

IndusInd Bank

BSE SENSEX	S&P CNX
29,337	9,104
Bloomberg	IIB IN
Equity Shares (m)	595.8
M.Cap.(INRb)/(USDb)	847 / 13.1
52-Week Range (INR)	1,445/966
1, 6, 12 Rel. Per (%)	4/14/30
Avg Val, INRm	1,540
Free float (%)	85.0

CMP: INR1,423 TP: INR1,700 (+19%) Buy

One-off provision mars strong operating performance

- IndusInd Bank's (IIB) 4QFY17 PAT grew 21% YoY (in-line) to INR7.5b. Provisions were elevated at INR4.3b as they included one-off amount of INR1.22b on a bridge loan for a cement M&A transaction (account remains standard), where the receivable is in June (likely to get reversed in 1QFY18). Adjusted for this, PAT grew 34% YoY (9% beat). For FY17, PAT growth was healthy at 30% YoY.
- NII grew 31% YoY, led by strong loan growth (+28% YoY) and 6bp YoY improvement in NIM. Coupled with strong fee income performance (+29/13% YoY/QoQ) and controlled opex (+27% YoY), IIB reported impressive core PPOp growth of 34% YoY. For FY17, NIMs have improved 15bp YoY to 4%.
- Both corporate (+30% YoY) and consumer (+28% YoY) loans exhibited robust growth. IIB compensated for lower yet healthy growth in vehicle finance (+20% YoY) with strong growth of ~40% YoY in retail non-vehicle loans.
- Led by robust SA mobilization (+57/7% YoY/QoQ), CASA deposits grew 42% YoY (CASA ratio stable at 37%). The bank retained 35% of CASA accumulated during demon, and incremental growth was driven by new-to-bank customers.
- Slippages in CCB increased more than 4x to INR4.57b. As a result, CCB GNPA's increased 15% in absolute terms. Asset quality in CFD was largely stable.
- **Valuation and view:** IIB's key focus is to scale up on its retail operations, led by higher share of non-vehicle retail loans by FY20. The bank is targeting 25-30% loan growth, driven by continued branch expansion (+800 branches addition) and strong customer acquisition (2x increase to 20m). Strong core profitability (3% of avg. assets v/s private banks' avg. of 2.5% and HDFCB's 2.7%), an improving CASA ratio (best among mid-sized private banks) and healthy return ratios (RoA of 1.9%+ and RoE of 16-18%) are the key positives. We upgrade estimates by 4-5% to account for higher growth. Maintain Buy with a target price of INR1,700 (3.8x FY19 BV).

Financials & Valuations (INR b)

Y/E Mar	2017	2018E	2019E
NII	60.6	74.3	91.1
OP	54.5	66.4	80.8
NP	28.7	36.5	44.4
NIM (%)	4.2	4.2	4.2
EPS (INR)	47.9	61.0	74.3
EPS Gr. (%)	24.8	27.1	21.8
BV/Sh. (INR)	339	389	450.6
ABV/Sh. (INR)	334	383	442.6
RoE (%)	15.3	16.7	17.7
RoA (%)	1.8	1.9	1.9
P/E (X)	29.7	23.3	19.2
P/BV (X)	4.2	3.7	3.2
P/ABV (X)	4.3	3.7	3.2

Quarterly Performance

	FY16				FY17				FY16	FY17
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Interest Income	9,807	10,943	11,734	12,682	13,564	14,603	15,784	16,675	45,166	60,626
% Change (YoY)	22.5	31.3	36.2	37.1	38.3	33.4	34.5	31.5	32.1	34.2
Other Income	7,616	7,835	8,390	9,128	9,730	9,704	10,168	12,113	32,970	41,715
Net Income	17,423	18,778	20,124	21,810	23,294	24,307	25,952	28,788	78,135	102,341
Operating Expenses	8,196	8,713	9,514	10,298	10,956	11,491	12,319	13,065	36,721	47,831
Operating Profit	9,227	10,065	10,610	11,512	12,338	12,816	13,633	15,722	41,414	54,510
% Change (YoY)	23.2	38.9	37.1	35.4	33.7	27.3	28.5	36.6	33.7	31.6
Other Provisions	1,233	1,581	1,771	2,137	2,305	2,139	2,169	4,301	6,722	10,913
Profit before Tax	7,994	8,484	8,839	9,375	10,033	10,677	11,465	11,421	34,693	43,597
Tax Provisions	2,744	2,884	3,029	3,172	3,419	3,635	3,959	3,905	11,828	14,918
Net Profit	5,250	5,600	5,810	6,204	6,614	7,042	7,506	7,516	22,865	28,679
% Change (YoY)	24.7	30.2	29.9	25.3	26.0	25.7	29.2	21.2	27.5	25.4
Operating Parameters										
NIM (Reported,%)	3.7	3.9	3.9	3.9	4.0	4.0	4.0	4.0	3.9	
Deposit Growth (%)	21.6	22.5	24.6	25.4	31.0	38.9	37.9	36.1	25.4	36.1
Loan Growth (%)	23.1	30.6	28.7	28.5	29.7	26.4	25.1	27.9	28.5	27.9
CASA Ratio (%)	34.7	34.7	35.0	35.2	34.4	36.5	37.0	36.9	35.2	36.9
Asset Quality										
OSRL (INR b)	4.6	4.9	4.8	4.7	4.6	4.4	4.2	4.2	4.7	4.2
OSRL (%)	0.6	0.6	0.6	0.5	0.5	0.4	0.4	0.4	0.5	0.4
Gross NPA (INR b)	5.7	6.0	6.8	7.8	8.6	9.0	9.7	10.5	7.8	10.5
Gross NPA (%)	0.8	0.8	0.8	0.9	0.9	0.9	0.9	0.9	0.9	0.9

E: MOSL Estimates; Quarterly calculated margins based on total assets, yearly on interest earning assets

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Exhibit 1: Quarterly Performance v/s expectation

Y/E March	4QFY17E	4QFY17A	V/S our Est	Comments
Net Interest Income	16205	16,675	3	Strong loan growth and stable QoQ NIMs
% Change (Y-o-Y)	28	31		
Other Income	11010	12,113	10	Stronger than expected growth in fee income
Net Income	27215	28,788	6	
Operating Expenses	13572	13,065	-4	Opex under control
Operating Profit	13643	15,722	15	
% Change (Y-o-Y)	19	37		
Other Provisions	2148	4,301	100	Higher than expected provisions - includes one off amount of INR1.22b
Profit before Tax	11495	11,421	-1	
Tax Provisions	3879	3,905	1	
Net Profit	7617	7,516	-1	Largely in line with estimates
% Change (Y-o-Y)	23	21		

