October 16, 2018

IndusInd Bank (INDBA)

₹ 1650

Healthy trend in operational earnings sustains

- Business growth remained strong. Advances increased higher than our estimate at 32.4% YoY (highest in last several quarters) to ₹ 163144 crore while deposit grew 18.9% YoY to ₹ 168219 crore
- Margins stayed at strong levels of >3.8%. NII maintained healthy growth trend of 21% YoY to ₹ 2203 crore
- Asset quality stayed steady QoQ. The GNPA ratio improved to 1.09% vs. 1.15% QoQ while the NNPA ratio fell 3 bps QoQ to 0.48%
- The bank made contingency provisions of ~₹ 275 crore towards exposure to an infrastructure company. This account is currently standard. Total provisions came in at ₹ 590 crore vs. our estimate of ~₹ 315 crore. This impacted the bottomline
- PAT was at ₹ 920 crore (up 4.6% YoY) vs. our estimate of ₹ 1091 crore. Excluding contingent provisions, the traction in earnings would have been healthy at ~24% YoY

Turnaround done successfully; growth ahead of industry to sustain

After taking over in early 2008, the current management transformed IIB from low, volatile balance sheet growth to steady, sustainable growth with strong profitability. We like the fact that the transformation has been qualitative (RoA up from 0.3% to 1.8% as on FY18) despite a turbulent economic scenario. Loans, deposits, PAT traction improved to 27%, 23%, 50% CAGR in FY08-17 from 12%, 13%, -35% in FY05-08, respectively. Loan, deposit grew 28%, 19.8% YoY to ₹ 144954 crore, ₹ 151639 crore, respectively, as on FY18. IIB's loan mix was 39.5% consumer finance (CF), ~75% of which is high yielding vehicle financing, 60.5% corporate banking (CB), working capital in nature & well diversified across industries. We factor in ~28% loan CAGR in FY18-20E to ₹ 238665 crore.

Healthy NIMs to stay with focus on CF book ahead

IIB maintained calculated NIM of over 3.7% in past while FY18 NIM was maintained at strong levels of ~4%. In the past seven years, reported NIM improved from 1.7% to ~4% as on FY18. Such a structural improvement was led by an improvement in CASA franchise (more than double of >44% as of FY18), helping keep CoF under control across various cycles. Lower yield from incremental exposure to AAA rated corporate is seen being set off by strong liability franchise and rising CF proportion. Therefore, we expect calculated NIM to stay healthy at ~4% by FY20E.

Diversified asset book enables superior asset quality

IIB has fared well over the years in terms of asset quality with GNPA ratio improving from 3.1% in FY08 to 1% by FY11 and maintained at ~1% now. Diversification led to a steady performance on the asset quality front. The management aspires to restrict credit cost at mid-50 bps levels. We expect GNPA ratio to remain steady at ~1.2% by FY20E.

Consistent growth; steady quality; strategic deal in focus; maintain BUY

IIB has continued to deliver a strong performance. Consistent return ratios of ~17-19% RoE & ~2% RoA provide comfort. An improving CV cycle & consequent rise in high yielding vehicle portfolio augur well for future. Superior growth, strong liability franchise, stable margins and steady credit costs are seen enabling earnings growth at 28.3% CAGR in FY18-20E (earlier estimate of ~32% CAGR). The bank has announced an all-share deal to buy Bharat Financial (BFIL). This merger is expected to add ~₹ 8/ share to the standalone BV while warrant issuance to promoter can add ~₹ 25/share. We factor in higher provisions in FY19E for exposure to an infrastructure company. We maintain **BUY** rating but reduce the target price to ₹ 1900 (earlier 2150), valuing the stock at ~3.6x FY20E ABV.

Rating matrix

Rating	:	Buy
Target	:	₹ 1900
Target Period	:	12 months
Potential Upside	:	15%

What's Changed?

Target	Changed from ₹ 2150 to ₹ 1900
EPS FY19E	Changed from ₹ 81.5 to ₹ 73.9
EPS FY20E	Changed from ₹ 106 to ₹ 98.9
Rating	Unchanged

Quarterly Performance

	Q2FY19	Q2FY18	YoY (%)	Q1FY19	QoQ (%)
NII	2,203.3	1,821.0	21.0	2,122.4	3.8
Other income	1,317.3	1,187.6	10.9	1,301.6	1.2
PPP	1,992.4	1,633.5	22.0	1,911.1	4.3
PAT	920.2	880.1	4.6	1,035.7	-11.1

Key Financials

₹ Crore	FY17	FY18	FY19E	FY20E
NII	6,062.5	7,497.4	9,103.8	11,650.8
PPP	5,451.0	6,656.1	8,132.7	10,249.1
PAT	2,867.9	3,606.0	4,433.2	5,935.4

Valuation summary

	FY17	FY18	FY19E	FY20E
P/E	34.1	27.2	22.1	16.5
Target P/E	39.6	31.6	25.7	19.2
P/ABV	4.8	4.3	3.7	3.1
Target P/ABV	5.6	4.9	4.2	3.6
RoE	15.0	16.2	17.2	19.6
RoA	1.8	1.8	1.8	2.0

