

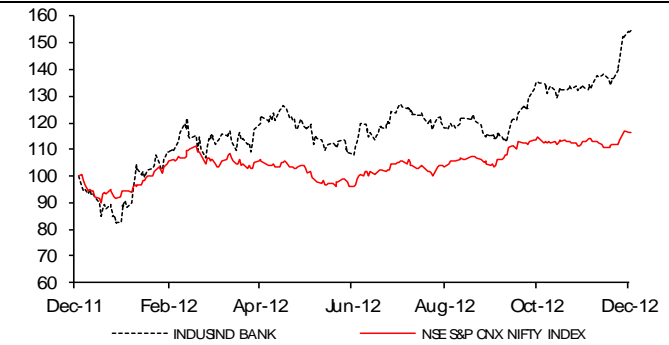
**Event update**
**IndusInd Bank Ltd.**

<b>Recommendation</b>	<b>BUY</b>
<b>CMP (Rs.)</b>	<b>Rs.421</b>
<b>Sector</b>	<b>Banking</b>

**Stock Details**

BSE Code	532187
Bloomberg Code	IIB IN
Market Cap (Rs. cr)	21934
Free Float (%)	82.6
52- wk HI/Lo (Rs)	423/221
Avg. Volume BSE (Monthly)	30,384
Face Value (Rs)	10.0
Dividend (FY 12)	22%
Shares o/s (Cr)	52.1

<b>Relative Performance</b>	<b>1Mth</b>	<b>6Mth</b>	<b>1Yr</b>
IIB(%)	15.4	41.6	53.6
NIFTY(%)	3.1	21.2	16.4


**Shareholding Pattern as of 30 Sep 2012**

Promoters Holding	19.4%
Institutional (Incl. FII)	57.9%
Corporate Bodies	13.7%
Public & others	9.1%

Vishal Jajoo - Sr. Research Analyst  
 (+91 22 3926-8136)  
 Email id: [vishal.jajoo@nirmalbang.com](mailto:vishal.jajoo@nirmalbang.com)

We had initiated coverage on IndusInd Bank on August 8, 2012 at Rs.327. Our target price of Rs.413 has been achieved. Considering the consistency in growth backed by strong asset quality and the fact that the Bank is adequately funded to pursue the growth prospects going forward, we upgrade the share price to Rs.480.

**Investment Rationale**

- **Adequately funded to fuel future growth:** The Bank has successfully completed the QIP process at a price of Rs.384 per share, aggregating Rs.2000.6 crore. As a result of the QIP, the equity has been diluted by ~11 per cent. The Return on Equity ratio is expected to take a temporary knock of around 150 bps, however, this capital is necessary to fund the future growth avenues. The Bank had concluded a similar exercise in September 2010 by issuing shares(to QIBs) at a price of Rs.234.5 per share.
- **Reduction in promoter holding:** As a result of the QIP, the promoter holding in the Bank has reduced from 19.4 per cent to 17.4 per cent. This move is in-line with the Central Bank's provision to reduce the promoter holding in the Bank.
- **Expansion strategy on track:** IndusInd Bank would continue to expand as per the planned phase, the target is to touch a figure of 500 branches by March 2013. The present figure stands at 441. Despite this, the Cost/Income ratio has improved to 49.4 per cent compared to 49.87 per cent during the previous quarter.
- **Asset quality continues to remain steady amidst strong headwinds:** The asset quality of the Bank continues to remain strong with gross NPAs at 1.03 per cent and net NPAs at 0.29 per cent for Q2FY'13. The Provision Coverage Ratio (PCR) stood at 72 per cent.

**Valuation & Recommendation**

We expect IndusInd Bank to post a net profit of Rs.1110 crore on Net Interest Income of Rs.2225 crore in FY'13E. We expect the Bank to clock a net profit of Rs.1335 crore on Net Interest Income of Rs.2820 crore for FY'14E. This translates into an EPS of Rs.25.6 for FY'14E. We continue to value the stock at 3x FY'14E adj. book value (of Rs.160.5) to arrive at a price target of Rs.480 over the next 6 months.