Source: Company, MOSL

Incremental loan growth of 25%+ to be driven by higher share of non-vehicle retail loans; CASA ratio of 40%+ by FY20

Impressive NIM performance on the back of strong loan growth (+28%) and CASA mobilization; C-D ratio expands ~290bp

Corporate slippages up nearly 4.5x (annualized slippage ratio of 3.5%)

Vision FY20

- The bank targets a loan growth of 25-30% driven by higher share of retail advances (60% by FY20). It also aims to increase the share of non-vehicle retail to 50% within retail loans (from ~30% currently)
- IIB has set the target to generate incremental CASA of INR100b by 2020, driving CASA ratio to 40%+.
- Revenue growth would be ahead of balance sheet growth.
- Return on risk weighted assets above 2.4%
- Branch strength will increase to 2000
- Customer network will double to more than ~20m
- Digital channels/ initiatives should constitute 14% of profits by FY20

Strong loan growth and continued CASA traction leads to impressive NIMs

- Reported NIM was stable sequentially and increased 6bp YoY to 4.0%. This was driven by strong loan growth and declining cost of funds led by continued traction in CASA deposits.
- CASA deposits grew 6% QoQ and 42% YoY led by strong mobilization of SA deposits (+57/7% YoY/QoQ).
- Cost of deposits declined 27bp sequentially to 6.1%. Yield on funds declined 8bp QoQ.
- Yields in the corporate book declined 60bp QoQ due to MCLR cuts as well as increased share of loans to higher rated corporates. On the other hand, yields in the consumer finance book remained largely stable to 14.49%. Focus of the bank on higher share of retail loans would have a positive impact on margins.

Overall asset quality stable despite spike in corporate slippages

- Both GNPA (0.93%) and NNPA (0.39%) remained stable on a sequential basis.
- Slippages in the corporate portfolio spiked up to INR4.6b in 4QFY17 v/s INR1.1b in 3Q. On the other hand, slippages in the consumer finance portfolio remained largely stable at INR1.7b. Overall slippage ratio remained largely stable at 1.4% of loans (+3bp QoQ).

- During the quarter there was a sale to ARC of INR1.9b which compensated to some extent for the rise in corporate slippages. Bank had INR1.2b of provisions on this accounts
- Segmental GNPA's across the CFD remained largely stable in percentage terms at 1.1% (-4bp QoQ). Provision coverage ratio stayed stable at 58% sequentially.
- Restructured loans declined 4bp to 0.37%

Exhibit 2: Retail asset quality stabilizing across segments (%)

	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17
CV	1.4	1.4	1.4	1.3	1.2	1.1	1.1	1.0	1.1	1.1	1.0	1.0
Utility	0.8	0.8	1.0	1.1	1.1	1.0	1.0	1.2	1.3	1.2	1.1	1.1
CE	1.6	1.6	1.6	1.4	1.5	1.6	1.5	1.3	1.4	1.4	1.2	1.2
3W	0.8	0.8	0.9	0.9	1.0	0.8	0.8	1.0	1.1	1.0	0.8	0.9
2W	2.5	2.5	2.4	2.5	2.7	2.8	3.0	3.0	3.2	3.6	3.6	3.5
Cars	0.5	0.5	0.5	0.6	0.6	0.4	0.4	0.5	0.5	0.5	0.8	0.7
LAP/HL/PL	0.5	0.5	0.3	0.3	0.5	0.4	0.6	0.7	0.7	0.7	0.8	0.9
Cards	1.5	1.5	1.5	1.2	1.3	1.4	1.5	1.5	1.7	1.7	1.6	1.2

Source: MOSL, Company

3rd party distribution fees increased on the back of strong flows into mutual funds in 4Q

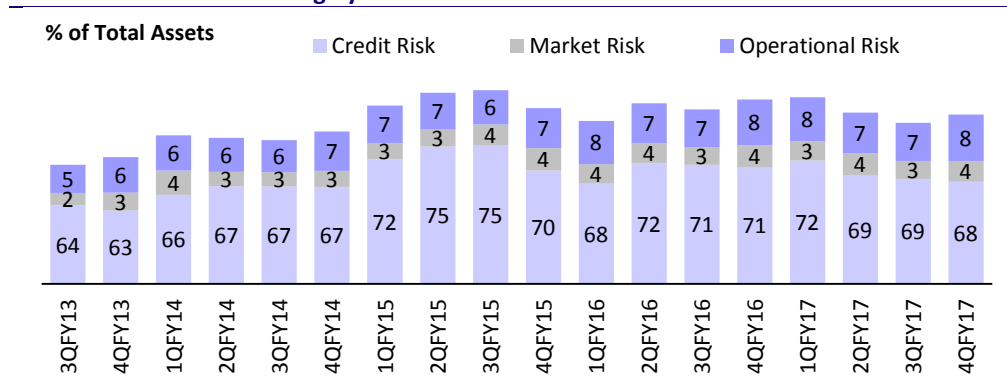
Other highlights

- Growth in fee income (+29% YoY) was broad based with strong growth in 3rd party distribution fees (+74% YoY), investment banking fees (+30% YoY) and general banking (+28% YoY). Processing fees picked up in this quarter at 25% QoQ (but was muted on a YoY basis).
- Operating expenses growth remained well under control at 27% YoY, trailing total income growth of 32% YoY. This was led by continued moderation in employee expenses at 17% YoY v/s 21% in 3Q and 25%+ average growth in previous quarters.

Exhibit 3: Fees grew 29% YoY led by strong traction in third party distribution income

	4QFY17	3QFY17	4QFY16	QoQ (%)	YoY (%)
Trade related	1,210	1,061	973	14	24
Processing fees	2,430	1,946	2,280	25	7
Forex - Clients	1,700	1,793	1,401	-5	21
Third Party Product	2,410	1,812	1,384	33	74
Investment banking	1,590	1,599	1,222	-1	30
General banking	620	637	483	-3	28
Fee income	9,960	8,848	7,742	13	29

Source: MOSL, Company

Exhibit 4: RWA to assets largely stable at ~80%

Source: MOSL, Company

4QFY17 conference call highlights

Balance sheet

- BS 4 norms – to lead to a subdued 1QFY18 VF – not due to lack of demand but because of reluctance of manufacturers.
- Strong corporate growth was led by surge in WC financing as the bank has become more competitive owing to the MCLR regime.
- The bank Retained ~35% of CASA accumulated due to demon. Traction in new to bank customers led to strong CASA inflows even post demon
- The bank is working in collaboration with McKenzie for customer acquisition – should see strong growth in SA deposits through deepening of customer relationships.