Stock data

Market Capitalisation	₹ 98312 Crore
GNPA (Q2FY19)	₹ 1781 Crore
NNPA (Q2FY19)	₹ 788 Crore
NIM (%) (Q2FY19)	3.8
52 week H/L	2038 /1551
Net worth	₹ 24921 Crore
Face Value	₹ 10
DII Holding (%)	10.6
FII Holding (%)	52.6

Price performance (%)

Return %	1M	3M	6M	12M
Yes Bank	-23.9	-34.6	-20.5	-33.5
Axis Bank	-9.4	10.2	6.3	8.9
Indusind Bank	-13.1	-15.4	-12.6	-7.1

Research Analyst

Kajal Gandhi
kajal.gandhi@icicisecurities.com

Vasant Lohiya
vasant.lohiya@icicisecurities.com

Vishal Narnolia
vishal.narnolia@icicisecurities.com

Variance analysis							
	Q2FY19	Q2FY19E	Q2FY18	YoY (%)	Q1FY19	QoQ (%)	Comments
NII	2,203	2,194	1,821	21.0	2,122	3.8	NII traction led by healthy advance growth as well as strong margins. This has been the trend for the last several quarters for the bank
NIM (%)	3.84	3.85	4.00	-16 bps	3.92	-8 bps	Margins stayed strong. QoQ dip was largely owing to revision in deposit rates.
Other Income	1,317	1,332	1,188	10.9	1,302	1.2	Trading income declined QoQ and YoY as expected. Core fee income growth was healthy at 20.2% YoY
Net Total Income	3,521	3,527	3,009	17.0	3,424	2.8	
Staff cost	458	471	445	3.0	462	-0.8	
Other Operating Expenses	1,070	1,093	930	15.0	1,051	1.8	
PPP	1,992	1,962	1,634	22.0	1,911	4.3	Healthy operational performance and cost control led to growth in PPP
Provision	590	315	294	100.9	350.0	68.6	Provisions came in higher owing to contingent provisions of ₹ 275 crore made towards exposure to an infrastructure company
PBT	1,402	1,647	1,340	4.7	1,561	-10.2	
Tax Outgo	482	556	460	4.8	525.4	-8.3	
PAT	920	1,092	880	4.6	1,035.7	-11.1	PAT came in below estimates largely owing to higher contingent provisions. Excluding such provisions, the traction in earnings would have been healthy
Key Metrics							
GNPA	1,781	1,828	1,345	32.4	1,740.6	2.3	Asset quality improved on a QoQ basis. Slippages were at ₹ 419 crore vs. ₹ 475 crore seen in Q1FY19
NNPA	788	800	537	46.7	762.4	3.3	PCR stayed flat QoQ at 56%
Total Restructured assets	179	400	194	-7.5	75.3	138.2	Restructured loans as a percentage of total credit remained lower at 0.11%
Credit book	163,144	157,056	123,181	32.4	150,675	8.3	Credit traction was led by healthy growth in corporate book (up 35% YoY). Retail book also saw healthy growth at 29% YoY, led by traction in vehicle finance portfolio
Deposit book	168,219	167,917	141,441	18.9	158,862	5.9	Healthy uptick in saving deposit continues at 27% YoY

Source: Company, ICICI Direct Research

Change in estimates						
	FY19E			FY20E		
(₹ Crore)	Old	New	% Change	Old	New	% Change
Net Interest Income	9,307	9,104	-2	11,820	11,651	-1
Pre Provision Profit	8,460	8,133	-4	10,882	10,249	-6
NIM(%) (calculated)	4.0	4.0	-9 bps	4.1	4.1	-6 bps
PAT	4,890	4,433	-9	6,366	5,935	-7
ABV per share (₹)	453.2	446.9	-1.4	544.9	531.6	-2.5

Source: Company, ICICI Direct Research

Assumptions						
			Current		Earlier	
	FY17	FY18	FY19E	FY20E	FY19E	FY20E
Credit growth (%)	27.9	28.2	28.1	28.6	28.1	28.6
Deposit Growth (%)	36.1	19.8	25.4	28.1	25.4	28.1
CASA ratio (%)	36.9	44.0	45.5	48.2	45.5	48.2
NIM Calculated (%)	4.2	4.1	4.0	4.1	4.0	4.1
Cost to income ratio (%)	46.7	45.7	45.0	44.6	43.6	41.7
GNPA (₹ crore)	1,054.9	1,704.9	2,299.0	2,776.3	2,243.3	2,720.6
NNPA (₹ crore)	438.8	745.6	861.7	942.2	882.5	911.1
Slippage ratio (%)	1.6	2.9	0.9	0.6	0.8	0.6
Credit cost (%)	0.9	0.7	0.7	0.5	0.5	0.5

Source: Company, ICICI Direct Research

Company Analysis

Ideal mix of loan book; better than industry growth to stay ahead....

IIB's total credit book grew 32.4% YoY as on Q2FY19 to ₹ 163144 crore led by CV loans with the large corporate segment growing 35% YoY. The composition/mix of the loan book is ideal with the consumer finance (CF) book and corporate banking book (CB book) accounting for 40% and 60%, respectively, as on Q2FY19. The bank has guided at maintaining 1:1 distribution of the total loan between CF and CB book, going ahead. Thus, the CF book could witness higher traction led by CV financing and non-vehicle loans. Overall credit traction has been strong at ~27% CAGR in the past six years, way ahead of industry.

