

January 12, 2018

## IndusInd Bank (INDBA)

₹ 1700

### Steady show; vehicle finance growth improves

- IndusInd Bank (IIB) reported yet another healthy set of quarterly numbers. PAT came in line at ₹ 936 crore, up 24.7% YoY
- This was led by 20% YoY increase in NII to ₹ 1895 crore and decline in provisions QoQ. NIMs were steady at 4% QoQ
- Business growth has been strong. Advances increased 25% YoY to ₹ 128542 crore while deposit grew 23% YoY to ₹ 146086 crore
- The key highlight of the result was improvement in growth of vehicle portfolio (up 20% YoY) with CV segment rising 23% YoY. Further, savings balance increased at a robust 68% YoY to ₹ 42246 crore
- Asset quality witnessed slight pressure but remained largely under control. Absolute GNPA increased by ₹ 153 crore QoQ to ₹ 1499 crore. The GNPA ratio was at 1.16% (up 8 bps QoQ)
- The bank does not have any large exposure to accounts referred to NCLT while adequate provisions have been made. The RBI audit report regarding NPA divergence will be submitted in Q4FY18E

#### Turnaround done successfully; growth ahead of industry to sustain

After taking over in early 2008, the current management transformed IIB from low, volatile balance sheet growth to steady, sustainable growth with strong profitability. We like the fact the transformation has been qualitative (RoA up from 0.3% to 1.9% as on FY17) despite a turbulent economic scenario. Loans, deposits, PAT traction improved to 27%, 23%, 50% CAGR in FY08-17 from 12%, 13%, -35% in FY05-08, respectively. Loan, deposit grew 25%, 22.3% YoY to ₹ 128542 crore, ₹ 146086 crore, respectively, as on Q3FY18. IIB's loan mix was 41% consumer finance (CF), ~75% of which is high yielding vehicle financing, 58.7% corporate banking (CB), working capital in nature & well diversified across industries. We factor in 25.3% loan CAGR in FY18-20E to ₹ 221978 crore.

#### Healthy NIMs to stay with focus on CF book ahead

IIB maintained calculated NIM of over 3.7% in the past while 9MFY18 NIM was maintained at strong levels of 4%. In the past six years, reported NIM improved from 1.7% to ~4% as on FY17. Such a structural improvement was led by an improvement in CASA franchise (doubled to >40% in the past six years), helping keep CoF under control across various cycles. Lower yield from incremental exposure to AAA rated corporate is seen being set off by strong liability franchise and rising CF proportion. Therefore, we expect calculated NIM to stay healthy at ~4% by FY20E.

#### Diversified asset book enables superior asset quality

IIB has fared well over the years in terms of asset quality with GNPA ratio improving from 3.1% in FY08 to 1% by FY11 and maintained at ~1% now. Diversification led to a steady performance on the asset quality front. Exposure to stressed sector like telecom or accounts referred to NCLTs is low. We expect GNPA ratio to remain steady at 1.2% by FY20E.

#### Strong, consistent growth; strategic deal in focus; maintain BUY

IIB has continued to deliver a strong performance. Consistent return ratios of ~17-18% RoE & ~2% RoA provide comfort. We introduce FY20E estimates and expect PAT CAGR of 25% to ₹ 5485 crore by FY20E. Improving CV cycle & consequent rise in high yielding vehicle portfolio augur well for future. The bank has announced an all-share deal to buy Bharat Financial (BFIL). The merger is expected to impact standalone BV in FY18E by just ₹ 8/share (₹ 390) while warrant issuance to promoter can add ~₹ 25/share (₹ 415). Thus, the overall transaction is not negatively impacting BV. Hence, we continue to retain our TP at ₹ 1920 (rolling over to FY20E ABV and valuing at 3.7x and 21x FY20E EPS) with **BUY** rating.

Rating matrix	
Rating	: Buy
Target	: ₹ 1920
Target Period	: 12 months
Potential Upside	: 13%

What's Changed?	
Target	Unchanged
EPS FY19E	Unchanged
EPS FY20E	Introduced at ₹ 91.7
Rating	Unchanged

Quarterly Performance					
	Q3FY18	Q3FY17	YoY (%)	Q2FY18	QoQ (%)
NII	1,894.8	1,578.4	20.0	1,821.0	4.1
Other income	1,186.8	1,016.8	16.7	1,187.6	-0.1
PPP	1,664.7	1,363.3	22.1	1,633.5	1.9
PAT	936.2	750.6	24.7	880.1	6.4

Key Financials				
₹ Crore	FY17	FY18E	FY19E	FY20E
NII	6,062.5	7,067.2	8,565.4	10,483.1
PPP	5,451.0	6,595.2	7,920.9	9,749.4
PAT	2,868.6	3,528.4	4,425.8	5,485.2

