

# Indusind Bank

Refer to important disclosures at the end of this report

## To focus on scalability with sustainability and profitability

The bank hosted an analyst meet to showcase its reorganized management profile, give an update on Planning Cycle 5 and provide some insights into Planning Cycle 6. The KTAs:

- Well on course to achieve PC 5 goals despite Covid shock; PC 6 to focus on building scale with profitability and sustainability:** Under the Planning Cycle (PC) 5, the bank has fortified its retail liability franchise, fine-tuned its corporate banking business, launched the holistic Bharat Banking model, ramped up digital compatibility and initiated new growth boosters (Home/gold loan) and completed management reorganization. Under PC 6, it plans to further improve its CASA ratio to >45%, re-accelerate growth across consumer/corporate banking segments with continued focus on market share gains, granularization & higher RoRWA, and launch investment/para-banking (Broking, AMC, etc.), thus delivering PPOP/loans of >5.5% on a sustainable basis.
- Re-oriented Consumer/Corporate banking business ready to drive growth/RoRWAs up:** The bank has largely fine-tuned its corporate banking business with incremental focus on the granular book and customer wallet share to drive RoRWA up. It has reduced the NFB exposure and believes that the earlier strategy to mop-up aggressive fees at the cost of quality is not sustainable. It believes that the consolidation phase is over and the bank will look at re-growing the corporate book with asset-quality issues largely behind. None of the corporates in the Gems & Jewellery book has slipped into NPA/RSA or even SMA 2. That said, it will aim for retail:corporate share of 60:40 in the PC 6 cycle. Within retail/consumer banking, the bank plans to accelerate growth in its traditional growth segments (VF, MFI) recovery from its cyclical lows and also ramp up used vehicle, affordable housing, gold, tractor, SME and individual MFI loan segments. The focus remains on granularizing retail deposit base and will implement a branch + digital acquisition strategy. Additionally, it would focus on further strengthening the NRI and corporate salary segment to drive CASA beyond 45%.
- Turning from micro-lender to micro-banker:** The bank believes that both asset-quality and management issues in the MFI business are largely behind it. IIB is now looking to accelerate growth. It had largely followed a JLG model, but now would be looking at lending to individuals with higher ticket sizes, similar to other players, which should support growth. In line with other players, the bank has raised rates by 50-75bps to support margins. As a strategy to capture the MFI ecosystem, the bank has mobilized nearly Rs15bn of deposits and plans to cross-sell consumer durables, TW and other loans. It plans to emerge as a Bharat Super Shop, where it will scale up the micro-retailer loan book (Rs19.4bn), mobilize current deposits, and also capture the payment ecosystem.
- Retain Buy:** We believe IIB has largely recovered from the asset-quality shock and now plans to accelerate credit growth backed by a better retail liability profile and thus drive scale with profitability (higher RoAs>1.7%) on a sustainable basis. The bank's MD clarified that there is no adverse view from the RBI on recent MFI-related issues and his term extension (beyond March 2023) by the board will be taken up in October, while final clarity from the central bank should emerge around early-Q4. That said, the bank has credible management back-up available, including new Deputy CEO Mr. Arun Khurana. Retain Buy with a TP of Rs1,275 (valuing core bank at 1.7x Jun'24E ABV). Key risks: Delayed asset-quality normalization and senior management attrition.

Please see our sector model portfolio (Emkay Alpha Portfolio): [BFSI-Banks \(Page 10\)](#)

### Financial Snapshot (Standalone)

(Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Net income	200,864	224,085	249,599	286,895	335,735
Net profit	28,363	48,046	67,374	83,582	102,313
EPS (Rs)	36.7	62.0	86.9	107.8	132.0
ABV (Rs)	538.6	589.1	657.7	744.2	849.9
RoA (%)	0.8	1.3	1.6	1.7	1.8
RoE (%)	7.3	10.6	13.3	14.7	15.9
PE (x)	26.2	15.5	11.1	8.9	7.3
P/ABV	1.6	1.5	1.3	1.2	1.0