We expect advances growth to stay well above the system at ~28% CAGR in FY18-20E to ₹ 238665 crore

CF book, amounting to ₹ 63643 crore as on Q2FY19, is well diversified (see Exhibit 1) but remains largely vehicle finance focused (~75% of CF book). Improving CV cycle is reflected in a rise in traction of CV financing book of 34% YoY in Q2FY19 vs. 15% YoY in Q2FY18 and 27% in Q4FY18. Going forward, we expect growth to be strong in both CF & corporate. We factor in ~35% CAGR in the CF book in FY18-20E to ₹ 103813 crore.

Exhibit 1: Vehicle book led by CV segment continues to witness improvement in traction

Consumer Finance Book									
₹ crore	FY14	FY15	FY16	FY17	Q2FY18	Q3FY18	FY18	Q1FY19	Q2FY19
Comm. Vehicle	9,614	10,618	14,101	15,606	16,383	17,941	19,872	20,703	21,992
Utility Vehicle	2,050	2,017	2,058	2,342	2,514	2,686	2,866	3,026	3,201
Three Wheelers	1,932	1,843	2,045	2,374	2,391	2,467	2,528	2,732	2,886
Two Wheelers	2,512	2,808	3,045	3,262	3,288	3,495	3,589	3,754	3,867
Car loans	2,642	3,146	3,917	4,665	5,042	5,255	5,345	5,600	5,892
Equip. financing + Tractor	2,854	2,816	3,244	5,933	6,874	7,492	8,205	8,851	9,373
Credit card	457	698	1,204	1,704	2,160	2,354	2,696	2,983	3,185
Loan against prop.	2,473	3,705	5,248	7,051	7,549	7,824	8,009	8,180	8,324
Personal.others etc	251	761	1,687	2,592	3,264	3,610	4,130	4,435	4,922
Total	24,785	28,412	36,549	45,529	49,465	53,124	57,239	60,264	63,643
YoY Growth	11	15	29	25	22	24	26	28	29

Source: Company, ICICI Direct Research

IIB's CB book grew 35% YoY to ₹ 99501 crore as on Q2FY19. It is largely inclined towards working capital finance. Further, the book is broadly diversified into three major categories (see Exhibit 2) such as large corporate, mid-corporate and loans to small business. Again, in terms of sectors, the CB portfolio is well diversified among 13-14 sectors. We expect the CB book to post ~24% CAGR in FY18-20E to ₹ 134852 crore.

During FY16, traction in the mid-corporate segment looks higher as the bank incorporated the gems & jewellery portfolio of ₹ 4100 crore that was acquired from RBS. IIB already has such a portfolio around ₹ 1500 crore. With this acquisition, the bank becomes one of the largest financiers in this segment across industry.

Exhibit 2: Break-up of corporate book

Corporate Banking Book									
₹ crore	FY14	FY15	FY16	FY17	Q2FY18	Q3FY18	FY18	Q1FY19	Q2FY19
Large corporates	15,086	19,964	25,258	31,477	36,128	36,595	44,289	44,957	49,471
Mid corporates	9,693	11,455	16,624	22,203	23,569	24,069	25,652	26,544	30,087
Small business	5,538	8,957	9,988	13,872	14,019	14,754	17,774	18,910	19,943
Total	30,317	40,376	51,870	67,552	73,716	75,418	87,715	90,411	99,501
YoY Growth	38.3	33.2	28.5	30.2	26.2	25.9	29.8	30.4	35.0

Source: Company, ICICI Direct Research

The bank's FY18 loan growth of 28% YoY is >2.5x the industry's loan growth

We expect the loan book traction to stay ahead of industry at 28% CAGR in FY18-20E.

Exhibit 3: Overall advances growth expected to be ahead of industry

₹ crore	FY14	FY15	FY16	FY17	Q2FY18	Q3FY18	FY18	Q1FY19	Q2FY19
Total Advances	55,102	68,788	88,419	113,081	123,181	128,542	144,954	150,675	163,144
YoY Growth	24.3	24.8	28.5	27.9	24.5	25.1	28.2	29.4	32.4

Source: Company, ICICI Direct Research

Impressive improvement in liability franchise, CASA touched ~44%

We expect CASA ratio to remain steady at ~45-47% by FY20E led by a strong surge in savings balances

IndusInd Bank's CASA improvement has been admirable. In FY18, it was at ~44%. Savings balances continued their robust growth at 69.7% YoY to ₹ 45888 crore. In Q2FY18, a sharp surge in savings deposits was led by one new government account. Even in Q4FY17 and Q1FY18, savings deposits grew at a strong pace of 57% YoY and 65% YoY.

IIB's deposits also witnessed a sharp traction of 23% CAGR in FY08-18 to ₹ 151639 crore. More notable is the improvement in quality of the liability franchise. The CASA ratio in the period has more than doubled to 44% of deposits currently owing to a rising branch presence (up from 210 in FY10 to over 1400 as on FY18), innovative services & SA deregulation in Q2FY12.