P/L related

- strong performance of mutual fund industry has led to good traction in third party distribution fees
- The bank has not amortized the loss on sale to ARC (2 accounts; RBI allows the loss on sale to be amortized over 4 quarters)and has provided entirely in P/L

Others

- Considers microfinance as a driver. Is looking into a few companies with BHAFIN just one amongst them – however, not in any advanced stages of discussion with anyone right now.
- RBI has not prescribed any specific additional provisioning to be provided on the perceived stressed exposures – it is at the discretion of the bank to provide higher provisioning on the standard asset.
- Rural banking – lending, payments products, remittance to drive growth; agri, business banking.
- ~350 branches are located in rural locations.
- The management expects average branch size to come down by 50% and the average branch cost to come down by 1/3rd.

Valuation and view

- Strong core profitability (3%+ of average assets v/s private banks average of 2.5% and HDFCB of 2.7%), improving CASA ratio (best amongst mid-sized private banks), healthy return ratios (ROA of 1.9%+ and ROE of 15-17% and capitalization (CET1 ratio of ~14.7%) are key positives. We expect IIB to report strong 25%+ loan CAGR driven by multi products, new product addition and market share gains
- Performance on the first three planning cycle under the leadership of Mr.Sobti has been extremely impressive. Bank communicated its next three years strategy in the 4th stage Planning Cycle (2017-20) today with the clear focus of strong growth with profitability and increasing the granularity of balance sheet. IIB is targeting strong growth (25-30%), higher share of non-vehicle retail loans (25% by FY20 vs 18% currently), strengthened liability franchise (CASA ratio of 40% vs 36% currently), return on risk weighted assets >2.4%, continued branch expansion (2000 by FY20 vs 1200 currently) and customer acquisition (2x increase to 20m+).

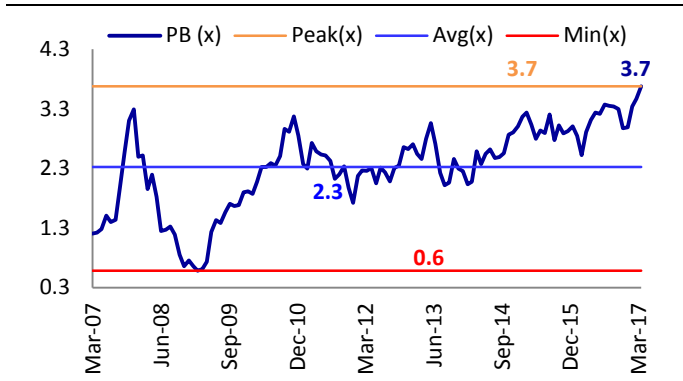
- Overall we expect underlying growth in consumer finance division product to show continued revival with broad-based growth in vehicle finance division and new product additions. IIB is already witnessing healthy growth in LAP and credit cards. Corporate loan growth is likely to be opportunistic (based on spreads available. IIB has levers like less sell down of loans, selectively doing project loan etc.
- NIMs are expected to largely stable to improving led by higher share of retail liabilities, expected improvement in loan mix towards high yielding CFD, benefit of falling interest rate cycle and higher share of fixed rate loans. Close-to-customer business model of CV financing helped the bank maintain strong asset quality performance, despite tough times. In our view, CV cycle has bottomed out which would help reduce concerns over asset quality.
- Overall superior margins, focused fee income strategy and control over C/I ratio will keep earnings momentum healthy (~23% CAGR over FY17-20). Capitalization remains one of the best in the industry at 14.7% CET1 ratio. Maintain Buy with a target price of INR 1,700 (3.8x FY19 BV based on RI model). Key assumptions in our RI model are a) Cost of equity of 13.0%, b) extended forecast average growth of 17% for 17 years and c) Terminal growth of 5%.

Exhibit 5: We upgrade our earnings estimates by 4-5% for FY18-19

INR B	Old Estimates			New estimates			Variation (%)		
	FY17	FY18	FY19	FY17	FY18	FY19	FY17	FY18	FY19
Net Interest Income	60.2	71.8	87.4	60.6	74.3	91.1	0.8	3.5	4.3
Other Income	40.6	49.0	58.6	41.7	49.5	59.0	2.7	1.0	0.7
Total Income	100.8	120.8	145.9	102.3	123.8	150.1	1.6	2.5	2.9
Operating Expenses	48.3	58.0	70.0	47.8	57.4	69.2	-1.0	-1.0	-1.1
Operating Profits	52.4	62.8	75.9	54.5	66.4	80.8	4.0	5.7	6.4
Provisions	8.8	9.9	11.8	10.9	11.2	13.5	24.6	12.4	15.0
PBT	43.7	52.9	64.2	43.6	55.2	67.3	-0.2	4.5	4.9
Tax	14.9	18.0	21.8	14.9	18.8	22.9	0.2	4.5	4.9
PAT	28.8	34.9	42.4	28.7	36.5	44.4	-0.3	4.5	4.9
Loans	1,096	1,338	1,632	1,131	1,414	1,767	3.1	5.7	8.3
Deposits	1,228	1,522	1,888	1,266	1,519	1,944	3.1	-0.2	3.0
Margins (%)	4.34	4.26	4.27	4.24	4.22	4.25			
Credit Cost (%)	0.65	0.70	0.70	0.65	0.75	0.75			
RoA (%)	1.9	1.9	1.9	1.8	1.9	1.9			
RoE (%)	15.5	16.4	17.2	15.3	16.7	17.7			