Valuation summary				
	FY17	FY18E	FY19E	FY20E
P/E	35.3	28.7	22.9	18.5
Target P/E	40.0	32.5	25.9	20.9
P/ABV	5.1	4.5	3.8	3.3
Target P/ABV	5.8	5.1	4.3	3.7
RoE	15.1	16.2	17.5	18.5
RoA	1.8	1.8	1.9	1.9

Stock data	
Market Capitalisation	₹ 101720 Crore
GNPA (Q3FY18)	₹ 1499 Crore
NNPA (Q3FY18)	₹ 592 Crore
NIM (%) (Q3FY18)	4.0
52 week H/L	1818 / 1186
Net worth	₹ 22940 Crore
Face Value	₹ 10
DII Holding (%)	14.1
FII Holding (%)	48.3

Price performance (%)				
Return %	1M	3M	6M	12M
Yes Bank	10.1	-5.5	13.3	30.2
Axis Bank	2.5	8.3	10.3	23.2
Indusind Bank	1.8	-1.0	8.9	37.8

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### Variance analysis

	Q3FY18	Q3FY18E	Q3FY17	YoY (%)	Q2FY18	QoQ (%)	Comments
NII	1,895	1,995	1,578	20.0	1,821	4.1	NII traction led by healthy advance growth as well as steady margins. This has been the trend for the last several quarters for the bank
NIM (%)	3.99	3.90	4.00	-1 bps	4.00	-1 bps	Higher traction in CASA and incremental growth in consumer business kept margins steady
Other Income	1,187	1,191	1,017	16.7	1,188	-0.1	Core fee income growth remained healthy at 21.7% YoY but trading income was muted as expected
Net Total Income	3,082	3,186	2,595	18.7	3,009	2.4	
Staff cost	460	476	394	16.7	445	3.4	
Other Operating Expenses	957	995	838	14.2	930	2.9	
PPP	1,665	1,715	1,363	22.1	1,634	1.9	Healthy operating earnings
Provision	236	279	217	8.9	293.8	-19.6	Decline in slippages enabled QoQ decline of 3 bps in credit cost to 15 bps
PBT	1,429	1,436	1,146	24.6	1,340	6.6	
Tax Outgo	492	497	396	24.4	459.7	7.1	
PAT	936	939	751	24.7	880.1	6.4	PAT came in line with estimates

### Key Metrics

GNPA	1,499	1,493	972	54.2	1,345.3	11.4	Slippages came down further in Q3FY18 to ₹ 408 crore vs. ₹ 498 crore in Q2FY18. However, owing to lower recoveries & upgradation, headline GNPA saw an increase but was still at manageable levels
NNPA	592	617	401	47.8	536.9	10.3	PCR was maintained at 60%
Total Restructured assets	188	400	421	-55.4	194.0	-3.1	Restructured loans as a percentage of total credit remained steady at 0.15%
Credit book	128,542	127,069	102,770	25.1	123,181	4.4	Credit traction was led by healthy growth in corporate book (up 26% YoY). However, even retail book saw rise in growth to 24% YoY
Deposit book	146,086	149,220	119,218	22.5	141,441	3.3	Robust uptick in saving deposit continues at 68% YoY

Source: Company, ICICIdirect.com Research

### Change in estimates

(₹ Crore)	FY18E			FY20E
	Old	New	% Change	Introduced
Net Interest Income	7,041	7,067	0.4	10,483
Pre Provision Profit	6,502	6,595	1.4	9,749
NIM(%) (calculated)	4.1	4.1	2 bps	4.0
PAT	3,510	3,528	0.5	5,485
ABV per share (₹)	379.3	377.9	-0.3	519.1

Source: Company, ICICIdirect.com Research

### Assumptions

	Current				Earlier		
	FY17	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E
Credit growth (%)	27.9	25.0	25.4	25.3	25.0	25.4	25.9
Deposit Growth (%)	36.1	24.4	24.3	24.4	24.4	24.3	24.4
CASA ratio (%)	36.9	39.9	41.1	42.3	39.9	41.1	42.3
NIM Calculated (%)	4.3	4.1	4.0	4.0	4.1	4.0	4.1
Cost to income ratio (%)	46.7	45.3	45.5	44.8	45.9	45.3	43.9
GNPA (₹ crore)	1,054.9	1,648.3	2,162.1	2,606.1	1,436.4	1,950.2	2,596.8
NNPA (₹ crore)	438.8	735.6	857.7	911.3	640.2	789.9	991.8
Slippage ratio (%)	1.6	1.0	0.8	0.0	0.9	0.8	0.0
Credit cost (%)	0.8	0.7	0.5	0.0	0.7	0.5	0.0