Source: Company, Emkay Research

CMP	Target Price
Rs 962 as of (July 27, 2022)	Rs 1,275 (■) 12 months
Rating	Upside
BUY (■)	32.6 %

### Change in Estimates

EPS Chg FY23E/FY24E (%)	-/
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

### Emkay vs Consensus

	EPS Estimates	
	FY23E	FY24E
Emkay	86.9	107.8
Consensus	90.5	110.9
Mean Consensus TP (12M)	Rs 1,200	

### Stock Details

Bloomberg Code	IIB IN
Face Value (Rs)	10
Shares outstanding (mn)	775
52 Week H/L	1,242 / 763
M Cap (Rs bn/USD bn)	745 / 9.34
Daily Avg Volume (nos.)	3,448,287
Daily Avg Turnover (US\$ mn)	38.5

### Shareholding Pattern Jun '22

Promoters	15.2%
FIIs	42.1%
DIIIs	19.3%
Public and Others	23.5%

### Price Performance

(%)	1M	3M	6M	12M
Absolute	19	(2)	9	(2)
Rel. to Nifty	14	2	14	(6)

### Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

#### Anand Dama

anand.dama@emkayglobal.com  
+91 22 6624 2480

#### Heet Khimawat

heet.khimawat@emkayglobal.com  
+91 22 6612 1275

#### Dixit Sankharva

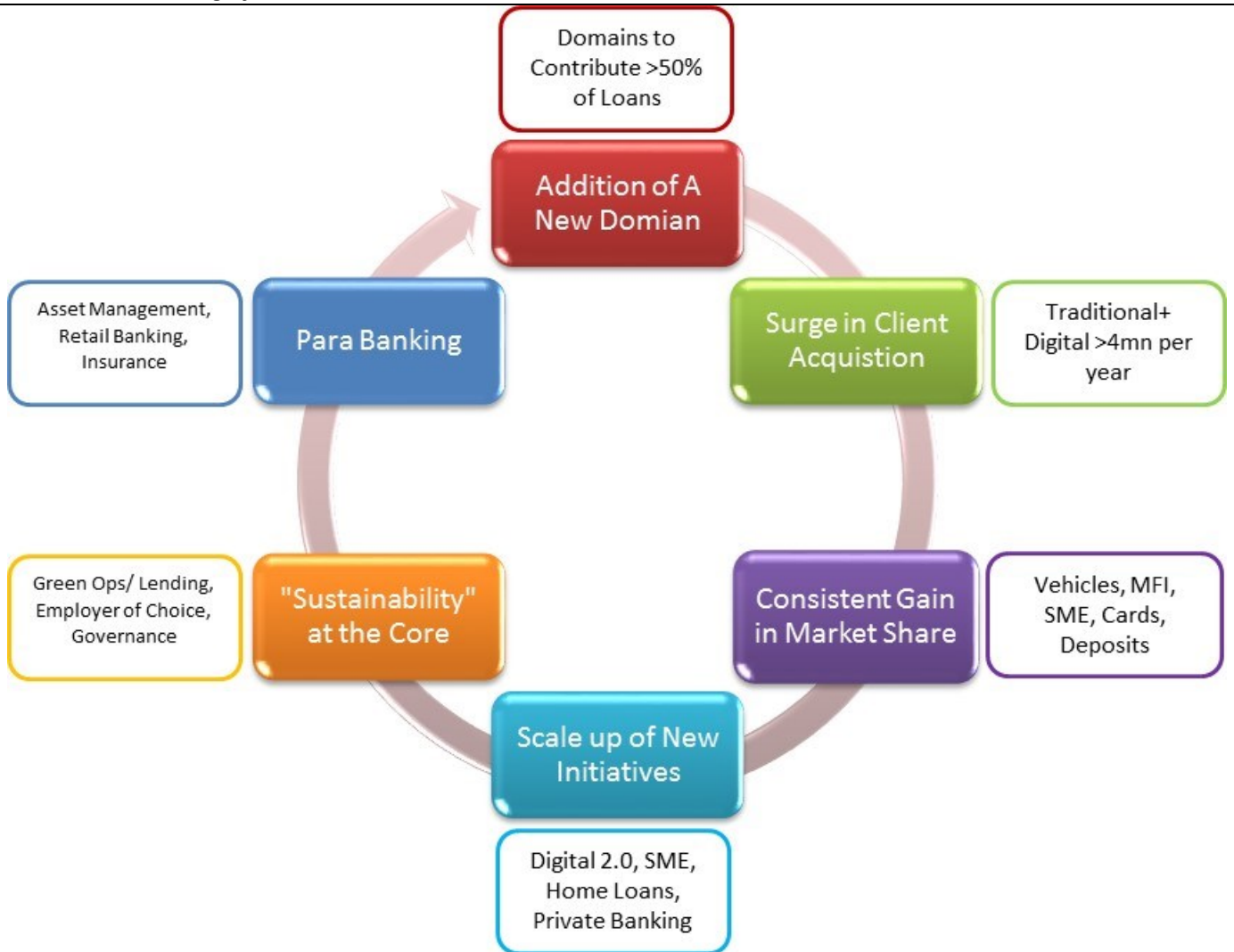
dixit.sankharva@emkayglobal.com  
+91 22 6612 1281