Particulars (Rs Cr)	Net interest Income	Growth (%)	PAT	Growth (%)	P/E (x)	P/ABV (x)	RoE (%)
FY'10	886	93.0	349	135.3	49.5	7.5	17.2
FY'11	1,376	55.3	577	65.3	34.0	4.9	17.9
FY'12	1,704	23.8	803	39.2	24.5	4.4	18.3
FY'13E	2,225	30.6	1,110	38.2	19.8	2.9	17.9
FY'14E	2,820	27	1,335	20	16.4	2.6	16.3

(Source: Company, Nirmal Bang Research)

### **VALUATION AND RECOMMENDATION**

We expect IndusInd Bank to post a net profit of Rs.1110 crore on Net Interest Income of Rs.2225 crore in FY'13E. We expect the Bank to clock a net profit of Rs.1335 crore on Net Interest Income of Rs.2820 crore for FY'14E. This translates into an EPS of Rs.25.6 for FY'14E. We continue to value the stock at 3x FY'14E adj. book value (of Rs.160.5) to arrive at a price target of Rs.480 over the next 6 months.

**Event update**
**IndusInd Bank Ltd.**

Profitability ( Rs. Cr.)						Balance Sheet ( Rs. Cr.)					
	FY'10	FY'11	FY'12	FY'13E	FY'14E		FY'10	FY'11	FY'12	FY'13E	FY'14E
Interest earned	2,707.0	3,589.0	5,359.0	6,310.0	7,350.0	Equity Capital	411.0	466.0	468.0	521.0	521.0
Interest expended	1,821.0	2,213.0	3,655.0	4,085.0	4,530.0	Reserves & Surplus	1,987.0	3,584.0	4,274.0	7,120.0	8,190.0
<b>Net interest Income</b>	<b>886.0</b>	<b>1,376.0</b>	<b>1,704.0</b>	<b>2,225.0</b>	<b>2,820.0</b>	Networth	2,398.0	4,050.0	4,742.0	7,641.0	8,711.0
Core Fee Income	432.0	629.0	913.0	1,295.0	1,650.0	Deposits	26,710.0	34,365.0	42,363.0	53,850.0	67,520.0
Non Interest income	553.0	714.0	1,012.0	1,460.0	1,760.0	Borrowings	4,934.0	5,525.0	8,682.0	9,090.0	9,450.0
Operating income	1,439.0	2,090.0	2,716.0	3,685.0	4,580.0	Total loan funds	31,644.0	39,890.0	51,045.0	62,940.0	76,970.0
Operating expenses	736.0	1,009.0	1,343.0	1,795.0	2,130.0	<b>Total liability and equity</b>	<b>34,042.0</b>	<b>43,940.0</b>	<b>55,787.0</b>	<b>70,581.0</b>	<b>85,681.0</b>
Staff costs	291.0	383.0	485.0	705.0	780.0	Advances	20,551.0	26,166.0	35,064.0	43,890.0	55,050.0
Other Operating expenses	445.0	626.0	858.0	1,090.0	1,350.0	Investments	10,402.0	13,551.0	14,572.0	18,230.0	21,600.0
<b>Operating profit</b>	<b>703.0</b>	<b>1,081.0</b>	<b>1,373.0</b>	<b>1,890.0</b>	<b>2,450.0</b>	Cash	2,099.0	2,456.0	2,904.0	5,641.0	6,738.0
Provisions	171.0	202.0	180.0	270.0	460.0	Balances with RBI	504.0	1,569.0	2,636.0	2,157.0	1,650.0
Profit before tax	532.0	879.0	1,193.0	1,620.0	1,990.0	Fixed Assets	645.0	596.0	657.0	850.0	1,020.0
Taxes	183.0	302.0	390.0	510.0	655.0	other assets	1,169.0	1,298.0	1,764.0	2,050.0	2,480.0
Extra-ordinary items	-	-	-	-	-	Less: Provisions	1,328.0	1,695.0	1,811.0	2,290.0	2,910.0
<b>Net Profit</b>	<b>349.0</b>	<b>577.0</b>	<b>803.0</b>	<b>1,110.0</b>	<b>1,335.0</b>		<b>34,042.0</b>	<b>43,941.0</b>	<b>55,786.0</b>	<b>70,528.0</b>	<b>85,628.0</b>
