

Retail Equity Research

IndusInd Bank Limited

Banking

BSE CODE: 532187

NSE CODE: INDUSINDBK

Bloomberg CODE: IIB:IN

SENSEX: 66,707

BUY

12 Months Investment Period Rating as per Large Cap

CMP Rs. 1,428 TARGET Rs. 1,609 RETURN 13% 
(Closing: 26-07-23)

KEY CHANGES:

TARGET 

RATING 

EARNINGS 

Sustainable Q1 results; Steady future growth

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

- Net interest income (NII) grew 4.2% QoQ to Rs. 4,867cr (18.0% YoY), driven by a rise in yield on advances at 12.2% (+20 bps QoQ), despite an increase in the cost of deposits at 6.1% (+31bps QoQ).
- Gross and net non-performing assets (GNPA/ NNPA) improved sequentially to 1.94%/0.58% in Q1FY24. Gross slippage declined to Rs. 1,376cr (-14.2% QoQ).
- Healthy assets, improved loan growth, strategic new expansions and controlled non-performing assets (NPA) are expected to support the company's future earnings potential. Although the cost-to-income ratio remains elevated, management expects it to soften in the future. Hence, we remain positive on the stock and reiterate our BUY rating, with a revised target price of Rs. 1,609, based on 1.75x FY25E BVPS.

NIM margin remained flat on QoQ

In Q1FY24, net interest income rose 4.2% QoQ to Rs. 4,867cr (18.0% YoY), due to repricing of assets and better control on liabilities. However, net interest margin (NIM) remained flat at 4.29% vs. 4.28% in Q4FY23. Cost of deposits ramped up due to repricing of deposits at maturity, but IndusInd Bank expects to cut down cost of deposits by 10-15bps by FY24end. Pre-provision operating profit (PPOP) displayed muted growth of 2.1% QoQ to Rs. 3,830cr. Cost-to-income ratio increased to 45.9% (+93bps QoQ), due to elevated employee cost with an addition of new employees, wage hikes, investment in distribution channel and digitalisation expenses. IndusInd continued to minimize provisions in to Rs. 992cr (-3.7% QoQ), driven by improved asset quality and reduced slippages. Adjusted profit after tax uplifted to Rs. 2,124cr (+4.1% QoQ).

Stable asset quality maintained across all verticals

In Q1FY24, IndusInd's loan book grew to Rs. 3,01,317cr (+3.9% QoQ), driven by strong contributions from commercial vehicle loans (+4.1% QoQ), car loans (+5.1% QoQ) and large corporates (+3.7% QoQ). GNPA/ NNPA continually improved to 1.94%/0.58% in Q1FY24 vs 1.98%/0.59% in Q4FY23, while maintaining a stable provision coverage ratio of 71%. Further, gross slippage dipped to Rs. 1,376cr (-14.2% QoQ), while gross slippage in the vehicle finance segment increased to 0.77% (+16bps QoQ) as Q4FY23 emerged as a seasonally weak quarter. Consolidated deposits grew by 3.2% QoQ to Rs. 3,47,047cr, driven by a 6% QoQ increase in saving account deposits in Q1FY24 and granular acquisition with retail deposit (+5% QoQ). As a result, the liquidity coverage ratio (LCR) expanded to 132% (+19% QoQ). Capital-to-risk weighted assets ratio (CRAR) reached 18.4% in Q1FY24 vs 17.86% in Q4FY23.

Key highlights

- IIB aims to expand its branch network by adding 250-300 branches by the end of FY24. As of June 2023, the bank has 2,606 branches.
- Management expects the cost-to-income ratio to remain stable at 45% during FY24-end and to decline to 41%-43% by FY25.

Outlook & Valuation

IIB has a solid balance sheet with improved loan growth and healthier asset quality across all verticals. IIB's continuous development of digitalisation, better CASA mix, and new acquisitions/expansions should continue to support its earnings potential in the long run. Hence, we reiterate our BUY rating on the stock with a revised target price of Rs. 1,609, based on 1.75x FY25E BVPS.

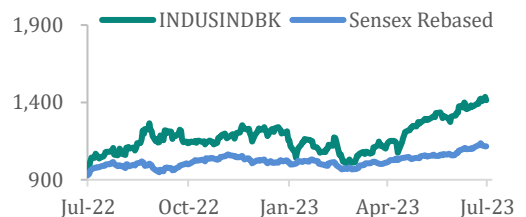
Company Data

Market Cap (cr)	Rs.109,821
Outstanding Shares (cr)	77.6
Free Float	84.0%
Dividend Yield	6.7%
52 week high	Rs.1,446
52 week low	Rs.952
6m average volume (lacs)	1.03
Beta	1.3
Face value	Rs.10