Going ahead, we expect the deposit base to increase at 26.7% CAGR in FY18-20E to ₹ 243505 crore. We expect the CASA ratio to remain strong at ~45-47% by FY20E. A major upside to our CASA ratio estimates could be the opening up of the agency business of the RBI. This is expected to lead to a sharp increase in CA balances for the bank. Currently, it is restricted to only a few large banks.

Exhibit 4: Deposit traction remains strong; surge in SA balance

₹ Crore	FY14	FY15	FY16	FY17	Q2FY18	Q3FY18	FY18	Q1FY19	Q2FY19
Savings	9,915	12,944	17,246	27,037	40,157	42,246	45,888	47,711	51,106
Current	9,776	12,356	15,478	19,609	19,618	20,369	20,841	21,268	22,269
Term	40,811	48,834	60,276	79,926	81,666	83,471	84,910	89,883	94,844
Total Deposits	60,502	74,134	93,000	126,572	141,441	146,086	151,639	158,862	168,219
YoY Growth	11.8	22.5	25.4	36.1	25.9	22.5	19.8	18.8	18.9
CASA Amount	19,691	25,300	32,724	46,646	59,775	62,615	66,729	68,979	73,375
CASA%	32.5	34.1	35.2	36.9	42.3	42.9	44.0	43.4	43.6

Source: Company quarterly presentation, ICICI Direct Research

Margins to continue to stay among best in class

IIB's FY17 calculated NIM of ~4% is highest after HDFC Bank and Kotak Mahindra Bank. The trend continued in Q4FY18 also at 3.97% and at ~3.84% in Q2FY19. We expect calculated NIMs to be maintained in FY18-20E owing to enhanced growth in the CF book led by CV financing and a steady CASA franchise. The high yielding nature of the loan book as well as healthy CASA franchise has enabled IIB to maintain such strong margins of ~3.7-4% for the past four years.

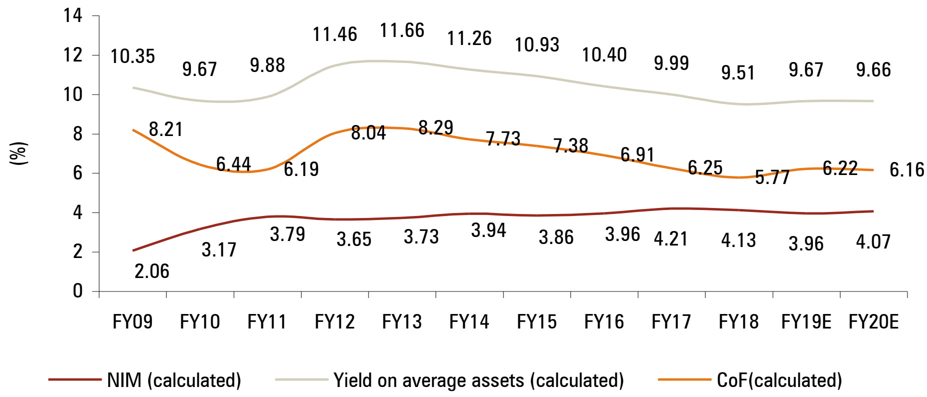
In consumer financing, blended yields are ~14% while in the corporate space yields are at ~9%. In the past four or five years, strong growth in the CASA franchise has helped manage to keep CoF (calculated) in the range of 7.0-8.0% across cycles.

The management remains confident of maintaining quarterly NIMs at healthy levels.

We factor in calculated NIMs of ~4% in FY18-20E

Credit cost is also expected to be in the guided range of 60-70 bps in FY18-20E. We expect GNPA and NNPA ratios of 1.2% and 0.4%, respectively, by FY20E

Exhibit 5: Margins to stay healthy supported by steady CASA franchise and changing loan mix



Source: Company quarterly presentation, ICICI Direct Research * YoA =yield on assets, CoF = cost of funds

Diversified book enables superior asset quality

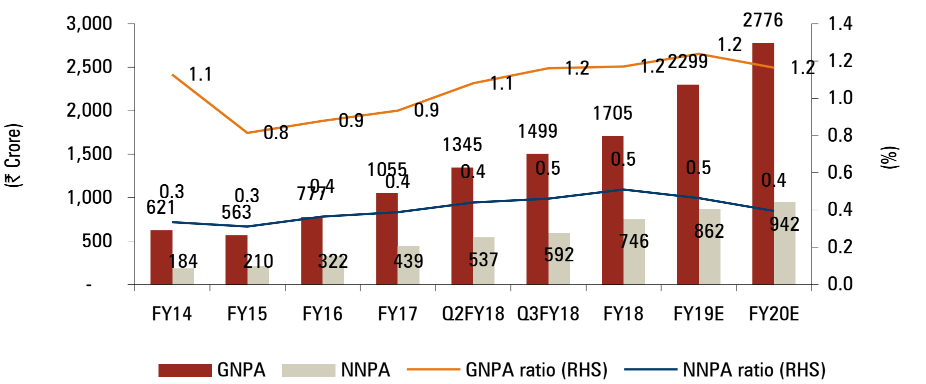
The asset quality of IIB has fared well over the years. GNPA and NNPA ratios declined from 3.1% and 2.3% in FY08 to 1% and 0.3%, respectively, by FY11. They remain more or less at these levels currently. The steady performance is owing to IIB's peculiar loan mix. The corporate banking (CB) book mainly consists of loans towards working capital, which is less risky than term loans. Further, the CB book is well diversified with exposure to stressed sectors such as iron & steel, commercial real estate (CRE), power, etc, at lower levels of ~1-2%. Also, the asset quality has been manageable in the CF book, which comprises the balance half.

