India Equity Research | BFSI - Banks
October 5, 2021
Company Update

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Indusind Bank

Refer to important disclosures at the end of this report

Business growth improving; outlook on growth/asset quality key monitorables

CMP	Target Price
Rs 1,120 as of (October 5, 2021)	Rs 1,375 (■) 12 months
Rating	**Upside**
BUY (■)	22.8 %

Business Update – Q2FY22

- IIB reported better-than-expected credit growth of 10% yoy/5% qoq (total loans at Rs2.2tn), indicating underlying strong credit re-acceleration in the retail book. Notably, IIB has been growing its corporate book since Q1 and we believe that the bank is likely to have seen healthy momentum in the corporate book in Q2 as well.
- Deposit growth was strong at 21% yoy/3% qoq, with CASA at a high and healthy level of 42%. Retail deposits and deposits from small business customers grew 48% yoy/6% qoq and stood at 41% of loans (33% in Q2FY21). We believe that better credit growth and thus LDR at 80% should partly improve margins qoq.
- IIB did not provide any fresh updates on asset quality. In a recent interview, management indicated improved collection efficiency in VF; however, MHCV, which includes the Bus segment, still remains weak. IIB reported better asset quality outcomes in MFI in Q1, which we believe should continue but for some additional restructuring during Q2 on guided lines.
- We expect NPA formation to moderate qoq, given lower stress in MFI and the absence of any lumpy corporate stress. That said, IIB plans to make accelerated provisions on Vodafone in Q2, mainly to cover FB exposure (Rs9.5bn), and may reverse the same at an appropriate time, subject to better visibility. This should keep provisions elevated and profits in check in Q2.
- **Outlook:** We appreciate management's conservative stance to make accelerated provisions on Vodafone despite a recent positive move from the government. The provisions can be reversed as the group's growth visibility improves. Currently, we have a Buy rating on the stock with a TP of Rs1,375, given a remarkable improvement in its liability profile after a scare earlier, re-accelerating credit growth, expected improvement in return ratios (RoE ~15-17% over FY23-24E) and reasonable valuations (1.7x Sep'23E ABV).

Please see our sector model portfolio (Emkay Alpha Portfolio): BFSI-Banks (Page 6)

Change in Estimates	
EPS Chg FY22E/FY23E (%)	-/
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

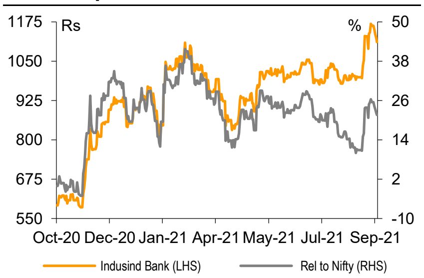
Emkay vs Consensus		
	EPS Estimates	
	FY22E	**FY23E**
Emkay	69.7	95.1
Consensus	71.8	94.8
Mean Consensus TP (12M)		Rs 1,167

Stock Details	
Bloomberg Code	IIB IN
Face Value (Rs)	10
Shares outstanding (mn)	774
52 Week H/L	1,189 / 571
M Cap (Rs bn/USD bn)	867 / 11.66
Daily Avg Volume (nos.)	4,163,111
Daily Avg Turnover (US$ mn)	58.8

Shareholding Pattern Jun '21	
Promoters	15.2%
FIIs	47.8%
DIIs	16.3%
Public and Others	20.7%

Price Performance				
(%)	**1M**	**3M**	**6M**	**12M**
Absolute	12	11	13	89
Rel. to Nifty	9	(1)	(5)	22

Relative price chart



Source: Bloomberg

Financial Snapshot (Standalone)

(Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Net income	190,101	200,864	220,199	250,549	299,024
Net profit	44,179	28,363	53,921	73,633	94,582
EPS (Rs)	62.8	36.4	69.7	95.1	122.2
ABV (Rs)	463.6	535.0	595.9	668.3	762.7
RoA (%)	1.5	0.8	1.4	1.7	1.9
RoE (%)	14.5	7.3	11.9	14.6	16.5
PE (x)	17.8	30.7	16.1	11.8	9.2
P/ABV	2.5	2.2	1.9	1.7	1.5