Shareholding %	Q3FY23	Q4FY23	Q1FY24
Promoters	16.5	16.5	16.5
FII's	44.8	42.2	42.3
MFs/Insti	25.1	27.0	26.7
Public	12.7	13.4	13.5
Others	1.0	1.0	0.9
Total	100.0	100.0	100.0
Promoters' pledge	45.5	45.5	45.5

Price Performance	3 Month	6 Month	1 Year
Absolute Return	26.2%	22.4%	47.1%
Absolute Sensex	10.4%	10.2%	19.0%
Relative Return*	15.8%	12.2%	28.1%

*over or under performance to benchmark index



Standalone (cr)	FY23A	FY24E	FY25E
Net Interest Income	17,592	20,690	23,415
Growth (%)	17.3	17.6	13.2
NIM (%)	5.2	5.3	5.3
Pre-Provision Profit	14,346	16,919	19,001
Net Profit	7,390	8,978	10,300
Growth (%)	60.3	21.5	14.7
Adj.EPS	95.2	115.7	132.7
Growth (%)	60.1	21.5	14.7
BVPS	703.1	803.7	919.2
P/E	14.9	12.2	10.7
P/B	2.0	1.8	1.5
RoE (%)	14.5	15.4	15.4
RoA (%)	1.7	1.8	1.8

Quarterly Financials (Standalone)

Profit & Loss Account

	Q1FY24	Q1FY23	YoY Growth %	Q4FY23	QoQ Growth %
Interest Income	10,730	8,182	31.1	10,021	7.1
Interest Expense	5,863	4,057	44.5	5,351	9.6
Net Interest Income (NII)	4,867	4,125	18.0	4,669	4.2
Non-Interest Income	2,210	1,929	14.6	2,151	2.8
Total Net Income	7,077	6,054	16.9	6,820	3.8
Total Income	12,939	10,110	28.0	12,171	6.3
Operating Expenses	3,247	2,660	22.0	3,067	5.9
Total Expenditure	9,109	6,717	35.6	8,418	8.2
Pre-Provision Profit	3,830	3,394	12.9	3,753	2.1
Provisions	992	1,251	(20.7)	1,030	(3.7)
Profit Before Tax	2,838	2,143	32.5	2,723	4.3
Tax	715	539	32.5	682	4.8
Minority Interests	0	0	n.m.	0	n.m.
Net Profit	2,124	1,603	32.5	2,041	4.1
Adj.	0	0	n.m.	0	n.m.
Adj. PAT	2,124	1,603	32.5	2,041	4.1
Adj. EPS (Rs.)	27.3	20.7	32.2	26.3	4.0

Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change %	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Net Interest Income (NII)	20,325	21,648	20,690	23,415	1.8	8.2
Net Interest Margin (%)	5.4	5.6	5.2	5.3	(29bps)	(34bps)
Pre-Provision Profit	16,791	18,289	16,919	19,001	0.8	3.9
Net Profit	8,304	9,085	8,978	10,300	8.1	13.4
EPS (Rs)	107.1	117.2	115.7	132.7	8.0	13.3

PROFIT & LOSS

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Interest Income	29,000	30,822	36,368	43,075	49,682
Interest Exp.	15,472	15,822	18,776	22,385	26,267
Net Int. Income	13,528	15,001	17,592	20,690	23,415
% Change	12.2	10.9	17.3	17.6	13.2
Non-Int. Income	6,559	7,334	8,166	8,983	9,881
Net Income	20,087	22,335	25,758	29,673	33,297
Total Income	35,558	38,157	44,534	52,058	59,564
Operating Exp.	8,360	9,559	11,412	12,754	14,295
Total Exp.	23,832	25,381	30,188	35,139	40,562
Pre-Prov. Profit	11,727	12,776	14,346	16,919	19,001
Provisions	7,943	6,602	4,487	4,940	5,258
PBT	3,784	6,174	9,860	11,978	13,743
Tax	948	1,563	2,470	3,001	3,443
Tax Rate (%)	25.0	25.3	25.1	25.1	25.1
Minority Interests	-	-	-	-	-
Net Profit	2,836	4,611	7,390	8,978	10,300
% Change	(35.8)	62.6	60.3	21.5	14.7
Adj.	-	-	-	-	-
Adj. Net Profit	2,836	4,611	7,390	8,978	10,300
No. of Shares (cr)	73.3	77.5	77.6	77.6	77.6
Adj. EPS (Rs.)	38.7	59.5	95.2	115.7	132.7
% Change	(39.1)	53.7	60.1	21.5	14.7
DPS (Rs.)	5.0	8.5	14.0	15.0	17.3