Slippages in Q2FY19 came in lower at ₹ 419 crore vs. ₹ 860 crore seen in Q4FY18.

As per RBI supervision, the bank in Q4FY18 reported a divergence of ₹ 1350 crore. However, adjusting for loan to a cement based corporate whose merger got completed (₹ 518 crore), loans repaid on time (₹ 257.8 crore), ARC sale (₹ 118.8 crore) and account already classified as NPA (₹ 236 crore), the net impact was limited to ~₹ 185 crore.

In terms of 40 accounts referred to NCLT in the first and second list by RBI, the bank has indicated that it has an exposure towards eight accounts with loan of ~₹ 385 crore. Provision levels remain high at ~65% on these loans. Therefore, substantial haircut from here on is not seen. Going ahead, we expect absolute GNPA and NNPA of ₹ 2776 crore and ₹ 942 crore, respectively, as on FY20E. Overall, IIB's asset quality remains manageable and appears better than the system.

Exhibit 6: Asset quality remains acceptable



Source: Company quarterly press release and annual report, ICICI Direct Research

Fee income: well diversified & growing at strong pace

IIB's other income constitutes ~40% of its operating income. In other income, the major component is the fee income that accounts for ~90%. Various sources of fee income include trade & remittances, forex income, distribution fees, general banking, processing fees & investment banking (IB). The bank also has a tie-up with HDFC Ltd for sourcing home loans on its behalf for which it gets a commission of ~1% and additional 0.2% in insurance.

The other income witnessed a strong CAGR of 35% in the past. Though a bit slower, fee income growth in Q1FY19 continued to remain healthy at 20% YoY led by distribution and trade & remittance business. The management has guided that fee income growth is likely to normalise in line with loan growth. Trading income remained muted in Q1FY19 on expected lines. We factor in total other income CAGR of 20% to ₹ 6842 crore in FY18-20E.

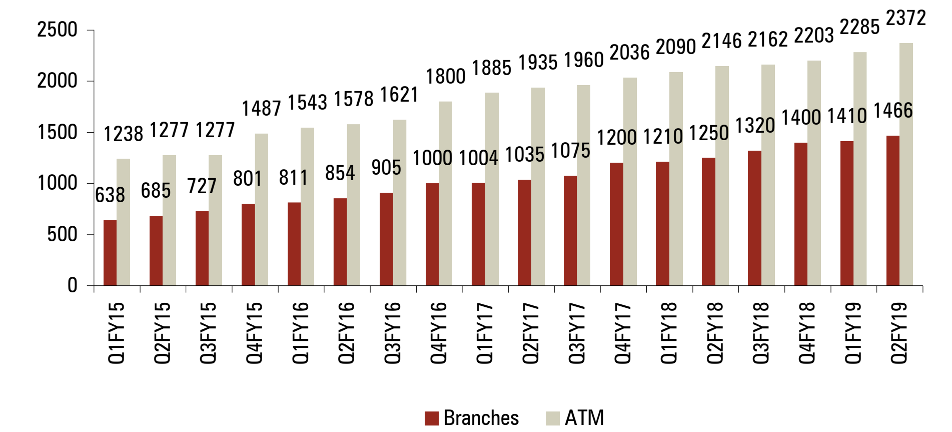
Exhibit 7: Core fee income trend continues to be strong

Other income break up (₹ Crore)	FY12	FY13	FY14	FY16	FY17	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19
Core fee income	913	1,239	1,610	774	996	1,013	1,077	1,113	1,165	1,218
Securities/FX tradingothers	92	107	263	139	215	175	110	95	137	99
Break up of fee income (₹ Crore)	FY12	FY13	FY14	FY16	FY17	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19
Trade & Remittances	118	169	214	97	121	128	127	153	141	151
Foreing Exchange Income	201	285	435	140	170	183	202	197	228	223
Distribution Fees	245	270	281	138	241	237	256	273	278	280
General Banking	110	139	145	48	63	65	70	65	80	91
Loan Processing Fees	161	233	291	228	243	214	242	228	230	260
Investment Banking	79	143	242	122	159	186	180	197	208	213
Total	913	1,239	1,610	774	997	1,013	1,077	1,113	1,165	1,218

Source: Company quarterly presentation, ICICI Direct Research

The bank added 200 new branches in FY18 to 1400. Under Planning Cycle 4, in FY18-20, the bank plans to double its branch network to ~2000

Exhibit 8: Expanding branch and ATM network



Source: Company quarterly presentation, ICICI Direct Research

Outlook and valuation

In the past three or four years, IIB has traded at premium valuations compared to its private sector counterparts, except HDFC Bank and Kotak Mahindra Bank. This is due to a sustained and structural improvement in earnings (up 3x in the last four years) and best in class return ratios with RoE of ~18-19% and RoA of >1.6% in the past four years.