#### Soumya Jain

soumya.jain@emkayglobal.com  
+91 22 6612 1262

# Story in Charts

Exhibit 1: Potential Planning Cycle 6



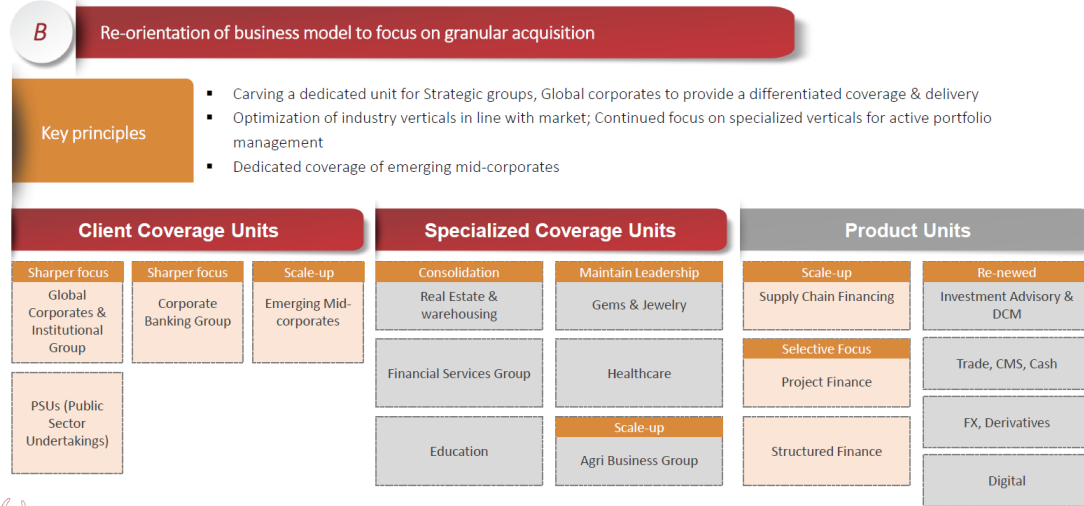
Source: Company, Emkay Research

Exhibit 2: Tentative indicators of Planning Cycle 6

Tentative Indicators		
Resulting in	Loan Growth	CAGR Ahead of PC-5
	Loan Mix	60% : 40% Retail : Coprorate
	CASA Ratio	> 45%
	PPOP/ Loans	> 5.5%
	Branch Network	> 3000
	Customer Base	> 50mn