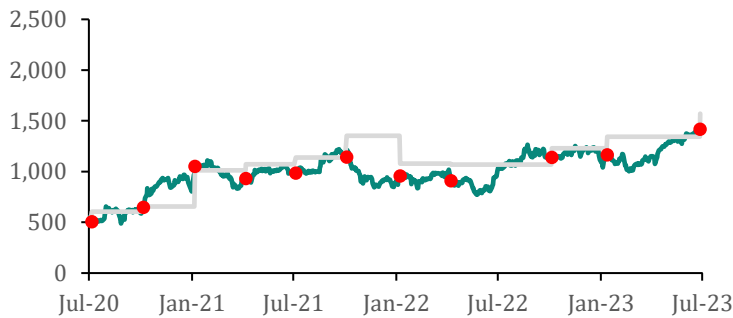
BALANCE SHEET

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Cash & Balances	17,871	60,141	42,961	65,622	90,630
Investments	69,695	70,971	83,116	86,025	89,036
Advances	212,595	239,052	289,924	327,614	373,480
Fixed Assets	1,809	1,849	1,993	2,092	2,197
Other Assets	61,003	29,962	39,810	42,436	45,325
Total Assets	362,973	401,975	457,804	523,789	600,668
Capital	773	775	776	776	776
Reserves & Surplus	42,587	46,906	53,801	61,612	70,573
Deposits	256,205	293,681	336,438	393,633	460,550
Borrowings	51,323	47,323	49,011	49,991	50,991
Other Liabilities	12,085	13,289	17,777	17,777	17,777
Total Liabilities	362,973	401,975	457,804	523,789	600,668
BVPS (Rs.)	591.3	614.9	703.1	803.7	919.2
Adj. BVPS (Rs.)	571.2	595.2	681.0	784.7	899.9
% Change	18.5	4.0	14.3	14.3	14.4

RATIOS

Y.E March	FY21A	FY22A	FY23A	FY24E	FY25E
Valuation					
P/E (x)	24.7	15.7	14.9	12.2	10.7
P/BV (x)	1.6	1.5	2.0	1.8	1.5
Div. Yield (%)	0.5	0.9	1.0	1.1	1.2
Profitability & Return (%)					
Yield on Advances	11.5	11.1	11.3	11.6	11.5
Cost of Deposits	5.4	4.9	5.2	5.4	5.5
Spread	6.1	6.3	6.2	6.2	6.0
NIM	4.9	5.1	5.2	5.3	5.3
ROE	7.3	10.1	14.5	15.4	15.4
ROA	0.8	1.2	1.7	1.8	1.8
Capital Adequacy (%)					
CAR	17.4	18.0	17.9	17.7	17.5
Tier I	16.8	16.5	16.4	16.4	16.3
Tier II	0.6	1.5	1.5	1.3	1.1
Asset Quality (%)					
GNPA	2.7	2.3	2.0	1.8	1.8
NNPA	0.7	0.6	0.6	0.5	0.4
Operating Ratios (%)					
Credit/Deposit	83.0	81.4	86.2	83.2	81.1
Cost/Income	41.6	42.8	44.3	43.0	42.9
CASA	41.7	42.7	40.0	40.0	40.0

Recommendation Summary (Last 3 Years)



Source: Bloomberg, Geojit research

Dates	Rating	Target
5-May-21	BUY	1,072
2-Aug-21	BUY	1,137
1-Nov-21	BUY	1,352
4-Feb-22	BUY	1,078
6-May-22	BUY	1,070
2-Nov-22	HOLD	1,230
9-Feb-23	BUY	1,343
26-Jul-23	BUY	1,609

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/Neutral			

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.

Sell: Exit from the stock.

Not rated/Neutral: 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.

General Disclosures and Disclaimers

CERTIFICATION

I, Cyril Charly, author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

COMPANY OVERVIEW

Geojit, a publically listed company, is engaged in services of retail broking, depository services, portfolio management and marketing investment products including mutual funds, insurance and properties. GEOJIT is a SEBI registered Research Entity and as such prepares and shares research data and reports periodically with clients, investors, stake holders and general public in compliance with Securities and Exchange Board of India Act, 1992, Securities And Exchange Board Of India (Research Analysts) Regulations, 2014 and/or any other applicable directives, instructions or guidelines issued by the Regulators from time to time.

DISTRIBUTION OF REPORTS: This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. GEOJIT will not treat the recipients of this report as clients by virtue of their receiving this report.

GENERAL REPRESENTATION: The research reports do not constitute an offer or solicitation for the purchase or sale of any financial instruments, inducements, promise, guarantee, warranty, or as an official confirmation of any transaction or contractual obligations of any kind. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The information contained herein is from publicly available data or other sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such. We have also reviewed the research report for any untrue statements of material facts or any false or misleading information. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

RISK DISCLOSURE: GEOJIT and/or its Affiliates and its officers, directors and employees including the analyst/authors shall not be in any way be responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Investors may lose his/her entire investment under certain market conditions so before acting on any advice or recommendation in these material, investors should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. This report does not take into account the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive this document. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this report (including the merits and risks involved). The price,

volume and income of the investments referred to in this report may fluctuate and investors may realize losses that may exceed their original capital.