Further, the major factor on the back of which the stock got re-rated from time to time was that such a strong performance has been accomplished in a strained economic environment wherein the banking system has been plagued by declining growth and increasing deterioration in asset quality. IIB, owing to its ideal mix of the loan book (niche presence in vehicle finance), improving CASA franchise and lower exposure to stressed sectors, was able to ring fence itself from major systemic concerns and deliver strong results.

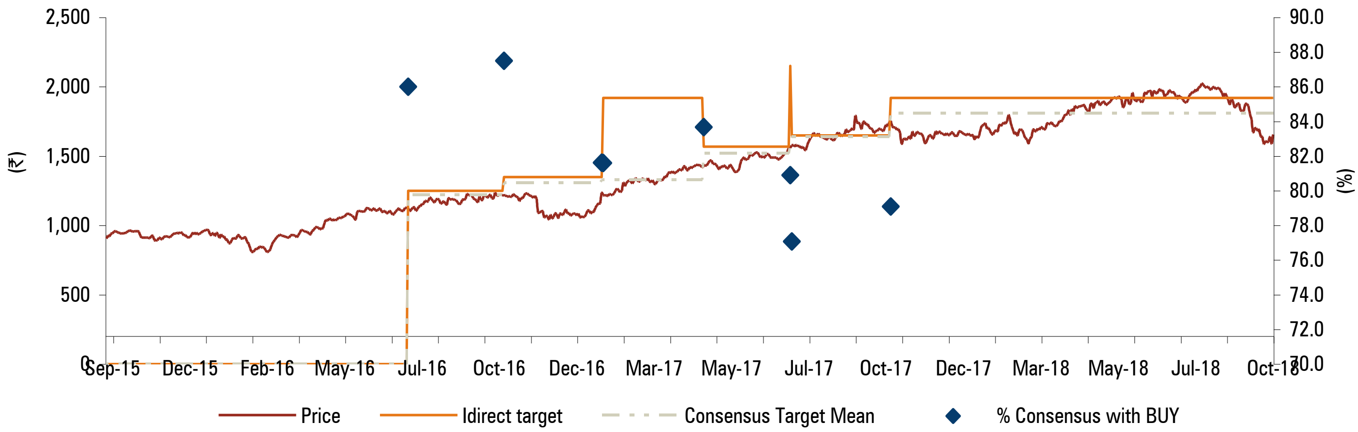
IIB has continued to deliver a strong performance. Consistent return ratios of ~17-19% RoE & ~2% RoA provide comfort. Improving CV cycle & consequent rise in high yielding vehicle portfolio augur well for future. Superior growth, strong liability franchise, stable margins and steady credit costs are seen enabling earnings growth at 28.3% CAGR in FY18-20E (earlier estimate of ~32% CAGR). The bank has announced an all-share deal to buy Bharat Financial (BFIL). This merger is expected to add ~₹ 8/ share to the standalone BV while warrant issuance to promoter can add ~₹ 25/share. We factor in higher provisions in FY19E for exposure to an infrastructure company. We maintain BUY rating but reduce the target price to ₹ 1900 (earlier 2150), valuing the stock at ~3.6x FY20E ABV.

Exhibit 9: Valuation

	NII (₹ cr)	Growth (%)	PAT (₹ cr)	Growth (%)	P/E (x)	ABV (₹)	P/ABV (x)	RoA (%)	RoE (%)
FY17	6,063	34.2	2,867.9	25.4	34.1	337.6	4.8	1.8	15.0
FY18	7,497	23.7	3,606.0	25.7	27.2	384.6	4.3	1.8	16.2
FY19E	9,104	21.4	4,433.2	22.9	22.1	446.9	3.7	1.8	17.2
FY20E	11,651	28.0	5,935.4	33.9	16.5	531.6	3.1	2.0	19.6

Source: Company, ICICI Direct Research

Recommendation history vs. Consensus



Source: Bloomberg, Company, ICICI Direct Research

Key events

Date	Event
FY04	Ashok Leyland Finance (ALF), an NBFC, merged with IndusInd Bank, which enabled it to have a niche presence in the vehicle financing space
Jan-07	Aviva Life Insurance and IndusInd Bank announce their tie-up as bancassurance partners
Feb-08	A new management team headed by Romesh Sobti inducted from ABN Amro Bank NV, leading to a sharp turnaround of the bank
Mar-09	The new management focused on improving liability franchise as low cost CASA ratio improved from 15.7% in FY08 to 29.3% in FY13. On the lending side, it reduced exposure to risky segments like unsecured loans and focused on high yielding-relatively less risky segments like CV, car loans, UV, three-wheelers, LAP, etc.
FY11	IndusInd Bank enters into an agreement with Deutsche Bank to acquire its credit card business in India
FY11	IndusInd Bank signs an MoU with HDFC Ltd for home loans
FY11	Planning Cycle I (FY08-FY11) successfully achieved; launches Planning Cycle II (FY11-14)
Dec-11	Savings rate deregulation in Q3FY12 wherein IIB offers higher rates (6% above ₹ 1 lakh and 5.5% up to ₹ 1 lakh)
FY13	Branch network touches 500 and launches Planning Cycle III (FY14-FY16)
Apr-13	On April 1, 2013, the bank included in the Nifty 50 benchmark index
May-13	IndusInd was the best performing stock in the banking industry as it rose from ₹ 45 in FY09 to all-time high of ₹ 523.
Jul-13	RBI tightens liquidity by raising MSF rate by 3% and various other measures. IndusInd impacted due to its high reliance on wholesale deposits (50%)
Sep-13	Arrival of new RBI Governor changes sentiment, eases a few of the tight liquidity measures due to which the stock of IndusInd bounces back
Jun-15	Raises around ₹ 5000 crore via QIP (including allotment to promoters)

