

IndusInd Bank

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Strong, in-line growth; Management uncertainty largely behind

CMP	Target Price
Rs 1,156 as of (October 4, 2022)	Rs 1,275 (■) 12 months
Rating	Upside
BUY (■)	10.3 %

Business Update – Q2FY23

- IndusInd Bank's (IIB's) credit growth remains robust and in line with our expectations, at 18% YoY/5% QoQ in Q2FY23 which we believe is mainly driven by continued acceleration in the retail book (including MFI/CV) as well as the corporate book.
- On its MFI book (Bharat Financial, BFIL), the bank seems well poised for growth, with MFI as a sector being on the cusp of a growth-rebound, given asset-quality issues being largely behind and on-the-ground demand showing strong signs of pick-up. For IIB, entry into the higher-ticket individual MFI loan segment would also boost growth.
- Deposit growth too has been healthy for IIB, at 15% YoY/5% QoQ, unlike other banks', leading to nearly stable LDR at 82% in Q2. We expect margins to remain largely flattish in Q2, mainly due to flat LDR and repricing benefit to come with a lag owing to the bank's relatively higher fixed-rate asset book.
- We expect slippages to remain elevated on account of relapse in the restructured pool, but NPA ratios to moderate from Q1 levels on the back of better recovery and accelerating credit growth. Bank is also well-provided with specific PCR at 72% and additional contingent provision buffer at 0.8% of loans which should keep incremental LLP in check and, thus, be the key profit driver, apart from credit growth.
- We believe the MFI saga is largely behind and the recent term extension for the MD by the Board puts to rest the uncertainty about current MD&CEO Sumant Kathpalia's intention of continuing with the bank. We believe RBI approval for the MD re-appointment should not be a challenge, while re-accelerating credit growth, improving return ratios (13-16% over FY23-25E) and reasonable valuations (1.6x FY24E ABV) make IIB a compelling Buy.

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

Change in Estimates

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

Emkay vs Consensus

	EPS Estimates	
	FY23E	FY24E
Emkay	86.9	107.8
Consensus	91.0	111.7
Mean Consensus TP (12M)	Rs 1,276	

Stock Details

Bloomberg Code	IIB IN
Face Value (Rs)	10
Shares outstanding (mn)	775
52 Week H/L	1,276 / 763
M Cap (Rs bn/USD bn)	896 / 10.95
Daily Avg Volume (nos.)	4,373,332
Daily Avg Turnover (USD mn)	56.3

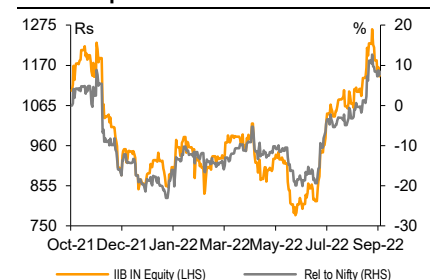
Shareholding Pattern Jun '22

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

Price Performance

(%)	1M	3M	6M	12M
Absolute	5	43	19	5
Rel. to Nifty	9	34	28	10

Relative price chart



Source: Bloomberg

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Financial Snapshot (Standalone)

(Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Net income	200,865	223,979	249,599	286,895	335,735
Net profit	28,364	46,111	67,374	83,582	102,313
EPS (Rs)	36.7	59.5	86.9	107.8	132.0
ABV (Rs)	538.6	584.8	653.4	739.9	845.6
RoA (%)	0.8	1.2	1.6	1.7	1.8
RoE (%)	7.3	10.2	13.4	14.8	15.9
P/E (x)	33.3	20.5	14.0	11.3	9.2
P/ABV (x)	2.3	2.1	1.9	1.6	1.4

Source: Company, Emkay Research

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Net interest income	135,279	150,008	172,364	199,195	234,514
Other income	65,586	73,970	77,235	87,700	101,222
Fee income	34,781	45,093	46,771	56,125	67,911
Net income	200,865	223,979	249,599	286,895	335,735
Operating expenses	83,598	95,593	110,465	126,808	147,507
Pre provision profit	117,267	128,386	139,134	160,087	188,229
PPP excl treasury	102,405	122,454	133,134	154,687	182,559
Provisions	79,425	66,650	49,061	48,346	51,446
Profit before tax	37,841	61,736	90,073	111,741	136,782
Tax	9,478	15,625	22,698	28,159	34,469
Tax rate (%)	25	25	25	25	25
Profit after tax	28,364	46,111	67,374	83,582	102,313

