

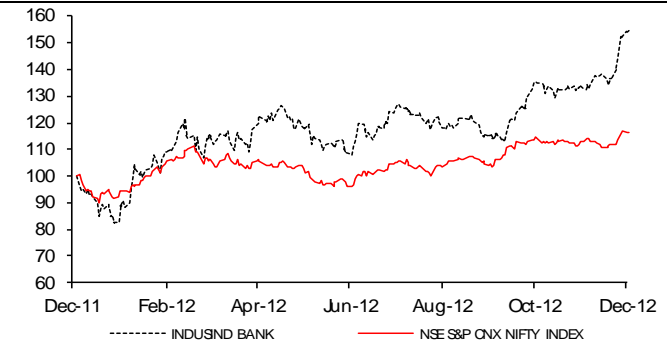
**Result update**
**IndusInd Bank Ltd.**

<b>Recommendation</b>	<b>BUY</b>
<b>CMP (Rs.)</b>	<b>Rs.434</b>
<b>Sector</b>	<b>Banking</b>

**Stock Details**

BSE Code	532187
Bloomberg Code	IIB IN
Market Cap (Rs. cr)	22611
Free Float (%)	84.7
52- wk HI/Lo (Rs)	438/242
Avg. Volume BSE (Monthly)	321733
Face Value (Rs)	10.0
Dividend (FY 12)	22%
Shares o/s (Crs)	52.1

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


**Shareholding Pattern as of 31 Dec 2012**

Promoters Holding	15.3%
Institutional (Incl. FII)	61.3%
Corporate Bodies	14.9%
Public & others	8.4%

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IndusInd Bank reported numbers much better than expected. Net Interest Income (NII) for the quarter stood at Rs.577.8 crore compared to Rs.430.6 crore during the same quarter last year. PAT for the quarter stood at Rs.267.3 crore compared to Rs.205.9 crore last year and Rs.250.2 crore during Q2FY'13.

**Key highlights of the result**

- **Net Interest Income growth much higher than expectation:** IndusInd Bank surprised with higher Net Interest Income at Rs.577.8 crore. The NIM for the quarter stood at 3.46 per cent (an increase of 21 bps q-o-q). This trend is expected to continue going forward also.
  - **Strong growth in Other Income component as well:** The other income component registered a growth of 34 per cent y-o-y. This was led by strong growth in the core fee income component at Rs.329.3 crore.
  - **One-off increase in provisions:** The company has provided for the DCHL account. Therefore, the provisions have increased and stood at Rs.78.7 crore compared to Rs.49.07 crore during Q2FY'13.
- The asset quality continues to be robust with gross NPAs at 0.99 per cent (1.03 per cent in September quarter) and net NPAs at 0.30 per cent (0.29 per cent in September quarter).
- **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 461. Despite this, the Cost/Income ratio has improved to 49.4 per cent compared to 49.8 per cent during the previous quarter.

**Valuation & Recommendation**

We expect IndusInd Bank to post a net profit of Rs.1044.1 crore on Net Interest Income of Rs.2230 crore in FY'13E. We expect the Bank to clock a net profit of Rs.1340 crore on Net Interest Income of Rs.2862 crore for FY'14E. This translates into an EPS of Rs.25.7 for FY'14E. We continue to value the stock at 3x FY'14E adj. book value (of Rs.161.5) to arrive at a price target of Rs.485 over the next 6 months.

Particulars (Rs Cr)	Net interest Income	Growth (%)	PAT	Growth (%)	P/E (x)	P/ABV (x)	RoE (%)
FY'10	886.0	93.0%	349.0	135.3%	51.1	7.8	17%
FY'11	1376.0	55.3%	577.0	65.3%	35.0	5.1	18%
FY'12	1704.0	23.8%	803.0	39.2%	25.3	4.6	18%
FY'13E	2230.0	30.9%	1044.1	30.0%	21.7	3.0	17%
FY'14E	2861.6	28%	1340	28%	16.9	2.7	19%

(Source: Company, Nirmal Bang Research)

Conference call takeaways

The Bank has provided 40 per cent of the DCHL account. An interest charge of Rs.4.5 crore had been suspended, taking the total loss to Rs.44.5 crore