FUNDAMENTAL DISCLAIMER: We have prepared this report based on information believed to be reliable. The recommendations herein 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. The stocks always carry the risk of being upgraded to buy or downgraded to a hold, reduce or sell. The opinions expressed are subject to change but we have no obligation to tell our clients when our opinions or recommendations change. This report is non-inclusive and does not consider all the information that the recipients may consider material to investments. This report is issued by GEOJIT without any liability/undertaking/commitment on the part of itself or any of its entities. We may have issued or may issue on the companies covered herein, reports, recommendations or information which is contrary to those contained in this report. The projections and forecasts described in this report should be evaluated keeping in mind the fact that these are based on estimates and assumptions and will vary from actual results over a period of time. The actual performance of the companies represented in the report may vary from those projected. These are not scientifically proven to guarantee certain intended results and hence, are not published as a warranty and do not carry any evidentiary value whatsoever. These are not to be relied on in or as contractual, legal or tax advice. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice.

CRISIL has provided research support in preparation of this research report and the investment rational contained herein along with financial forecast. The target price and recommendation provided in the report are strictly Geojit's views and are NOT PROVIDED by CRISIL. Further, CRISIL expresses no opinion on valuation and the associated recommendations. CRISIL has no financial liability whatsoever, to the subscribers / users of this report.

JURISDICTION: The securities described herein may not be eligible for sale in all jurisdictions or to all categories of investors. The countries in which the companies mentioned in this report are organized may have restrictions on investments, voting rights or dealings in securities by nationals of other countries. Distributing/taking/sending/dispatching/transmitting this document in certain foreign jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe any such restrictions. Failure to comply with this restriction may constitute a violation of any foreign jurisdiction laws. Foreign currencies denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. Investors in securities such as ADRs, the value of which are influenced by foreign currencies effectively assume currency risk.

REGULATORY DISCLOSURES: Group companies of Geojit Financial Services Limited are Geojit Technologies Private Limited (Software Solutions provider), Geojit Credits Private Limited (NBFC), Geojit Investment Limited (financial Services Company (yet to start operations)), Geojit Techloan Private Ltd (P2P lending (yet to start operations)), Geojit IFSC Ltd (a company incorporated under IFSC Regulations(yet to start operations)), Qurum Business Group Geojit Securities LLC (a joint venture in Oman engaged in Financial Services), Barjeel Geojit Financial Services LLC (a joint venture in UAE engaged in Financial Services), Aloula Geojit Capital Company (a joint venture in Saudi Arabia (Under Liquidation)) and BBK Geojit Securities Co. K.S.C.C (a subsidiary in Kuwait-engaged in Financial services).In the context of the SEBI Regulations on Research Analysts (2014), GEOJIT affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports /research analysis etc that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities.

In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

1. Disclosures regarding Ownership:

GEOJIT confirms that:

It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein.

It/its associates have no actual beneficial ownership of 1% or more in relation to the subject company (ies) covered herein.

Further, the Analyst confirms that:

(i) He, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company.

(ii) He, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered.

2. Disclosures regarding Compensation:

During the past 12 months, GEOJIT or its Associates:

(a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company. (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

3. Disclosure by GEOJIT regarding the compensation paid to its Research Analyst:

GEOJIT hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that I, Cyril Charly, Research Analyst(s) of GEOJIT have not served as an officer, director or employee of the subject company

5. Disclosure regarding Market Making activity:

Neither GEOJIT/its Analysts have engaged in market making activities for the subject company.

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing.

6. Standard Warning: "Investment in securities market are subject to market risks. Read all the related documents carefully before investing."

7. "Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors."

Geojit Financial Services Ltd. Registered Office: 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India.
Phone: +91 484-2901000, Website: www.geojit.com. For investor queries: customercare@geojit.com.

For Compliance officer: Ms. Indu K; Address: Geojit Financial Services Limited, 34/659 P, Civil Lane Road, Padivattom, Kochi - 682024, Phone: +91 484-2901367, Email: compliance@geojit.com. For grievances: Grievance officer: Mr Nitin K; Address: Geojit Financial Services Limited, 34/659 P, Civil Lane Road, Padivattom, Kochi - 682024, Phone: +91 484-2901363, Email: grievances@geojit.com.

Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No: INH200000345, Investment Adviser SEBI Reg No: INA200002817, Portfolio Manager: INP000003203, Depository Participant: IN-DP-325-2017, ARN Regn.Nos:0098, IRDA Corporate Agent (Composite) No.: CA0226