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	469,065	528,117	597,608	682,349
Net worth	433,600	476,812	535,867	605,358	690,099
Deposits	2,562,050	2,936,813	3,381,913	4,038,217	4,869,142
Borrowings	458,329	405,333	384,417	424,158	467,874
Total liabilities	3,629,727	4,019,746	4,518,089	5,312,328	6,298,751
Cash and bank	178,707	156,412	187,694	225,233	270,279
Investments	696,947	709,708	839,517	972,385	1,110,270
Loans	2,125,954	2,390,515	2,803,870	3,368,757	4,081,399
Others	225,461	218,291	262,726	316,838	381,690
Total assets	3,629,727	4,019,746	4,518,089	5,312,328	6,298,751

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	1.2	1.1	1.1	1.2
Opex/avg assets	2.5	2.5	2.6	2.6	2.5
Provisions/avg assets	2.4	1.7	1.1	1.0	0.9
PBT/avg assets	1.1	1.6	2.1	2.3	2.4
Tax/avg assets	0.3	0.4	0.5	0.6	0.6
RoA	0.8	1.2	1.6	1.7	1.8
RoAE	7.3	10.2	13.4	14.8	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	59.5	86.9	107.8	132.0
BVPS	552.8	599.3	669.5	757.6	864.8
ABVPS	538.6	584.8	653.4	739.9	845.6
DPS	0.0	8.5	15.0	18.0	22.5

Valuations (x)	FY21	FY22	FY23E	FY24E	FY25E
PER	33.3	20.5	14.0	11.3	9.2
P/BV	2.2	2.0	1.8	1.6	1.4
P/ABV	2.3	2.1	1.9	1.6	1.4
P/PPOP	7.5	6.9	6.3	5.5	4.7
Dividend Yield (%)	0.0	0.7	1.3	1.6	1.9

Source: Company, Emkay Research

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Growth (%)	FY21	FY22	FY23E	FY24E	FY25E
NII	12.2	10.9	14.9	15.6	17.7
PPOP	8.9	9.5	8.4	15.1	17.6
PAT	(35.8)	62.6	46.1	24.1	22.4
Loans	2.8	12.4	17.3	20.1	21.2

Quarterly (Rs mn)	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
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

Shareholding Pattern (%)	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22
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

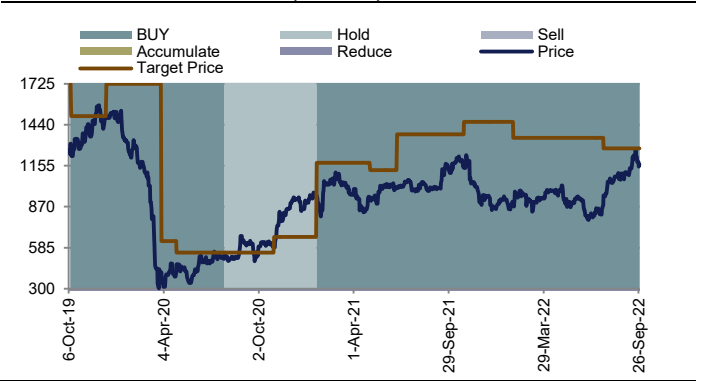
Source: Capitaline

RECOMMENDATION HISTORY (Rs/share)

Date	Closing Price	TP	Period (months)	Rating	Analyst
28-Jul-22	1,018	1,275	12	Buy	Anand Dama
21-Jul-22	948	1,275	12	Buy	Anand Dama
1-May-22	979	1,350	12	Buy	Anand Dama
30-Jan-22	904	1,350	12	Buy	Anand Dama
7-Nov-21	1,189	1,460	12	Buy	Anand Dama
28-Oct-21	1,176	1,460	12	Buy	Anand Dama
5-Oct-21	1,169	1,375	12	Buy	Anand Dama
28-Jul-21	993	1,375	12	Buy	Anand Dama
22-Jun-21	1,000	1,375	12	Buy	Anand Dama
2-May-21	935	1,125	12	Buy	Anand Dama
30-Jan-21	846	1,175	12	Buy	Anand Dama
20-Jan-21	948	1,175	12	Buy	Anand Dama
31-Oct-20	586	660	12	Hold	Anand Dama
29-Sep-20	536	550	12	Hold	Anand Dama
29-Jul-20	551	550	12	Hold	Anand Dama
28-Apr-20	468	550	12	Buy	Anand Dama
11-Apr-20	395	630	12	Buy	Anand Dama
30-Mar-20	413	630	12	Buy	Anand Dama
14-Jan-20	1,482	1,725	12	Buy	Anand Dama
16-Dec-19	1,493	1,725	12	Buy	Anand Dama
10-Oct-19	1,229	1,500	12	Buy	Anand Dama
9-Oct-19	1,309	1,725	12	Buy	Anand Dama

Source: Company, Emkay Research

RECOMMENDATION HISTORY (Rs/share)



Source: Bloomberg, Company, Emkay Research

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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