Post equity dilution, Tier-I stands at 14.85 per cent

The Bank has shifted to the new core banking system, Finacle (from December 10, 2012)

The Bank expects new volumes in the other income segment on the back of implementation of this system

The loan processing fee during the quarter grew strongly at 59 per cent on account of the fact that Bank is in “new client acquisition” mode as well as on the back of renewals to some extent

Both the retail and corporate segments contributed to the processing fees

Investment Banking segment grew strongly at 67 per cent y-o-y at Rs.35.5 crore

The credit growth of the Bank stood at a robust 31 per cent y-o-y (8 per cent q-o-q)

RoA is at a new high of 1.6 per cent, RoE was subdued at 17 per cent (on account of the QIP of Rs.2000 crore)

The Bank opened 21 branches (along with 56 ATMs) taking the total to 461 branches during the quarter

The book value stands at ~Rs.140

The break-up of the loan book stands at consumer loan book (51 per cent) and corporate loan book (49 per cent)

Loan Against Property (LAP) segment has started moving up and showing good amount of traction

CASA stands at 28.6 per cent and SA stands at 12.1 per cent

Core fee income registered a growth of 32 per cent y-o-y

The margin expansion was aided by 5 bps reduction in yields and 26 bps reduction in cost of funds. The management expects the recovery in NIMs to continue and become healthier in the next quarter as well

The target of the management is to reach a NIM of 3.6 per cent

Credit costs for the quarter stood at 37 bps. Provision Coverage ratio stood strong at 70 per cent inspite of the DCHL account

### VALUATION AND RECOMMENDATION

We expect IndusInd Bank to post a net profit of Rs.1044.1 crore on Net Interest Income of Rs.2230 crore in FY'13E. We expect the Bank to clock a net profit of Rs.1340 crore on Net Interest Income of Rs.2862 crore for FY'14E. This translates into an EPS of Rs.25.7 for FY'14E. We continue to value the stock at 3x FY'14E adj. book value (of Rs.161.5) to arrive at a price target of Rs.485 over the next 6 months.

