

Retail Equity Research

IndusInd Bank Ltd.

Banking

BSE CODE: 532187

NSE CODE: INDUSINDBK

Bloomberg CODE: IIB:IN

SENSEX: 52,587

BUY

12Months Investment period Rating as per Large cap
CMP Rs. 981 **TARGET** Rs. 1,137 **RETURN** 16%
 (Closing: 30-07-21)

KEY CHANGES:

TARGET ↑

RATING ↔

EARNINGS ↓

Long-term outlook positive

IndusInd Bank (IIB), a part of the Hinduja Group, provides loans for vehicles, property, etc. in its consumer finance division, while the corporate banking division offers a wide range of products to SMEs and large enterprises.

- For Q1FY22 standalone, NII income reached Rs. 3,564cr (7.7% YoY, 0.8% QoQ) with NIM of 4.06% (-22bps YoY, -7bps QoQ).
- CASA ratio reached 42.0% (vs 41.7% in Q4FY21). Loan book stood at Rs. 210,727cr (-0.8% QoQ), Deposits grew to Rs. 267,233cr (4.3% QoQ).
- GNPA/NNPA climbed to 2.88%/0.84% (vs. 2.67%/0.69% in Q4FY21) respectively.
- The interest spreads are expected to improve over long-term due to higher yields from advances. Also, the bank is well capitalised to handle any stress from loan losses or moderate asset quality deterioration. Hence we retain our rating to BUY with a revised target price of Rs. 1,137 using 1.6x FY23E BVPS.

NIM margins remains stable QoQ

For Q1FY22, Net interest income reached Rs. 3,564cr (7.7% YoY, 0.8% QoQ) with NIM of 4.06% (-22bps YoY, -7bps QoQ). Yield on assets for the quarter was 8.59% (vs 9.38% in Q1FY21), while cost of deposits was 4.97% (vs 5.73% in Q1FY21). Core Fee income improved to Rs. 1,214cr (78.0% YoY). This growth spike resulted from increase in Loan fees (188.9% YoY) and Distribution Fees (78.7% YoY). Cost to income ratio grew 40.5% (vs 39.4% in Q1FY21). PAT surged to Rs. 975cr (111.7% YoY) on account of lower provisioning in the quarter of Rs. 1,844cr (-18.4% YoY).

Higher slippages in small CV, 2W and cards

CASA grew 5.2% QoQ. CASA ratio improved to 42.0% (vs 41.7% in Q4FY21), while Deposits increased to Rs. 267,233cr (4.3% QoQ). Loan book stood at Rs. 210,727cr (-0.9% QoQ, 11.75% yield) with Corporate lending reaching Rs. 92,407cr (2.8% QoQ, 8.36% yield) and Consumer Finance at Rs. 118,320 (2.4% QoQ, 14.36% yield). Fresh slippages came in at Rs. 2,762cr, as GNPA/NNPA climbed to 2.88%/0.84% (vs. 2.67%/0.69% in Q4FY21) respectively. Bank maintained a relatively stable Provision Coverage Ratio (PCR) of 72%, Total loan related provisions of Rs. 7,595 crs (123.0% of GNPA; 3.6% of total loans). Liquidity Coverage Ratio (LCR) remains healthy at 146%.

Key concall highlights

- Restructured advances were 2.7% (vs 2.0% in Q4FY21). The NPA recoveries of Rs.589cr this quarter (includes the sale to ARC of Rs.400cr).
- Gross NPA concentration has been high in TW and Small C.V segments.
- Capital adequacy remains strong with CARR/CET1 ratio at 17.57%/15.59% (vs. 17.38%/15.55% in Q4FY21).

Outlook & Valuation

We do not expect the current levels of lower credit costs to sustain over the long term, with fresh NPAs primarily from unsecured loans. On the other hand, the interest spreads also are expected to improve over long-term due to higher yields from advances. Overall the bank is well capitalised to handle any stress from loan losses or moderate asset quality deterioration. Hence we retain our rating to BUY with a revised target price of Rs. 1,137 using 1.6x FY23E BVPS.