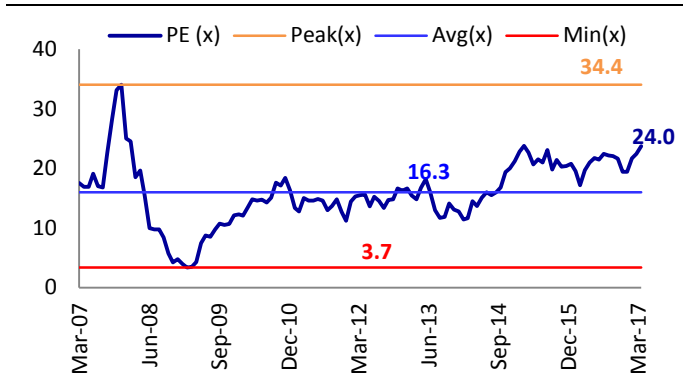
Source: Company, MOSL

Exhibit 6: One year forward P/B



Source: MOSL, Company

Exhibit 7: One year forward P/E



Source: MOSL, Company

Exhibit 8: DuPont Analysis: Improved profitability to continue to drive RoE higher

Y/E March	FY13	FY14	FY15	FY16	FY17E	FY18E	FY19E	FY20E
Net Interest Income	3.41	3.61	3.44	3.59	3.80	3.81	3.85	3.78
Core Fee Income	1.9	2.0	2.2	2.2	2.2	2.2	2.16	2.12
Core Income	5.31	5.61	5.68	5.82	5.99	5.97	6.01	5.90
Operating Expenses	2.68	2.73	2.89	2.92	3.00	2.94	2.93	2.85
Cost to Core Income	50.6	48.6	50.8	50.1	50.1	49.3	48.7	48.33
Employee cost	1.01	1.01	0.99	0.98	0.95	0.94	0.94	0.93
Others	1.67	1.72	1.90	1.93	2.05	2.01	1.99	1.92
Core operating Profits	2.62	2.89	2.80	2.90	2.99	3.03	3.09	3.05
Non Interest income	2.08	2.36	2.56	2.62	2.62	2.54	2.49	2.40
Trading and others	0.19	0.35	0.32	0.39	0.43	0.38	0.33	0.28
Operating Profits	2.81	3.24	3.12	3.29	3.42	3.40	3.42	3.33
Provisions	0.40	0.58	0.39	0.53	0.68	0.57	0.57	0.58
NPA	0.34	0.39	0.34	0.40	0.41	0.49	0.50	0.51
Others	0.07	0.19	0.05	0.14	0.27	0.08	0.07	0.07
PBT	2.41	2.65	2.73	2.76	2.74	2.83	2.84	2.76
Tax	0.79	0.90	0.92	0.94	0.94	0.96	0.97	0.94
Tax Rate	32.7	33.8	33.8	34.1	34.2	34.0	34.0	34.00
RoA	1.62	1.76	1.80	1.82	1.80	1.87	1.88	1.82
Leverage (x)	11.0	10.0	10.5	9.1	8.5	9.0	9.4	10.05
RoE	17.8	17.5	19.0	16.6	15.3	16.7	17.7	18.28

Source: MOSL, Company

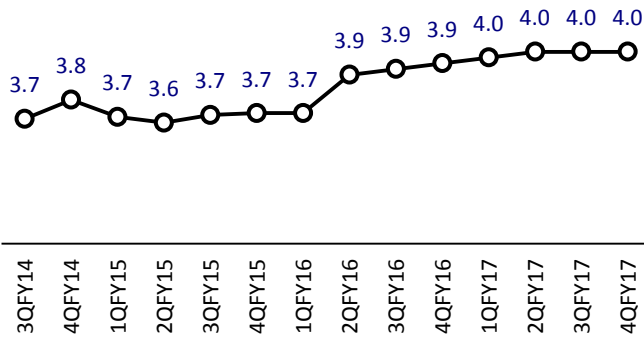
Exhibit 9: DuPont Analysis: RoA remained healthy at ~1.7%+

	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17
NII	3.54	3.51	3.68	3.69	3.74	3.80	3.85	3.89	3.86
Fee income	2.33	2.28	2.27	2.28	2.29	2.19	2.18	2.18	2.30
Core Income	5.87	5.79	5.95	5.98	6.03	5.99	6.02	6.06	6.16
Operating costs	2.96	2.93	2.93	2.99	3.04	3.07	3.03	3.03	3.02
- Emp Costs	1.02	0.97	1.01	1.03	0.99	1.00	0.99	0.97	0.91
- Other Expenses	1.94	1.96	1.92	1.97	2.05	2.07	2.04	2.06	2.11
Cost to Core Income Ratio	50.4	50.7	49.3	50.1	50.4	51.2	50.3	50.0	49.1
Core Operating Profit	2.91	2.85	3.02	2.98	2.99	2.92	3.00	3.03	3.14
Trading and others	0.34	0.45	0.37	0.36	0.41	0.53	0.38	0.32	0.50
Operating Profit	3.25	3.30	3.39	3.34	3.40	3.45	3.38	3.36	3.64
Provisions	0.41	0.44	0.53	0.56	0.63	0.65	0.56	0.53	1.00
Tax	0.95	0.98	0.97	0.95	0.94	0.96	0.96	0.97	0.90
ROAA	1.89	1.88	1.88	1.83	1.83	1.85	1.86	1.85	1.74
Leverage (x)	9.9	10.2	8.5	7.4	7.7	7.9	8.1	8.3	8.5
ROAE	18.8	19.3	16.0	13.6	14.2	14.7	15.0	15.4	14.8

Source: MOSL, Company

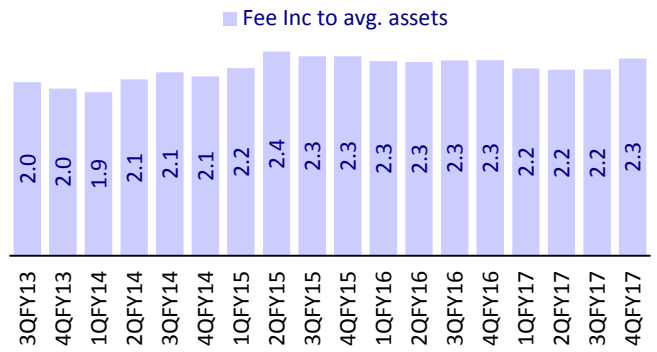
Story in charts

Exhibit 10: NIMs stable QoQ at 4% (+6bp YoY)