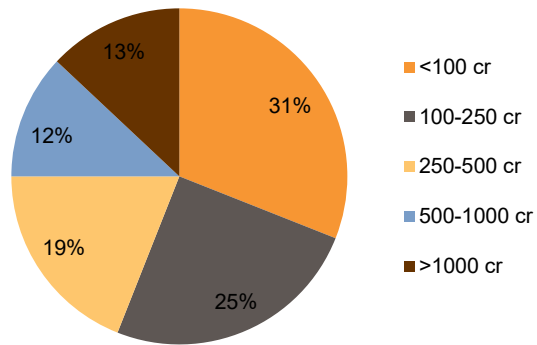
Source: Company, Emkay Research

**Exhibit 3: Fine-tuning the Corporating Banking business model**



Source: Company

**Exhibit 4: Built granular corporate book, learning from its past mistakes**



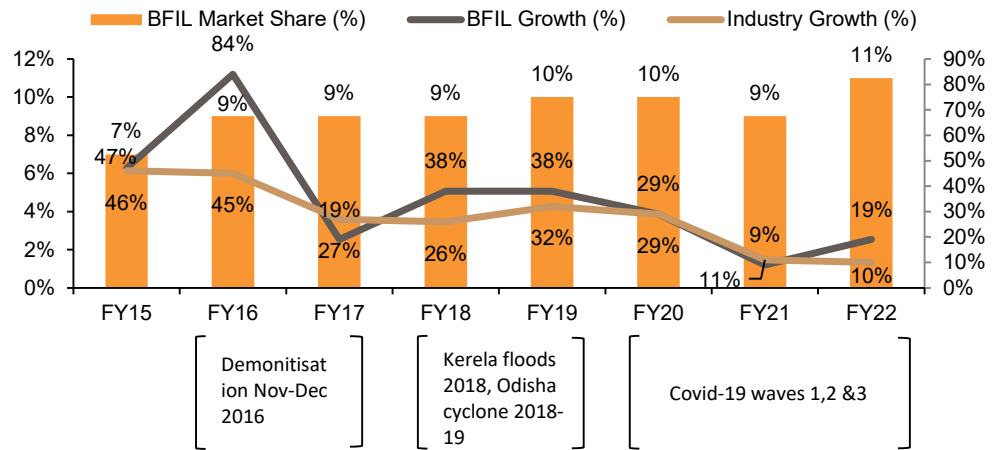
Source: Company

**Exhibit 5: Consumer banking – the way ahead**



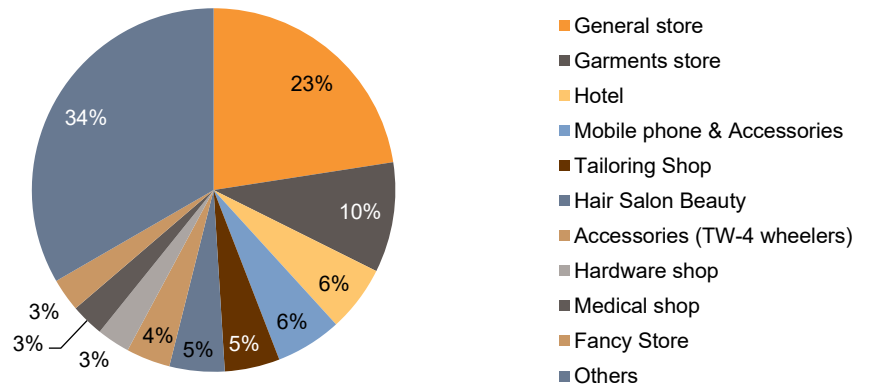
Source: Company

**Exhibit 6: BFILs sustained growth amidst macro shocks**



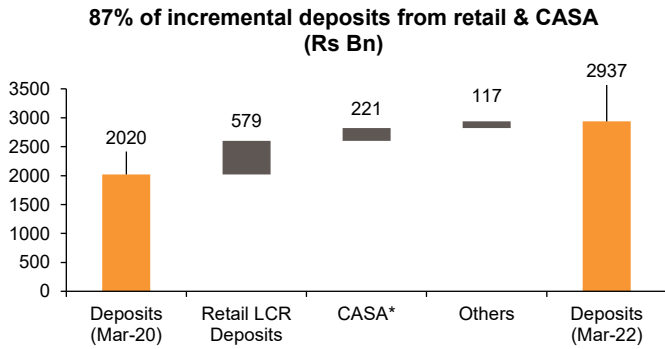
Source: Company

