disclosure of Interest Statement

Analyst ownership of the stock

### Indusind Bank

No

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