Source: Company, Emkay Research

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Exhibit 1: Business Update-Q2FY22

Rs bn	2QFY22	2QFY21	YoY (%)	1QFY22	QoQ (%)
Loans	2,218	2,012	10	2,107	5
Deposits	2,758	2,279	21	2,672	3
CASA	1,161	918	26	1,123	3
CASA ratio (%)	42	40	130bps	42	140bps
Retail and small business customer deposits	1,117	756	48	1,057	6
% of total Deposits	41	33	733 bps	40	94 bps

Source: Company, Emkay Research

Key Financials (Standalone)

Income Statement

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Net interest income	**120,587**	**135,278**	**151,141**	**172,478**	**206,430**
Other income	**69,513**	**65,586**	**69,058**	**78,071**	**92,594**
Fee income	46,150	34,781	45,772	54,011	64,813
Net income	**190,101**	**200,864**	**220,199**	**250,549**	**299,024**
Operating expenses	82,373	83,598	94,827	107,607	127,254
Pre provision profit	**107,727**	**117,265**	**125,372**	**142,942**	**171,770**
PPP excl treasury	**102,201**	**102,403**	**121,173**	**139,163**	**168,180**
Provisions	46,521	79,425	53,285	44,503	45,324
Profit before tax	**61,206**	**37,840**	**72,087**	**98,439**	**126,446**
Tax	17,027	9,478	18,166	24,807	31,864
Tax rate	28	25	25	25	25
Profit after tax	**44,179**	**28,363**	**53,921**	**73,633**	**94,582**

Balance Sheet

Y/E Year End (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Equity	7,030	7,788	7,740	7,740	7,740
Reserves	340,035	425,866	471,945	529,948	605,038
Net worth	**347,065**	**433,654**	**479,685**	**537,688**	**612,778**
Deposits	2,020,398	2,562,049	2,933,315	3,475,289	4,354,970
Borrowings	552,636	458,329	400,544	420,571	462,628
Total liabilities	**3,070,576**	**3,629,727**	**3,930,882**	**4,577,034**	**5,585,587**
Cash and bank	136,753	178,707	215,489	258,587	310,304
Investments	599,799	696,947	746,791	837,049	1,018,919
Loans	2,067,832	2,125,954	2,423,791	2,919,461	3,660,431
Others	224,707	225,461	271,898	330,055	400,108
Total assets	**3,070,576**	**3,629,727**	**3,930,882**	**4,577,034**	**5,585,587**

Key Ratios (%)

Y/E Year End	FY20	FY21	FY22E	FY23E	FY24E
NIM	4.5	4.4	4.3	4.4	4.4
Non-II/avg assets	2.4	2.0	1.8	1.8	1.8
Fee income/avg assets	1.6	1.0	1.2	1.3	1.3
Opex/avg assets	2.8	2.5	2.5	2.5	2.5
Provisions/avg assets	1.6	2.4	1.4	1.0	0.9
PBT/avg assets	2.1	1.1	1.9	2.3	2.5
Tax/avg assets	0.6	0.3	0.5	0.6	0.6
RoA	1.5	0.8	1.4	1.7	1.9
RoAE	14.5	7.3	11.9	14.6	16.5
GNPA (%)	2.5	2.7	2.6	2.2	1.9
NNPA (%)	0.9	0.7	0.7	0.6	0.6

Per Share Data (Rs)	FY20	FY21	FY22E	FY23E	FY24E
EPS	62.8	36.4	69.7	95.1	122.2
BVPS	482.8	549.1	611.6	686.2	782.8
ABVPS	463.6	535.0	595.9	668.3	762.7
DPS	0.0	0.0	10.0	20.0	25.0