Quarterly						Spread Analysis					
	Sep. 11	Dec. 11	Mar. 12	Jun. 12	Sep. 12	Key Ratios	FY'10	FY'11	FY'12	FY'13E	FY'14E
Net interest income	419.2	430.7	464.4	484.1	509.7	Average Yield on Interest bearing assets	9.1%	9.3%	10.8%	10.3%	9.70%
Non interest income	239.2	265.1	292.1	318.8	320.5	Average Yield on Advances	11.6%	12.10%	13.8%	12.9%	12.0%
Total Income	658.4	695.8	756.5	802.8	830.2	Average Yield on Investments	6.0%	6.10%	7.7%	7.0%	6.4%
Operating expenses	325.4	346.5	377.4	398.9	410.4	Average cost of deposits	6.4%	6.3%	8.2%	6.9%	6.0%
Operating profit	333.0	349.2	379.1	404.0	419.8	Average cost of funds	6.4%	6.20%	8.0%	7.2%	6.4%
Provisions	47.0	42.8	46.0	53.5	49.1	Spread	2.7%	3.1%	2.8%	3.1%	3.3%
Profit before tax	286.0	306.4	333.1	350.5	370.7	<b>Asset quality ratios</b>					
Taxes	92.9	100.5	109.7	114.3	120.5	Gross NPA (%)	1.2%	1.0%	1.0%	1.3%	1.3%
Net Profit	193.1	206.0	223.4	236.2	250.2	Net NPA (%)	0.5%	0.3%	0.3%	0.4%	0.4%
Profitability Ratios						Valuation Ratios					
	FY'10	FY'11	FY'12	FY'13E	FY'14E		FY'10	FY'11	FY'12	FY'13E	FY'14E
RoE	17%	18%	18%	18%	16%	EPS	8.5	12.4	17.2	21.3	25.6
RoA	1.1%	1.5%	1.6%	1.8%	1.7%	BVPS	58.3	86.6	97.0	146.7	167.2
						Adjusted BVPS	55.8	85.2	95.0	143.7	161.5
Growth Ratios											
	FY'10	FY'11	FY'12	FY'13E	FY'14E						
NII growth	93.0%	55.3%	23.8%	30.6%	26.7%						
PAT growth	135.3%	65.3%	39.2%	38.2%	20.3%						
Pre-prov profit growth	90.9%	53.8%	27.0%	37.7%	29.6%						
Ratios											
	FY'10	FY'11	FY'12	FY'13E	FY'14E						
P/BV	7.2	4.9	4.3	2.9	2.5						
P/ABV	7.5	4.9	4.4	2.9	2.6						
P/E	49.5	34.0	24.5	19.8	16.4						

**Note**

**Disclaimer**

This Document has been prepared by Nirmal Bang Research (A Division of Nirmal Bang Securities Pvt Ltd). The information, analysis, and estimates contained herein are based on Nirmal Bang Research assessment and have been obtained from sources believed to be reliable. This document is meant for the use of the intended recipient only. This document, at best, represents Nirmal Bang Research opinion and is meant for general information only. Nirmal Bang Research, its directors, officers or employees shall not in, anyway be responsible for the contents stated herein. Nirmal Bang Research expressly disclaims any and all liabilities that may arise from information, errors, or omissions in this connection. This document is not to be considered as an offer to sell or a solicitation to buy any securities. Nirmal Bang Research, its affiliates and their employees may from time to time hold positions in securities referred to herein. Nirmal Bang Research or its affiliates may from time to time solicit from or perform investment banking or other services for any company mentioned in this document.