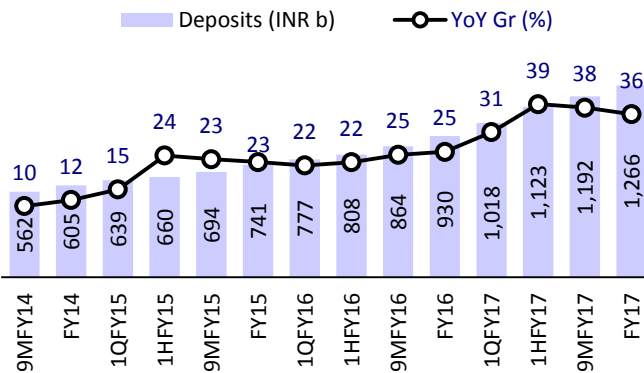
Source: MOSL, Company

Exhibit 11: Traction in fee income continues



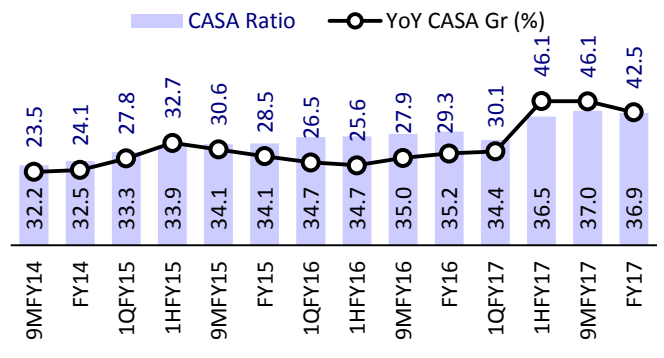
Source: MOSL, Company

Exhibit 12: Strong deposit growth led by low cost CASA



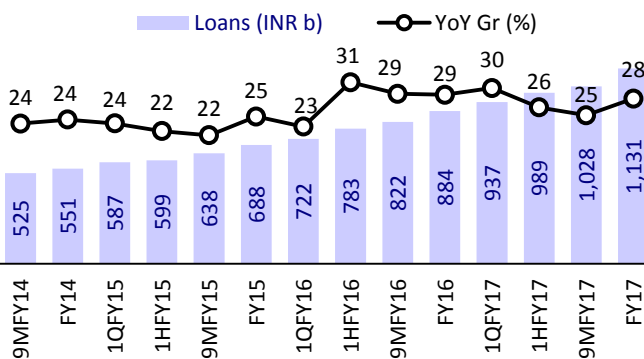
Source: MOSL, Company

Exhibit 13: SA deposits grew by 58% YoY



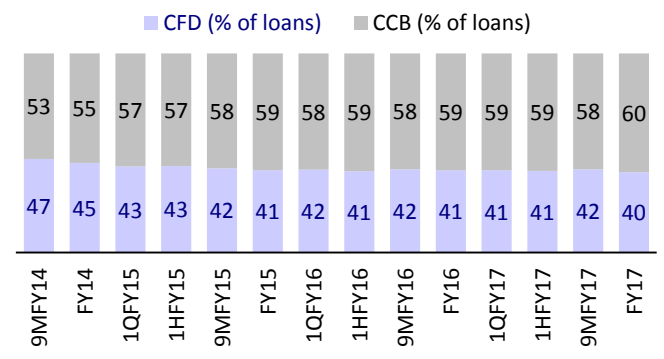
Source: MOSL, Company

Exhibit 14: Loan growth at ~5x system growth (%)



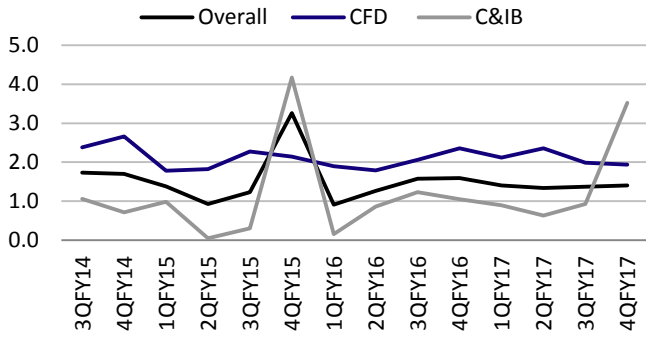
Source: MOSL, Company

Exhibit 15: Share of CCB increased marginally QoQ



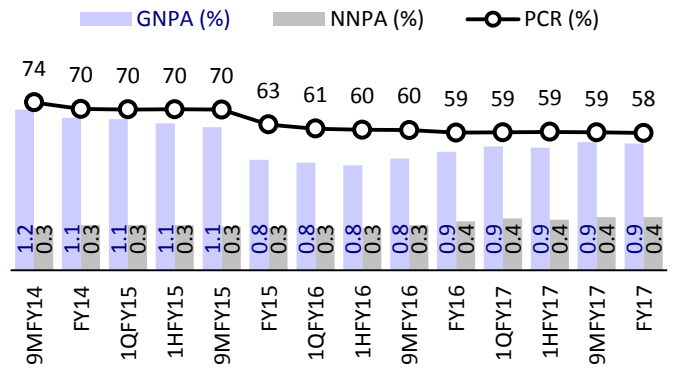
Source: MOSL, Company

Exhibit 16: Slippage ratio rises in C&IB (%)



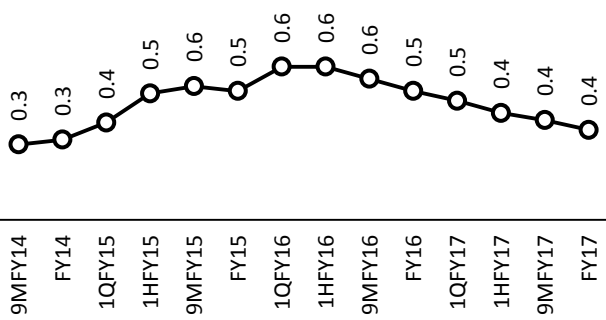
Source: MOSL, Company

Exhibit 17: PCR ratio remained stable QoQ at 58%



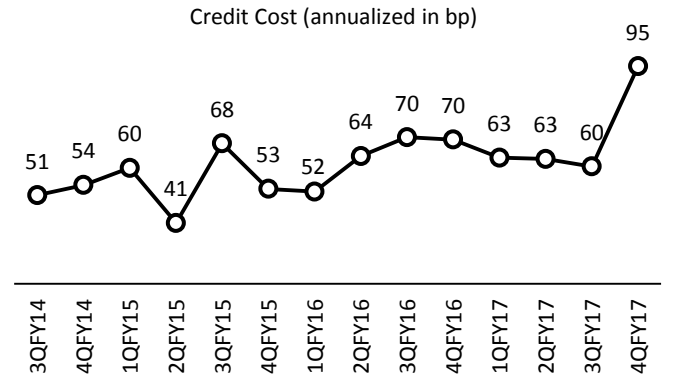
Source: MOSL, Company

Exhibit 18: Restructured loans ticked lower (%)