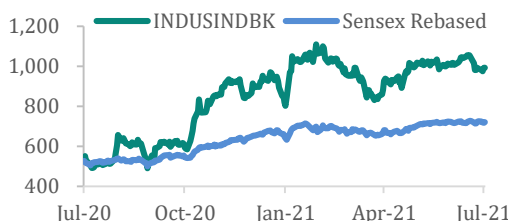
Company Data

Market Cap (cr)	Rs. 76,786
Outstanding Shares (cr)	77.5
Free Float	78.0%
Dividend Yield	0.5%
52 week high	Rs. 1,119
52 week low	Rs. 483
6m average volume (lac)	3.9
Beta	1.5
Face value	Rs. 10

Shareholding %	Q3FY21	Q4FY21	Q1FY22
Promoters	14.7	16.6	16.5
FII's	54.9	50.9	52.1
MFs/Insti	16.2	18.1	17.8
Public	8.9	9.2	8.7
Others	5.3	5.3	4.9
Total	100.0	100.0	100.0
Promoters' pledge	0.0	5.5	6.9

Price Performance	3 Month	6 Month	1 Year
Absolute Return	5.6%	17.2%	80.1%
Absolute Sensex	5.8%	13.8%	38.3%
Relative Return*	-0.2%	3.5%	41.8%

*over or under performance to benchmark index



Standalone (cr)	FY21A	FY22E	FY23E
Net Interest Income	13,528	15,086	17,366
Growth (%)	12.2	11.5	15.1
NIM (%)	4.9	5.0	5.1
Pre-Provision Profit	11,727	12,779	14,522
Net Profit	2,836	5,724	7,306
Growth (%)	(35.8)	101.8	27.6
Adj. EPS	38.7	74.7	95.3
Growth (%)	(39.1)	93.1	27.6
BVPS	591.3	629.3	710.8
P/E	24.7	13.3	10.4
P/B	1.6	1.6	1.4
P/ABV	1.6	1.6	1.4
ROE (%)	7.3	12.5	14.2
ROA (%)	0.8	1.5	1.7

Quarterly Financials (Standalone)

Profit & Loss Account

	Q1FY22	Q1FY21	YoY Growth %	Q4FY21	QoQ Growth %
Interest Income	7,575	7,162	5.8	7,419	2.1
Interest Expense	4,011	3,853	4.1	3,885	3.2
Net Int. Income (NII)	3,564	3,309	7.7	3,535	0.8
Non-Interest Income	1,781	1,519	17.2	1,780	0.1
Total Net Income	5,345	4,828	10.7	5,315	0.6
Total Income	9,356	8,681	7.8	9,199	1.7
Operating Expenses	2,214	1,967	12.6	2,253	(1.7)
Total Expenditure	6,225	5,820	7.0	6,138	1.4
Pre-Provision profit	3,131	2,861	9.4	3,062	2.3
Provisions	1,844	2,259	(18.4)	1,866	(1.2)
Profit Before Tax	1,287	602	113.6	1,196	7.6
Tax	312	142	119.7	320	(2.6)
Net Profit	975	461	111.7	876	11.3
EPS - Diluted (Rs.)	12.6	6.6	89.5	11.4	10.1

Change in Estimates

Year / Rs cr	Old Estimates		New Estimates		Change %	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Net Interest Income (NII)	15,168	17,467	15,086	17,366	(0.5)	(0.6)
Net Interest Margin (%)	5.1	5.1	5.0	5.1	(7.7bps)	(2.4bps)
Pre-Provisioning Profit	12,982	14,758	12,779	14,522	(1.6)	(1.6)
Net Profit	5,877	7,483	5,724	7,306	(2.6)	(2.4)
EPS (Rs.)	76.7	97.6	74.7	95.3	(2.6)	(2.3)

PROFIT & LOSS

Y.E March (Rs. cr)	FY19A	FY20A	FY21A	FY22E	FY23E
Interest Income	22,261	28,783	29,000	32,815	37,384
Interest Expense	13,415	16,724	15,472	17,729	20,018
Net Int. Income	8,846	12,059	13,528	15,086	17,366
% Change	18.0	36.3	12.2	11.5	15.1
Non-Int. Income	5,647	6,951	6,559	7,214	7,936
Net Income	14,493	19,010	20,087	22,300	25,302
Total Income	27,908	35,734	35,558	40,029	45,320
Operating Exp.	6,405	8,237	8,360	9,521	10,779
Total Exp.	19,820	24,961	23,832	27,250	30,798
Pre-Prov. Profit	8,088	10,773	11,727	12,779	14,522
Provisions	3,108	4,652	7,943	5,142	4,775
PBT	4,981	6,121	3,784	7,637	9,748
Tax	1,679	1,703	948	1,913	2,441
Tax Rate (%)	33.7	27.8	25.0	25.0	25.0
Net Profit	3,301	4,418	2,836	5,724	7,306
% Change	(8.5)	33.8	(35.8)	101.8	27.6
No. of Shares (cr)	61	70	73	77	77
Adj. EPS (Rs.)	54.5	63.5	38.7	74.7	95.3
% Change	(8.6)	16.6	(39.1)	93.1	27.6
DPS (Rs.)	7.5	0.0	5.0	11.2	13.8