**Exhibit 7: Diversified Retail mix of BFIL's micro-retailer portfolio (Rs19bn)**



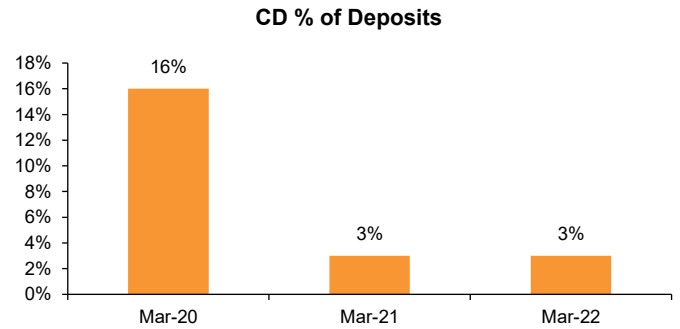
Source: Company

**Exhibit 8: Deposit growth led by retail deposits**



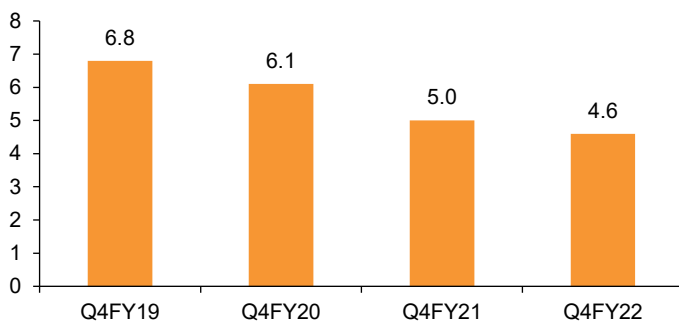
Source: Company, Emkay Research

**Exhibit 9: Lower dependence on CDs to help manage CoF**



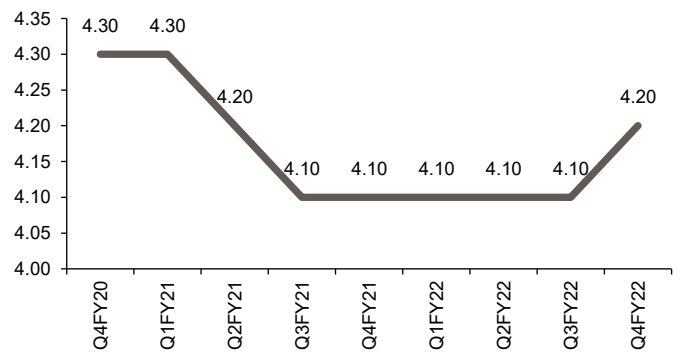
Source: Company, Emkay Research

**Exhibit 10: Cost of deposits at lower levels**



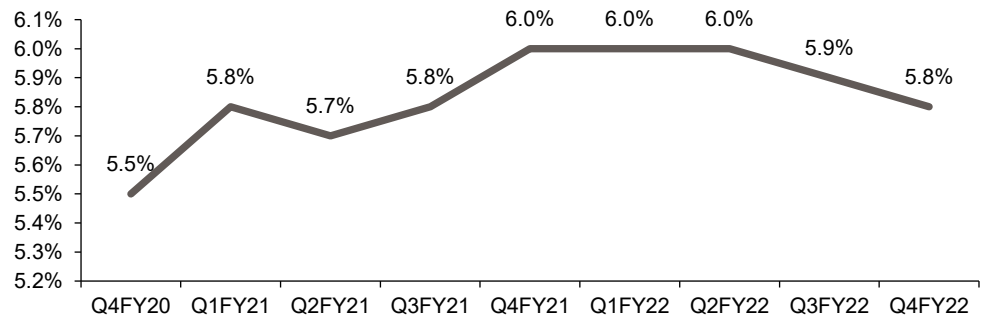
Source: Company

**Exhibit 11: Margins expected to gradually inch up led by acceleration in retail business including MFI, VF, Affordable housing**