**Result update**
**IndusInd Bank Ltd.**

<b>Profitability ( Rs. Cr.)</b>	<b>FY'10</b>	<b>FY'11</b>	<b>FY'12</b>	<b>FY'13E</b>	<b>FY'14E</b>	<b>Balance Sheet ( Rs. Cr.)</b>	<b>FY'10</b>	<b>FY'11</b>	<b>FY'12</b>	<b>FY'13E</b>	<b>FY'14E</b>
Interest earned	2707.0	3589.0	5359.0	7050.0	8742.0	Equity Capital	411.0	466.0	468.0	521.0	521.0
Interest expended	1821.0	2213.0	3655.0	4820.0	5880.4	Reserves & Surplus	1987.0	3584.0	4274.0	7120.0	6190.0
<b>Net interest Income</b>	<b>886.0</b>	<b>1376.0</b>	<b>1704.0</b>	<b>2230.0</b>	<b>2861.6</b>	Networth	2398.0	4050.0	4742.0	7641.0	6711.0
Core Fee Income	432.0	629	913.0	1295.0	1650.0	Deposits	26710.0	34365.0	42363.0	53850.0	67520.0
Non Interest income	553.0	714	1012.0	1360.0	1760.0	Borrowings	4934.0	5525.0	8682.0	9090.0	9450.0
Operating income	1439.0	2090.0	2716.0	3590.0	4621.6	Total loan funds	31644.0	39890.0	51045.0	62940.0	76970.0
Operating expenses	736.0	1009.0	1343.0	1780.0	2200.0						
Staff costs	291.0	383.0	485.0	650.0	850.0						
Other Operating expenses	445.0	626.0	858.0	1130.0	1350.0	<b>Total liability and equi</b>	<b>34042.0</b>	<b>43940.0</b>	<b>55787.0</b>	<b>70581.0</b>	<b>83681.0</b>
<b>Operating profit</b>	<b>703.0</b>	<b>1081.0</b>	<b>1373.0</b>	<b>1810.0</b>	<b>2421.6</b>	Advances	20551.0	26166.0	35064.0	43890.0	55050.0
Provisions	171.0	202.0	180.0	270.0	440.0	Investments	10402.0	13551.0	14572.0	18230.0	19600.0
Profit before tax	532.0	879.0	1193.0	1540.0	1981.6	Cash	2099.0	2456.0	2904.0	5641.0	6738.0
Taxes	183.0	302.0	390.0	495.9	641.4	Balances with RBI	504.0	1569.0	2636.0	2157.0	1650.0
Extra-ordinary items	0.0	0.0	0.0	0.0	0.0	Fixed Assets	645.0	596.0	657.0	850.0	1020.0
<b>Net Profit</b>	<b>349.0</b>	<b>577.0</b>	<b>803.0</b>	<b>1044.1</b>	<b>1340.2</b>	other assets	1169.0	1298.0	1764.0	2050.0	2480.0
						Less: Provisions	1328.0	1695.0	1811.0	2290.0	2910.0
							34042.0	43941.0	55786.0	70528.0	83628.0
<b>Quarterly</b>	<b>Dec.11</b>	<b>Mar.12</b>	<b>Jun.12</b>	<b>Sep.12</b>	<b>Mar.12</b>						
Net interest income	430.7	464.4	484.1	509.7	577.0	<b>Spread Analysis</b>					
Non interest income	265.1	292.1	318.8	320.5	355.8	Key Ratios	FY'10	FY'11	FY'12	FY'13E	FY'14E
Total Income	695.8	756.5	802.8	830.2	932.8	Average Yield on Interest	9.1%	9.3%	10.8%	10.3%	9.70%
Operating expenses	346.5	377.4	398.9	410.4	1684.1	Average Yield on Advances	11.6%	12.10%	13.8%	12.9%	12.0%
Operating profit	349.2	379.1	404.0	419.8	472.1	Average Yield on Investments	6.0%	6.10%	7.7%	7.0%	6.4%
Provisions	42.8	46.0	53.5	49.1	78.7	Average cost of deposits	6.4%	6.3%	8.2%	6.9%	6.0%
Profit before tax	306.4	333.1	350.5	370.7	393.4	Average cost of funds	6.4%	6.20%	8.0%	7.2%	6.4%
Taxes	100.5	109.7	114.3	120.5	126.2	Spread	2.7%	3.1%	2.8%	3.1%	3.3%
Net Profit	206.0	223.4	236.2	250.2	267.3						
<b>Profitability Ratios</b>	<b>FY'10</b>	<b>FY'11</b>	<b>FY'12</b>	<b>FY'13E</b>	<b>FY'14E</b>						
RoE	17%	18%	18%	17%	19%	<b>Asset quality ratios</b>					
RoA	1.1%	1.5%	1.6%	1.7%	1.7%	Gross NPA (%)	1.2%	1.0%	1.0%	1.3%	1.3%
						Net NPA (%)	0.5%	0.3%	0.3%	0.4%	0.4%
<b>Growth Ratios</b>	<b>FY'10</b>	<b>FY'11</b>	<b>FY'12</b>	<b>FY'13E</b>	<b>FY'14E</b>						
NII growth	93.0%	55.3%	23.8%	30.9%	28.3%						
PAT growth	135.3%	65.3%	39.2%	30.0%	28.4%						
Pre-prov profit growth	90.9%	53.8%	27.0%	31.8%	33.8%						
						<b>Valuation Ratios</b>	<b>FY'10</b>	<b>FY'11</b>	<b>FY'12</b>	<b>FY'13E</b>	<b>FY'14E</b>
						EPS	8.5	12.4	17.2	20.0	25.7
<b>Ratios</b>	<b>FY'10</b>	<b>FY'11</b>	<b>FY'12</b>	<b>FY'13E</b>	<b>FY'14E</b>	BVPS	58.3	86.6	97.0	146.7	128.8
P/BV	7.4	5.0	4.5	3.0	3.4	Adjusted BVPS	55.8	85.2	95.0	143.7	161.5
P/ABV	7.8	5.1	4.6	3.0	2.7						
P/E	51.1	35.0	25.3	21.7	16.9						

**Note**

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