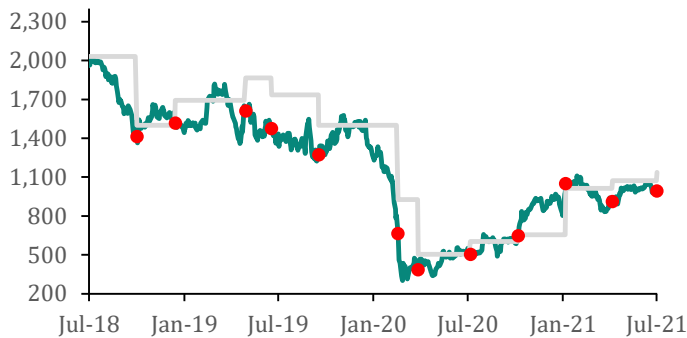
BALANCE SHEET

Y.E March (Rs. cr)	FY19A	FY20A	FY21A	FY22E	FY23E
Cash & Balances	9,961	13,675	17,871	11,168	10,773
Investments	59,266	59,980	69,695	73,876	79,787
Advances	186,394	206,783	212,595	244,485	286,047
Fixed Assets	1,710	1,820	1,809	1,819	1,829
Other Assets	20,489	24,799	61,003	63,257	65,737
Total Assets	277,819	307,058	362,973	394,606	444,174
Capital	603	694	773	773	773
Reserves & Surplus	26,072	34,003	42,587	47,452	53,699
Deposits	194,868	202,040	256,205	281,825	324,099
Borrowings	47,321	60,754	51,323	52,349	53,396
Other Liabilities	8,956	9,567	12,085	12,206	12,206
Total Liabilities	277,819	307,058	362,973	394,606	444,174
BVPS (Rs.)	440.1	498.9	591.3	629.3	710.8
% Change	11.8	13.4	18.5	6.4	13.0

RATIOS

Y.E March	FY19A	FY20A	FY21A	FY22E	FY23E
Valuation					
P/E (x)	33.4	5.5	24.7	13.3	10.4
P/BV (x)	4.1	0.7	1.6	1.6	1.4
Div. Yield (%)	0.4	0.0	0.5	1.1	1.4
Profitab. & Return (%)					
Yield on Advances	11.0	12.2	11.5	11.6	11.7
Cost of Deposits	6.2	6.6	5.4	5.5	5.6
Spread	4.8	5.6	6.1	6.0	6.0
NIM	4.0	4.7	4.9	5.0	5.1
ROE	13.1	14.4	7.3	12.5	14.2
ROA	1.3	1.5	0.8	1.5	1.7
Capital Adequacy (%)					
CAR	14.2	15.0	17.4	17.6	17.6
Tier I	13.7	14.6	16.8	17.1	17.1
Tier II	0.5	0.5	0.6	0.5	0.5
Asset Quality (%)					
GNPA	2.1	2.5	2.7	3.2	3.2
NNPA	1.2	0.9	0.7	1.0	1.2
Operating Ratios (%)					
Credit/ Deposit	95.7	102.3	83.0	86.8	88.3
Cost/ Income	44.2	43.3	41.6	42.7	42.6
CASA	43.1	40.4	41.7	41.9	41.9

Recommendation Summary (Last 3 Years)



Source: Bloomberg, Geojit research

Dates	Rating	Target
13-Jul-18	HOLD	2,032
29-Oct-18	HOLD	1,500
11-Jan-19	HOLD	1,693
27-May-19	BUY	1,866
16-Jul-19	BUY	1,735
15-Oct-19	BUY	1,500
16-Mar-20	BUY	927
24-Apr-20	BUY	503
3-Aug-20	BUY	604
3-Nov-20	HOLD	655
3-Feb-21	HOLD	1,013
5-May-21	BUY	1,072
02-Aug-21	BUY	1,137

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated			

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note.

Accumulate: Partial buying or to accumulate as CMP dips in the future.

Hold: Hold the stock with the expected target mentioned in the note.

Reduce: Reduce your exposure to the stock due to limited upside. The stock may still be a quality stock.

Sell: Exit from the stock.

Not rated: The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

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