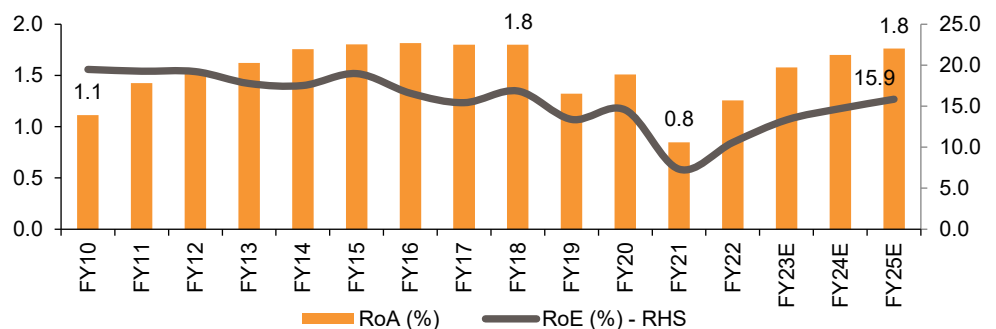
Source: Company

**Exhibit 12: PPOp Margins (PPOp/Loans) >5% as guided under PC 5. The bank plans to scale it up >5.5 under PC 6**



Source: Emkay Research

**Exhibit 13: Return ratios set to improve led by better margins, fees and lower LLP**



Source: Emkay Research

## Exhibit 14: A glimpse at IndusInd's Management Team

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## Our Core Executive Team



Source: Company

**Key Financials (Standalone)****Income Statement**

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
<b>Net interest income</b>	<b>135,278</b>	<b>150,008</b>	<b>172,364</b>	<b>199,195</b>	<b>234,513</b>
<b>Other income</b>	<b>65,586</b>	<b>74,076</b>	<b>77,235</b>	<b>87,700</b>	<b>101,222</b>
Fee income	34,781	39,303	46,771	56,125	67,911
<b>Net income</b>	<b>200,864</b>	<b>224,085</b>	<b>249,599</b>	<b>286,895</b>	<b>335,735</b>
Operating expenses	83,598	93,107	110,465	126,808	147,507
<b>Pre provision profit</b>	<b>117,265</b>	<b>130,978</b>	<b>139,134</b>	<b>160,087</b>	<b>188,229</b>
<b>PPP excl treasury</b>	<b>102,403</b>	<b>118,978</b>	<b>133,134</b>	<b>154,687</b>	<b>182,559</b>
Provisions	79,425	66,650	49,062	48,346	51,446
<b>Profit before tax</b>	<b>37,840</b>	<b>64,328</b>	<b>90,072</b>	<b>111,740</b>	<b>136,782</b>
Tax	9,478	16,282	22,698	28,159	34,469
Tax rate	25	25	25	25	25
<b>Profit after tax</b>	<b>28,363</b>	<b>48,046</b>	<b>67,374</b>	<b>83,582</b>	<b>102,313</b>

**Balance Sheet**

Y/E Year End (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Equity	7,734	7,747	7,750	7,750	7,750
Reserves	425,866	472,517	528,117	597,608	682,349
<b>Net worth</b>	<b>433,600</b>	<b>480,264</b>	<b>535,867</b>	<b>605,358</b>	<b>690,099</b>
Deposits	2,562,049	2,933,495	3,381,913	4,038,217	4,869,142
Borrowings	458,329	418,333	397,417	437,158	480,874
<b>Total liabilities</b>	<b>3,629,727</b>	<b>4,019,674</b>	<b>4,518,089</b>	<b>5,312,328</b>	<b>6,298,751</b>
Cash and bank	178,707	156,982	188,378	226,054	271,265
Investments	696,947	709,299	839,517	972,385	1,110,270
Loans	2,125,954	2,390,515	2,803,881	3,368,770	4,081,415
Others	225,461	214,725	262,715	316,825	381,674
<b>Total assets</b>	<b>3,629,727</b>	<b>4,019,674</b>	<b>4,518,089</b>	<b>5,312,328</b>	<b>6,298,751</b>