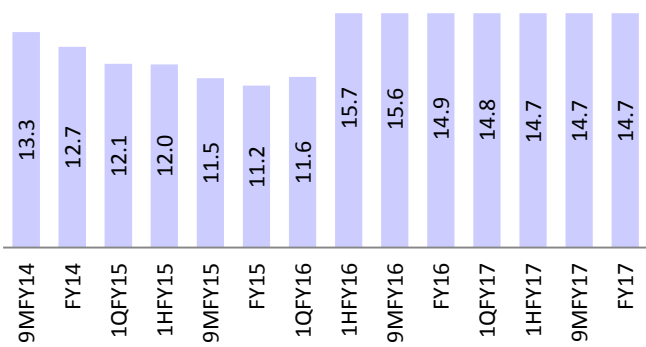
Source: MOSL, Company

Exhibit 19: Credit costs elevated led by one off provision and higher corporate slippages



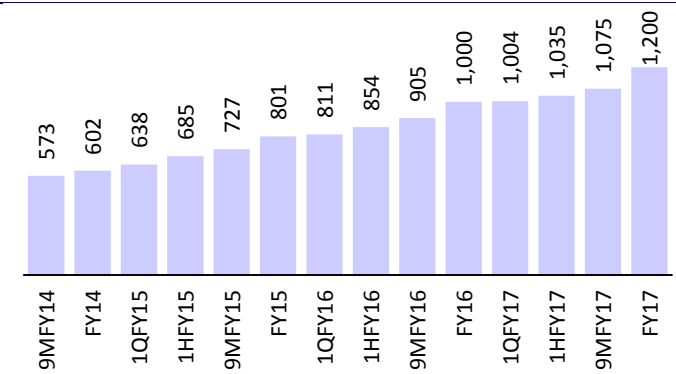
Source: MOSL, Company

Exhibit 20: Strong tier 1 capital ratio (%)



Source: MOSL, Company

Exhibit 21: Branch expansion continues at a steady pace (%)



Source: MOSL, Company

Exhibit 22: Quarterly Snapshot (INR b)

	FY15				FY16				FY17				Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	QoQ	YoY
Profit and Loss														
Net Interest Income	8,007	8,331	8,614	9,251	9,807	10,943	11,734	12,682	13,564	14,603	15,784	16,675	6	31
Other Income	6,059	5,940	6,490	6,991	7,616	7,835	8,390	9,128	9,730	9,704	10,168	12,113	19	33
Trading profits	899	490	885	899	1,254	1,102	1,131	1,386	1,911	1,449	1,320	2,150	63	55
Others (Ex non core)	5,161	5,450	5,605	6,092	6,362	6,733	7,259	7,742	7,819	8,256	8,848	9,963	13	29
Total Income	14,066	14,271	15,104	16,243	17,423	18,778	20,124	21,810	23,294	24,307	25,952	28,788	11	32
Operating Expenses	6,574	7,024	7,366	7,737	8,196	8,713	9,514	10,298	10,956	11,491	12,319	13,065	6	27
Employee	2,203	2,393	2,556	2,654	2,723	3,007	3,267	3,364	3,569	3,758	3,940	3,943	0	17
Others	4,371	4,631	4,810	5,084	5,473	5,706	6,247	6,934	7,387	7,733	8,378	9,122	9	32
Operating Profits	7,492	7,247	7,738	8,505	9,227	10,065	10,610	11,512	12,338	12,816	13,633	15,722	15	37
Provisions	1,104	732	980	1,074	1,233	1,581	1,771	2,137	2,305	2,139	2,169	4,301	98	101
PBT	6,388	6,515	6,758	7,431	7,994	8,484	8,839	9,375	10,033	10,677	11,465	11,421	0	22
Taxes	2,177	2,213	2,286	2,478	2,744	2,884	3,029	3,172	3,419	3,635	3,959	3,905	-1	23
PAT	4,211	4,302	4,471	4,953	5,250	5,600	5,810	6,204	6,614	7,042	7,506	7,516	0	21
Asset Quality														
GNPA	6,544	6,545	6,727	5,629	5,701	6,021	6,811	7,768	8,606	8,990	9,716	10,549	9	36
NNPA	1,956	1,950	2,015	2,105	2,248	2,408	2,733	3,218	3,555	3,692	4,007	4,389	10	36
GNPA (%)	1.1	1.1	1.1	0.8	0.8	0.8	0.8	0.9	0.9	0.9	0.9	0.9	-1	6
NNPA (%)	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0	3
PCR (Calculated, %)	70.1	70.2	70.0	62.6	60.6	60.0	59.9	58.6	58.7	58.9	58.8	58.4	-37	-19
Ratios (%)														
Fees to Total Income	36.7	38.2	37.1	37.5	36.5	35.9	36.1	35.5	33.6	34.0	34.1	34.6		
Cost to Core Income	49.9	51.0	51.8	50.4	50.7	49.3	50.1	50.4	51.2	50.3	50.0	49.0		
Tax Rate	34.1	34.0	33.8	33.3	34.3	34.0	34.3	33.8	34.1	34.0	34.5	34.2		
CASA (Reported)	33.3	33.9	34.1	34.1	34.7	34.7	35.0	35.2	34.4	36.5	37.0	36.9		
Loan/Deposit	91.8	90.8	92.0	92.8	93.0	96.8	95.1	95.1	92.1	88.1	86.2	89.3		
RoA	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.7		
RoE	19.0	18.2	18.3	19.8	20.4	16.7	14.1	14.6	15.1	15.4	15.7	15.1		
Margins (%) - Reported														
Yield on loans	13.5	13.3	13.0	12.8	12.7	12.4	12.1	12.0	12.1	11.9	11.7	11.4	-32	-63
Cost of deposits	8.2	8.0	7.8	7.7	7.6	7.4	7.2	7.1	6.9	6.6	6.4	6.1	-27	-98
Margins	3.7	3.6	3.7	3.7	3.7	3.9	3.9	3.9	4.0	4.0	4.0	4.0	0	6
Balance Sheet (INR b)														
Loans	587	599	638	688	722	783	822	884	937	989	1,028	1,131	10	28
Investments	213	199	213	229	236	268	277	312	287	365	353	367	4	18
Deposits	639	660	694	741	777	808	864	930	1,018	1,123	1,192	1,266	6	36
CASA Deposits	213	224	236	253	269	281	302	327	350	410	442	466	6	43
of which Savings	106	114	122	129	140	150	161	172	191	206	252	270	7	57
Current	107	110	115	124	129	130	141	155	160	205	190	196	3	27
Borrowings	142	133	168	206	214	211	205	222	172	191	203	225	11	1
Total Assets	904	923	1,000	1,091	1,144	1,233	1,309	1,401	1,458	1,578	1,671	1,786	7	28
Risk Weighted Assets	741	778	847	889	906	1,016	1,064	1,163	1,216	1,274	1,318	1,435	9	23