Source: Company, ICICI Direct Research

Top 10 shareholders

Rank	Name	Latest Filing	% OS	Position (m)	Change (m)
1	Hinduja Group Ltd.	30-06-2018	16.13%	96.96M	-0.04M
2	Prans Asset Management, Ltd.	30-06-2018	3.50%	21.01M	0
3	BlackRock Asset Management North Asia Limited	31-08-2018	1.75%	10.49M	+0.11M
4	ICICI Prudential Life Insurance Company Ltd.	30-06-2018	1.64%	9.88M	+0.44M
5	GIC Private Limited	30-06-2018	1.60%	9.61M	+1.05M
6	Icon Capital Limited	30-06-2018	1.51%	9.10M	0
7	UTI Asset Management Co. Ltd.	30-06-2018	1.40%	8.43M	-1.64M
8	JPMorgan Asset Management U.K. Limited	31-08-2018	1.35%	8.09M	+0.00M
9	SBI Funds Management Pvt. Ltd.	30-06-2018	1.25%	7.53M	-1.37M
10	Schroder Investment Management (Hong Kong) Ltd.	30-06-2018	1.23%	7.39M	0

Source: Reuters, ICICI Direct Research

Shareholding Pattern

(in %)	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18
Promoter	16.77	16.79	16.77	16.77	16.74
FII	48.00	49.93	52.06	52.06	52.64
DII	14.10	12.92	11.17	11.17	10.57
Others	21.13	20.36	20.00	20.00	20.05

Recent Activity

Investor name			Investor name		
Buys	Value	Shares	Sells	Value	Shares
Steadview Capital Management HK Limited	+172.57M	+6.11M	UTI Asset Management Co. Ltd.	-46.31M	-1.64M
Veritas Asset Management LLP	+45.18M	+1.55M	SBI Funds Management Pvt. Ltd.	-38.74M	-1.37M
GIC Private Limited	+29.64M	+1.05M	DSM Capital Partners, LLC	-16.85M	-0.63M
Reliance Nippon Life Asset Management Limited	+14.24M	+0.53M	BNY Mellon Asset Management North America Corporation	-12.12M	-0.52M
ICICI Prudential Life Insurance Company Ltd.	+12.46M	+0.44M	L&T Investment Management Limited	-10.99M	-0.41M

Source: Reuters, ICICI Direct Research

Financial summary

Profit and loss statement				₹ Crore
(Year-end March)	FY17	FY18	FY19E	FY20E
Interest Earned	14,406	17,280.7	22,219.1	27,657
Interest Expended	8,343.1	9,783.3	13,115.3	16,005.9
Net Interest Income	6,063	7,497.4	9,103.8	11,651
Growth (%)	34.2	23.7	21.4	28.0
Non Interest Income	4,171.5	4,750.1	5,689.0	6,841.9
Fees and advisory	2,895.3	3,411.9	4,203.5	5,178.7
Treasury Income	276.9	363.8	436.5	523.8
Other income	999.2	974.4	1,049.0	1,139.4
Net Income	10,234.0	12,247.5	14,792.8	18,492.7
Employee cost	1,521.0	1,780.7	2,028.0	2,305.4
Other operating Exp.	3,262.0	3,810.8	4,632.1	5,938.3
Operating Income	5,451.0	6,656.1	8,132.7	10,249.1
Provisions	1,091.3	1,175.4	1,415.7	1,269.7
PBT	4,359.7	5,480.7	6,717.0	8,979.4
Taxes	1,491.8	1,874.7	2,283.8	3,044.0
Net Profit	2,868	3,606.0	4,433.2	5,935
Growth (%)	25.4	25.7	22.9	33.9
EPS (₹)	48	60.1	73.9	99

Source: Company, ICICI Direct Research

Key ratios				
(Year-end March)	FY17	FY18	FY19E	FY20E
Valuation				
No. of shares (crore)	59.8	60.0	60.0	60.0
EPS (₹)	47.9	60.1	73.9	98.9
DPS (₹)	6.0	7.5	8.2	11.0
BV (₹)	344.9	397.0	461.2	547.3
ABV (₹)	337.6	384.6	446.9	531.6
P/E	34.1	27.2	22.1	16.5
P/BV	4.7	4.1	3.5	3.0
P/ABV	4.8	4.3	3.7	3.1
Yields & Margins (%)				
Net Interest Margins	4.2	4.1	4.0	4.1
Yield on assets	10.0	9.5	9.7	9.7
Avg. cost on funds	6.2	5.8	6.2	6.2
Yield on average advances	11.4	10.6	11.2	11.2
Avg. Cost of Deposits	6.3	5.8	6.2	6.1
Quality and Efficiency (%)				
Cost to income ratio	46.7	45.7	45.0	44.6
Credit/Deposit ratio	89.3	95.6	97.6	98.0
GNPA	0.9	1.2	1.2	1.2
NNPA	0.4	0.5	0.5	0.4
ROE	15.0	16.2	17.2	19.6
ROA	2	1.8	1.8	2.0