**Key Ratios (%)**

Y/E Year End	FY21	FY22	FY23E	FY24E	FY25E
NIM	4.4	4.2	4.3	4.3	4.3
Non-ll/avg assets	2.0	1.9	1.8	1.8	1.7
Fee income/avg assets	1.0	1.0	1.1	1.1	1.2
Opex/avg assets	2.5	2.4	2.6	2.6	2.5
Provisions/avg assets	2.4	1.7	1.1	1.0	0.9
PBT/avg assets	1.1	1.7	2.1	2.3	2.4
Tax/avg assets	0.3	0.4	0.5	0.6	0.6
RoA	0.8	1.3	1.6	1.7	1.8
RoAE	7.3	10.6	13.3	14.7	15.9
GNPA (%)	2.7	2.3	2.0	1.8	1.6
NNPA (%)	0.7	0.6	0.6	0.6	0.5

Per Share Data (Rs)	FY21	FY22	FY23E	FY24E	FY25E
EPS	36.7	62.0	86.9	107.8	132.0
BVPS	552.8	603.6	673.8	761.8	869.1
ABVPS	538.6	589.1	657.7	744.2	849.9
DPS	0.0	10.0	15.0	18.0	22.5

Valuations (x)	FY21	FY22	FY23E	FY24E	FY25E
PER	26.2	15.5	11.1	8.9	7.3
P/BV	1.8	1.6	1.5	1.3	1.1
P/ABV	1.6	1.5	1.3	1.2	1.0
P/PPOP	5.8	5.2	4.9	4.3	3.6
Dividend Yield (%)	0.0	1.0	1.6	1.9	2.3

Source: Company, Emkay Research

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<b>Growth (%)</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
NII	12.2	10.9	14.9	15.6	17.7
PPOP	8.9	11.7	6.2	15.1	17.6
PAT	(35.8)	69.4	40.2	24.1	22.4
Loans	2.8	12.4	17.3	20.1	21.2

<b>Quarterly (Rs mn)</b>	<b>Q1FY22</b>	<b>Q2FY22</b>	<b>Q3FY22</b>	<b>Q4FY22</b>	<b>Q1FY23</b>
NII	35,637	36,584	37,936	39,852	41,253
NIM(%)	4.1	4.1	4.1	4.2	4.2
PPOP	31,855	32,187	33,121	33,814	34,307
PAT	10,161	11,467	12,414	14,005	16,310
EPS (Rs)	13.13	14.81	16.04	18.09	21.07

Source: Company, Emkay Research

<b>Shareholding Pattern (%)</b>	<b>Jun-21</b>	<b>Sep-21</b>	<b>Dec-21</b>	<b>Mar-22</b>	<b>Jun-22</b>
Promoters	15.2	15.2	15.2	15.2	15.2
FIIIs	47.8	47.2	43.8	42.5	42.1
DIIIs	16.3	17.4	18.6	20.1	19.3
Public and Others	20.7	20.2	22.5	22.2	23.5

Source: Capitaline

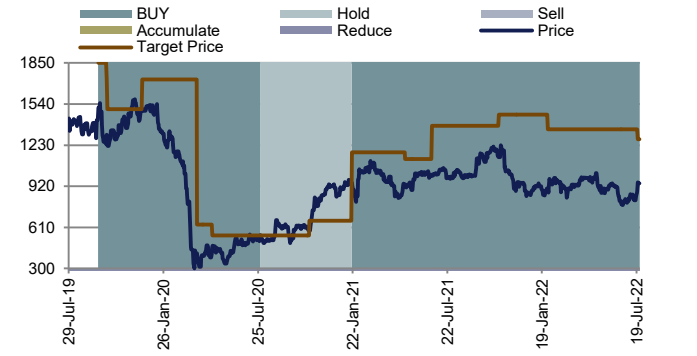


## RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
21-Jul-22	948	1,275	12m	Buy	Anand dama
1-May-22	979	1,350	12m	Buy	Anand dama
30-Jan-22	904	1,350	12m	Buy	Anand dama
7-Nov-21	1,189	1,460	12m	Buy	Anand dama
28-Oct-21	1,176	1,460	12m	Buy	Anand dama
5-Oct-21	1,169	1,375	12m	Buy	Anand dama
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