Source: MOSL, Company

Financials and Valuations

Income Statement		(INR Million)						
Y/E March	2013	2014	2015	2016	2017	2018E	2019E	2020E
Interest Income	69,832	82,535	96,920	115,807	144,057	171,666	207,293	256,267
Interest Expense	47,504	53,628	62,717	70,641	83,431	97,372	116,193	145,484
Net Interest Income	22,329	28,907	34,203	45,166	60,626	74,293	91,100	110,783
Change (%)	31.0	29.5	18.3	32.1	34.2	22.5	22.6	21.6
Non Interest Income	13,630	18,905	25,480	32,970	41,715	49,507	58,976	70,373
Net Income	35,958	47,812	59,683	78,135	102,341	123,800	150,076	181,155
Change (%)	32.4	33.0	24.8	30.9	31.0	21.0	21.2	20.7
Operating Expenses	17,564	21,853	28,701	36,721	47,831	57,397	69,241	83,535
Pre Provision Profits	18,395	25,960	30,982	41,414	54,510	66,403	80,834	97,620
Change (%)	34.0	41.1	19.3	33.7	31.6	21.8	21.7	20.8
Provisions (excl tax)	2,631	4,676	3,891	6,722	10,913	11,155	13,540	16,875
PBT	15,764	21,283	27,092	34,693	43,597	55,248	67,294	80,745
Tax	5,152	7,203	9,155	11,828	14,918	18,784	22,880	27,453
Tax Rate (%)	32.7	33.8	33.8	34.1	34.2	34.0	34.0	34.0
PAT	10,612	14,080	17,937	22,865	28,679	36,464	44,414	53,292
Change (%)	32.2	32.7	27.4	27.5	25.4	27.1	21.8	20.0
Equity Dividend (Incl tax)	1,838	2,154	2,552	3,522	4,176	6,372	7,761	9,313
Core PPP*	17,325	23,327	28,232	36,541	47,681	59,074	73,005	89,291
Change (%)	36.6	34.6	21.0	29.4	30.5	23.9	23.6	22.3

*Core PPP is (NII+Fee income-Opex)

Balance Sheet		(INR Million)						
Y/E March	2013	2014	2015	2016	2017	2018E	2019E	2020E
Equity Share Capital	5,229	5,256	5,295	5,950	5,982	5,982	5,982	5,982
Reserves & Surplus	71,074	85,173	101,151	171,010	200,480	230,469	267,020	310,896
Net Worth	76,303	90,430	106,445	176,960	206,461	236,451	273,001	316,878
Of which Equity Network	76,303	90,430	106,445	176,960	206,461	236,451	273,001	316,878
Deposits	541,167	605,023	741,344	930,003	1,265,722	1,518,867	1,944,149	2,469,070
Change (%)	27.7	11.8	22.5	25.4	36.1	20.0	28.0	27.0
of which CASA Dep	158,674	196,909	252,996	327,243	466,460	596,594	772,779	990,848
Change (%)	37.2	24.1	28.5	29.3	42.5	27.9	29.5	28.2
Borrowings	94,596	147,620	206,181	221,559	224,537	251,682	271,041	297,836
Other Liabilities & Prov.	21,000	27,187	63,904	72,048	89,764	107,923	129,431	155,311
Total Liabilities	733,065	870,259	1,117,874	1,400,570	1,786,484	2,114,922	2,617,622	3,239,095
Current Assets	68,487	67,694	107,791	101,119	186,283	138,310	175,683	221,595
Investments	196,542	215,630	228,783	312,143	367,021	440,426	528,511	634,213
Change (%)	34.9	9.7	6.1	36.4	17.6	20.0	20.0	20.0
Loans	443,206	551,018	687,882	884,193	1,130,805	1,413,506	1,766,883	2,208,604
Change (%)	26.4	24.3	24.8	28.5	27.9	25.0	25.0	25.0
Fixed Assets	7,561	10,164	11,576	12,553	13,352	15,852	18,352	20,852
Other Assets	17,269	25,753	81,841	90,561	89,023	106,827	128,193	153,831
Total Assets	733,065	870,259	1,117,874	1,400,570	1,786,484	2,114,922	2,617,622	3,239,095

Asset Quality		(%)						
GNPA (INR m)	4,578	6,208	5,629	7,768	10,548	14,583	19,067	24,336
NNPA (INR m)	1,368	1,841	2,105	3,218	4,388	5,957	7,359	8,776
GNPA Ratio	1.0	1.1	0.8	0.9	0.9	1.0	1.1	1.1
NNPA Ratio	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4
PCR (Excl Tech. write off)	70.1	70.4	62.6	58.6	58.4	59.2	61.4	63.9