Valuations (x)	FY20	FY21	FY22E	FY23E	FY24E
PER	17.8	30.7	16.1	11.8	9.2
P/BV	2.4	2.1	1.9	1.7	1.5
P/ABV	2.5	2.2	1.9	1.7	1.5
P/PPOP	7.6	7.7	7.1	6.3	5.2
Dividend Yield (%)	0.0	0.0	0.9	1.8	2.2

Source: Company, Emkay Research

Growth (%)	FY20	FY21	FY22E	FY23E	FY24E
NII	36.3	12.2	11.7	14.1	19.7
PPOP	33.2	8.9	6.9	14.0	20.2
PAT	33.8	(35.8)	90.1	36.6	28.5
Loans	10.9	2.8	14.0	20.5	25.4

Quarterly (Rs mn)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
NII	33,092	32,780	34,060	35,346	35,637
NIM(%)	4.3	4.2	4.1	4.1	4.1
PPOP	29,277	28,520	29,634	31,287	31,855
PAT	5,103	6,631	8,303	9,261	10,046
EPS (Rs)	7.35	8.77	10.97	11.89	12.90

Source: Company, Emkay Research

Shareholding Pattern (%)	Sep-20	Dec-20	Feb-21	Mar-21	Jun-21
Promoters	13.5	13.4	15.2	15.2	15.2
FIIs	47.5	50.3	48.0	46.7	47.8
DIIs	15.8	14.8	15.9	16.6	16.3
Public and Others	23.3	21.4	20.8	21.4	20.7

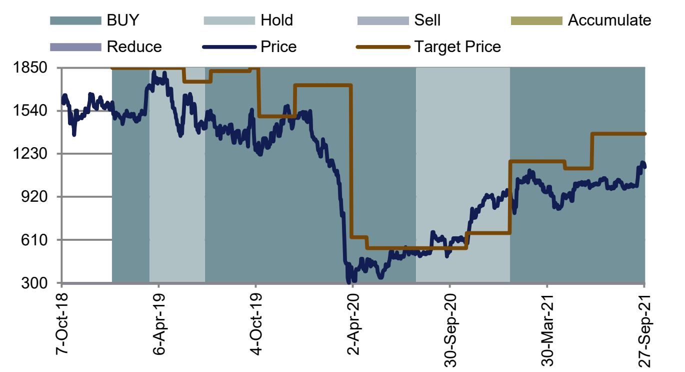
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
28-Jul-21	993	1,375	12m	Buy	Anand dama
22-Jun-21	1,000	1,375	12m	Buy	Anand dama
2-May-21	935	1,125	12m	Buy	Anand dama
30-Jan-21	846	1,175	12m	Buy	Anand dama
20-Jan-21	948	1,175	12m	Buy	Anand dama
31-Oct-20	586	660	12m	Hold	Anand dama
29-Sep-20	536	550	12m	Hold	Anand dama
29-Jul-20	551	550	12m	Hold	Anand dama
28-Apr-20	468	550	12m	Buy	Anand dama
11-Apr-20	395	630	12m	Buy	Anand dama
30-Mar-20	413	630	12m	Buy	Anand dama
14-Jan-20	1,482	1,725	12m	Buy	Anand dama
16-Dec-19	1,493	1,725	12m	Buy	Anand dama
10-Oct-19	1,229	1,500	12m	Buy	Anand dama
9-Oct-19	1,309	1,725	12m	Buy	Anand dama
23-Sep-19	1,512	1,850	12m	Buy	Anand dama
12-Jul-19	1,510	1,825	12m	Buy	Anand dama
1-Jul-19	1,434	1,750	12m	Buy	Anand dama
23-May-19	1,599	1,750	12m	Hold	Anand dama
20-Mar-19	1,713	1,850	12m	Hold	Anand dama
9-Jan-19	1,602	1,850	12m	Buy	Anand dama