Source: Company, Emkay Research

## RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

## Emkay Alpha Portfolio – BFSI-Banks



### Analyst: Anand Dama

#### Contact Details

anand.dama@emkayglobal.com  
+91 22 6624 2480

#### 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 based on Current NAV	Change vs last published EAP (bps)
<b>BFSI-Banks</b>	<b>20.16</b>	<b>20.16</b>	<b>0.0%</b>	<b>0</b>	<b>100.00</b>	
Axis Bank	1.98	2.03	2%	4	10.05	0
AU Small Finance Bank	0.27	0.22	-19%	-5	1.10	0
Bandhan Bank	0.19	0.19	0%	0	0.94	0
Bank of Baroda	0.22	0.22	0%	0	1.11	0
Canara Bank	0.13	0.13	0%	0	0.64	0
City Union Bank	0.00	0.04	NA	4	0.20	0
DCB Bank	0.00	0.00	NA	0	0.00	0
Equitas Small Finance Bank	0.00	0.00	NA	0	0.00	0
Federal Bank	0.22	0.22	0%	0	1.08	0
HDFC Bank	6.28	6.35	1%	7	31.48	0
ICICI Bank	5.69	5.82	2%	13	28.85	0
Indian Bank	0.00	0.00	NA	0	0.00	0
Indusind Bank	0.60	0.68	14%	8	3.38	0
Karur Vysya Bank	0.00	0.07	NA	7	0.35	0
Kotak Mahindra Bank	2.37	2.04	-14%	-33	10.12	0
Punjab National Bank	0.10	0.00	-100%	-10	0.00	0
RBL Bank	0.00	0.00	NA	0	0.00	0
State Bank of India	2.03	2.15	6%	12	10.68	0
Ujjivan Small Finance Bank	0.00	0.00	NA	0	0.00	0
Union Bank of India	0.04	0.00	-100%	-4	0.00	0
Yes Bank	0.05	0.01	-82%	-4	0.04	0
<b>Cash</b>	<b>0.00</b>	<b>0.00</b>	<b>NA</b>	<b>0</b>	<b>0.0</b>	<b>0</b>

Source: Emkay Research

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

### Sector portfolio NAV

	Base 1-Apr-19	26-Jul-21	25-Jan-22	26-Apr-22	27-Jun-22	Latest 26-Jul-22
EAP - BFSI-Banks	100.0	119.5	129.5	124.3	116.6	125.1
BSE200 Neutral Weighted Portfolio (ETF)	100.0	117.0	126.9	121.8	114.3	122.6

\*Performance measurement base date 1<sup>st</sup> April 2019

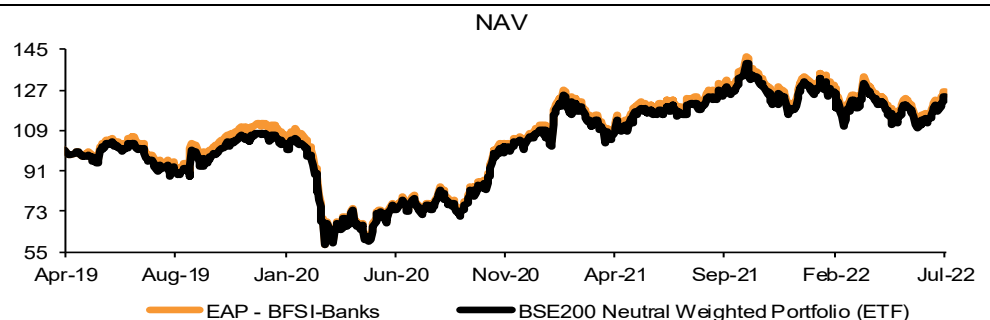
Source: Emkay Research

### Price Performance (%)

	1m	3m	6m	12m
EAP - BFSI-Banks	7.3%	0.6%	-3.4%	4.7%
BSE200 Neutral Weighted Portfolio (ETF)	7.3%	0.6%	-3.4%	4.8%

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”

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## Emkay Rating Distribution

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

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CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com