E: MOSL Estimates

Financials and Valuations

Ratios

Y/E March	2013	2014	2015	2016	2017	2018E	2019E	2020E
Spreads Analysis (%)								
Avg. Yield-Earning Assets	11.7	11.3	10.9	10.4	10.1	9.8	9.7	9.6
Avg. Yield on loans	14.1	13.3	12.5	11.8	11.4	11.0	10.7	10.7
Avg. Yield on Investments	7.5	7.2	7.1	6.6	7.3	6.7	6.4	6.3
Avg. Cost-Int. Bear. Liab.	8.3	7.7	7.4	6.7	6.3	6.0	5.8	5.8
Avg. Cost of Deposits	8.3	7.6	7.7	6.8	6.1	5.6	5.4	5.5
Interest Spread	3.4	3.5	3.5	3.6	3.8	3.8	3.8	3.8
Net Interest Margin	3.7	3.9	3.9	4.0	4.2	4.2	4.2	4.2
Profitability Ratios (%)								
RoE	17.8	17.5	19.0	16.6	15.3	16.7	17.7	18.3
RoA	1.6	1.8	1.8	1.8	1.8	1.9	1.9	1.8
Int. Expense/Int.Income	68.0	65.0	64.7	61.0	57.9	56.7	56.1	56.8
Fee Income/Net Income	34.5	33.7	37.4	36.0	34.1	34.1	34.1	34.2
Non Int. Inc./Net Income	37.9	39.5	42.7	42.2	40.8	40.0	39.3	38.8
Efficiency Ratios (%)								
Cost/Income*	50.6	48.6	50.8	50.1	50.1	49.3	48.7	48.3
Empl. Cost/Op. Exps.	37.7	37.0	34.2	33.7	31.8	31.8	32.2	32.5
Busi. per Empl. (INR m)	84.3	79.0	74.5	76.9	86.6	96.9	102.8	112.1
NP per Empl. (INR lac)	1.0	1.0	1.0	1.1	1.2	1.3	1.4	1.4
* ex treasury and RWO								
Asset-Liability Profile (%)								
Loans/Deposit Ratio	81.9	91.1	92.8	95.1	89.3	93.1	90.9	89.5
CASA Ratio	29.3	32.5	34.1	35.2	36.9	39.3	39.7	40.1
Investment/Deposit Ratio	36.3	35.6	30.9	33.6	29.0	29.0	27.2	25.7
G-Sec/Investment Ratio	71.8	71.3	78.3	81.0	90.3	86.8	88.9	90.2
CAR	15.4	13.8	12.1	15.5	15.3	14.3	13.3	12.4
Tier 1	13.8	12.7	11.2	14.9	14.7	13.8	12.9	12.0
Valuations								
Book Value (INR)	141.9	164.5	193.7	291.0	339.0	389.3	450.6	524.1
Change (%)	46.7	15.9	17.7	50.3	16.5	14.8	15.7	16.3
Price-BV (x)	10.0	8.7	7.3	4.9	4.2	3.7	3.2	2.7
Adjusted BV (INR)	140.2	162.2	191.1	287.5	334.2	382.8	442.6	514.5
Price-ABV (x)	10.2	8.8	7.4	4.9	4.3	3.7	3.2	2.8
EPS (INR)	20.3	26.8	33.9	38.4	47.9	61.0	74.3	89.1
Change (%)	18.3	32.0	26.5	13.4	24.8	27.1	21.8	20.0
Price-Earnings (x)	70.1	53.1	42.0	37.0	29.7	23.3	19.2	16.0
Dividend Per Share (INR)	3.0	3.5	4.0	4.5	6.0	9.1	11.1	13.4
Dividend Yield (%)	0.2	0.2	0.3	0.3	0.4	0.6	0.8	0.9

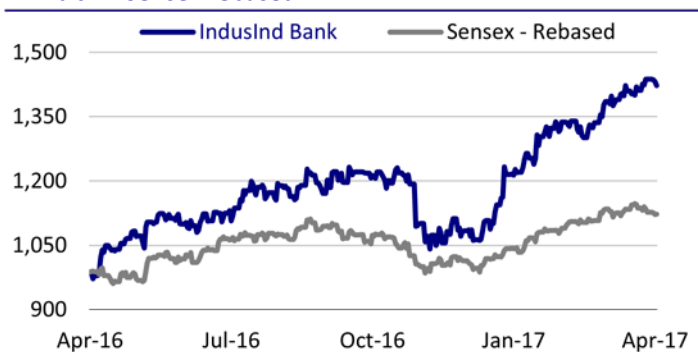
E: MOSL Estimates

Corporate profile

Company description

IndusInd Bank (IIB) is one of the ten new private sector banks which were awarded license in 1994. The bank has pan-India presence with 1,004 branches and 1,885 ATMs as on June 20, 2016. It also has one representative office each in Dubai and London. Current management team, led by Managing Director Mr Romesh Sobti, took charge in February 2008 and has since been effecting structural and operational changes to improve productivity and efficiency, leading to strong improvement in core operating performance.

Exhibit 1: Sensex rebased



Source: MOSL/Bloomberg

Exhibit 2: Shareholding pattern (%)

	Dec-16	Sep-16	Dec-15
Promoter	15.0	14.9	14.9
DII	12.5	11.6	11.2
FII	54.0	54.7	53.9
Others	18.6	18.9	20.0

Note: FII Includes depository receipts Source: Capitaline

Exhibit 3: Top holders

Holder Name	% Holding
Bridge India Fund	3.9
Afrin Dia	1.7
Icici Prudential Life Insurance Company Limited	1.4
Tybourne Equity Master Fund	1.4
Franklin Templeton Investment Funds	1.2

Source: Capitaline

Exhibit 4: Top management

Name	Designation
R Seshasayee	Part Time Chairman
Romesh Sobti	Managing Director & CEO
Haresh Gajwani	Company Secretary

Source: Capitaline

Exhibit 5: Directors

Name	Name
R Seshasayee	Kanchan Chitale*
Romesh Sobti	Yashodhan M Kale
Vijay Vaid*	Ranbir Singh Butola
Ashok Kini*	T Anantha Narayanan

*Independent

Exhibit 6: Auditors

Name	Type
Bhandari & Associates	Secretarial Audit
BSR & Co LLP	Independent
BSR & Co LLP	Statutory

Source: Capitaline

Exhibit 7: MOSL forecast v/s consensus

EPS (INR)	MOSL forecast	Consensus forecast	Variation (%)
FY18	61.0	60.8	0.4
FY19	74.3	75.6	-1.7

Source: Bloomberg

NOTES

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SEBI pursuant to a complaint from client Shri C.R. Mohanraj alleging unauthorized trading, issued a letter dated 29th April 2014 to MOSL notifying appointment of an Adjudicating Officer as per SEBI regulations to hold inquiry and adjudge violation of SEBI Regulations; MOSL replied to the Show Cause Notice whereby SEBI granted us an opportunity of Inspection of Documents. Since all the documents requested by us were not covered we have requested to SEBI vide our letter dated June 23, 2015 to provide pending list of documents for inspection.

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