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – BFSI-Banks

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Sector

Banks

Analyst bio

Anand Dama is a CA, CPM (ICFAI) with total 13 years of research experience, in addition to 3 years in the finance/rating industry. His team currently covers 21 banks and 15 stocks in the NBFC/Insurance space.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
BFSI-Banks	**19.73**	**19.73**	**0.0%**	**0**	**100.00**
Axis Bank	2.07	2.17	5%	10	11.00
AU Small Finance Bank	0.26	0.20	-23%	-6	1.02
Bandhan Bank	0.19	0.20	0%	0	0.99
Bank of Baroda	0.15	0.15	0%	0	0.77
Canara Bank	0.10	0.00	-100%	-10	0.00
City Union Bank	0.11	0.12	1%	0	0.59
DCB Bank	0.00	0.00	NA	0	0.00
Equitas Small Finance Bank	0.00	0.04	NA	4	0.21
Federal Bank	0.17	0.22	32%	5	1.11
HDFC Bank	6.75	6.89	2%	13	34.91
ICICI Bank	4.73	4.88	3%	15	24.73
Indian Bank	0.00	0.00	NA	0	0.00
Indusind Bank	0.66	0.76	15%	10	3.84
Karur Vysya Bank	0.00	0.00	NA	0	0.00
Kotak Mahindra Bank	2.54	2.21	-13%	-33	11.21
Punjab National Bank	0.12	0.00	-100%	-12	0.00
RBL Bank	0.09	0.07	-26%	-2	0.35
State Bank of India	1.73	1.83	6%	10	9.28
Ujjivan Small Finance Bank	0.00	0.00	NA	0	0.00
Union Bank of India	0.04	0.00	-100%	-4	0.00
Yes Bank	0.00	0.00	NA	0	0.00
Cash	**0.00**	**0.00**	**NA**	**0**	**0.00**

Source: Emkay Research

** Not under coverage: Equal Weight*

High Conviction/Strong Over Weight   High Conviction/Strong Under Weight

Sector portfolio NAV

	Base					Latest
	1-Apr-19	5-Oct-20	5-Apr-21	5-Jul-21	3-Sep-21	4-Oct-21
EAP - BFSI-Banks	100.0	78.1	111.8	120.4	126.8	128.7
BSE200 Neutral Weighted Portfolio (ETF)	100.0	76.8	109.7	117.8	124.0	126.1

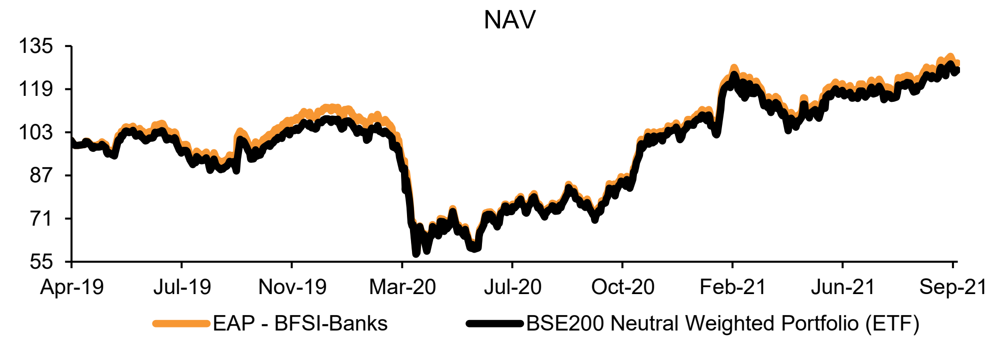
**Performance measurement base date 1st April 2019*
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - BFSI-Banks	1.5%	6.9%	15.1%	64.8%
BSE200 Neutral Weighted Portfolio (ETF)	1.7%	7.0%	14.9%	64.3%

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): Nifty

Please see our model portfolio (Emkay Alpha Portfolio): SMID

"Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals"

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 05 Oct 2021 17:09:55 (SGT)
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