Source: Company, ICICI Direct Research

Balance sheet				₹ Crore
(Year-end March)	FY17	FY18	FY19E	FY20E
Sources of Funds				
Capital	598.2	600.2	600.2	600.2
Reserves and Surplus	20,032.8	23,226.8	27,083.2	32,246.4
Networth	20,630.9	23,827.0	27,683.4	32,846.6
Deposits	126,572.2	151,639.2	190,141.3	243,504.7
Borrowings	22,453.7	38,289.1	45,318.6	48,679.1
Other Liabilities & Provisions	8,976.4	7,856.3	7,876.3	8,329.8
Total	178,633	221,611.6	271,019.5	333,360
Application of Funds				
Fixed Assets	1,335.3	1,338.8	1,549.8	1,644.4
Investments	36,702.1	50,076.7	57,433.5	65,839.4
Advances	113,080.5	144,953.7	185,644.8	238,664.9
Other Assets	8,902.3	12,041.1	3,285.9	1,782.0
Cash with RBI & call money	18,628.3	13,215.9	23,105.5	25,429.6
Total	178,648	221,626.1	271,019.5	333,360

Source: Company, ICICI Direct Research

Growth ratios				(% growth)
(Year-end March)	FY17	FY18	FY19E	FY20E
Total assets	25.1	24.1	22.3	23.0
Advances	27.9	28.2	28.1	28.6
Deposit	36.1	19.8	25.4	28.1
Total Income	22.5	18.6	26.7	23.6
Net interest income	34.2	23.7	21.4	28.0
Operating expenses	30.3	16.9	19.1	23.8
Operating profit	31.6	22.1	22.2	26.0
Net profit	25.4	25.7	22.9	33.9
Net worth	16.7	15.5	16.2	18.7
EPS	25	25.3	22.9	34

Source: Company, ICICI Direct Research

ICICI Direct coverage universe (Banking)

	CMP			M Cap	EPS (₹)			P/E (x)			P/ABV (x)			RoA (%)			RoE (%)		
Sector / Company	(₹)	TP(₹)	Rating	(₹ Cr)	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
Bank of Baroda (BANBAR)	101	135	Buy	26,601	-9.2	10.0	17.0	-11.0	10.0	5.9	0.8	0.8	0.7	-0.3	0.4	0.6	-5.8	6.1	9.8
State Bank of India (STABAN)	268	340	Buy	239,179	-7.3	26.0	17.3	-36.5	10.3	15.5	2.2	1.3	1.7	-0.2	0.7	0.4	-3.0	9.7	6.5
Axis Bank (AXIBAN)	590	725	Buy	151,704	1.1	22.2	38.2	549.9	26.6	15.5	3.2	2.8	2.2	0.0	0.8	1.2	0.0	0.8	1.2
City Union Bank (CITUNI)	166	200	Buy	12,157	8.9	8.5	10.3	18.7	19.5	16.1	3.1	2.9	2.2	1.6	1.5	1.6	15.6	14.5	14.2
DCB Bank (DCB)	168	170	Hold	5,205	7.9	10.2	13.9	21.4	16.4	12.1	2.1	1.9	1.6	0.9	1.0	1.1	10.9	11.7	14.0
Federal Bank (FEDBAN)	82	105	Buy	16,306	4.5	6.2	7.4	18.4	13.4	11.1	1.5	1.3	1.2	0.7	0.8	0.9	8.2	9.3	10.4
IndusInd Bank (INDBA)	1,636	1,900	Buy	98,348	60.1	81.5	106.1	27.2	20.1	15.4	4.3	3.6	3.0	1.8	2.0	2.1	16.2	18.8	20.6
Jammu & Kashmir Bk(JAMKAS)	42	58	Hold	2,314	3.6	5.0	8.9	11.4	8.3	4.7	0.8	0.8	0.7	0.2	0.3	0.5	3.4	4.4	7.5
Kotak Mahindra Bank (KOTMAH)	1,170	1,490	Buy	223,091	21.4	26.5	33.0	54.6	44.1	35.5	6.2	5.7	5.2	1.7	1.7	1.8	12.5	12.8	14.4
Yes Bank (YESBAN)	248	UR	UR	57,351	18.3	22.1	26.3	13.5	11.3	9.4	2.3	2.0	1.6	1.6	1.4	1.4	17.6	18.0	18.2
Bandhan Bank (BANBAN)	467	650	Buy	55,692	11.3	16.9	21.9	22.0	14.7	11.3	3.2	2.7	2.2	3.6	4.0	4.0	19.5	19.6	21.1

Source: Company, ICICI Direct Research

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Pankaj Pandey **Head – Research** **pankaj.pandey@icicisecurities.com**

ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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