Source: Company, ICICIdirect.com Research

## Company Analysis

### Ideal mix of loan book; better than industry growth to stay ahead....

IIB's total credit book grew 25.1% YoY as on Q3FY18 to ₹ 128542 crore led by CV loans with large corporate segment pickup growing 26% YoY. The composition/mix of the loan book is ideal with the consumer finance (CF) book and corporate banking book (CB book) accounting for 41.3% and 58.7%, respectively, as on Q3FY18. The bank has guided at maintaining 1:1 distribution of the total loan between CF and CB book, going ahead. Thus, the CF book could witness higher traction led by CV financing and non-vehicle loans. Overall credit traction has been strong at 27% CAGR in the past six years way ahead of industry.

We expect advances growth to stay well above the system at 25% CAGR in FY18-20E to ₹ 221978 crore

The CF book, amounting to ₹ 53124 crore as on Q3FY18, is well diversified (see exhibit 1) but remains largely vehicle finance focused (~75% of CF book). Improving CV cycle is reflected in a rise in traction of CV financing book of 23% YoY in Q3FY18 vs. 15% YoY in Q2FY18. Going forward, we expect growth to be strong in both CF. We factor in 31% CAGR in the CF book over FY18-20E to ₹ 103000 crore.

#### Exhibit 1: In Q3FY18, vehicle book led by CV segment sees improvement in traction to 20% YoY

Consumer Finance Book									
₹ crore	FY14	FY15	FY16	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18
Comm. Vehicle	9,614	10,618	14,101	14,208	14,569	15,606	15,573	16,383	17,941
Utility Vehicle	2,050	2,017	2,058	2,157	2,237	2,342	2,427	2,514	2,686
Three Wheelers	1,932	1,843	2,045	2,274	2,381	2,374	2,381	2,391	2,467
Two Wheelers	2,512	2,808	3,045	3,134	3,323	3,262	3,262	3,288	3,495
Car loans	2,642	3,146	3,917	4,324	4,570	4,665	4,819	5,042	5,255
Equip. financing + Tractor	2,854	2,816	3,244	5,057	5,639	5,933	6,457	6,874	7,492
Credit card	457	698	1,204	1,408	1,519	1,704	1,944	2,160	2,354
Loan against prop.	2,473	3,705	5,248	5,872	6,429	7,051	7,303	7,549	7,824
Personal.others etc	251	761	1,687	2,124	2,198	2,592	2,929	3,264	3,610
<b>Total</b>	<b>24,785</b>	<b>28,412</b>	<b>36,549</b>	<b>40,558</b>	<b>42,865</b>	<b>45,529</b>	<b>47,095</b>	<b>49,465</b>	<b>53,124</b>
YoY Growth	11	15	29	27	25	25	22	22	24

Source: Company, ICICIdirect.com Research

IIB's CB book grew at 26% YoY to ₹ 75418 crore as on Q3FY18. It is largely inclined towards working capital finance. Further, the book is broadly diversified into three major categories (see exhibit 1) such as large corporate, mid-corporate and loans to small business. Again, in terms of sectors, the CB portfolio is well diversified among 13-14 sectors. We expect the CB book to post a CAGR of 21% in FY18-20E to ₹ 118971 crore.

During Q2FY16, traction in the mid-corporate segment looks higher at 58% YoY as the bank incorporated the gems & jewellery portfolio of ₹ 4100 crore that was acquired from RBS. IIB already has such a portfolio around ₹ 1500 crore. With this acquisition, the bank becomes one of the largest financiers in this segment across industry.

#### Exhibit 2: Break-up of corporate book

Corporate Banking Book									
₹ crore	FY14	FY15	FY16	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18
Large corporates	15,086	19,964	25,258	27,588	28,244	31,477	33,045	36,128	36,595
Mid corporates	9,693	11,455	16,624	19,284	19,766	22,203	22,649	23,569	24,069
Small business	5,538	8,957	9,988	11,519	11,895	13,872	13,618	14,019	14,754
<b>Total</b>	<b>30,317</b>	<b>40,376</b>	<b>51,870</b>	<b>58,391</b>	<b>59,905</b>	<b>67,552</b>	<b>69,312</b>	<b>73,716</b>	<b>75,418</b>
YoY Growth	38.3	33.2	28.5	26.0	25.0	30.2	25.8	26.2	25.9

Source: Company, ICICIdirect.com Research

We expect the loan book traction to stay ahead of industry at 25% CAGR in FY18-20E.

The bank's FY17 loan growth of 27.8% YoY is >5x the industry's loan growth

**Exhibit 3: Overall advances growth expected to be ahead of industry**

₹ crore	FY14	FY15	FY16	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18
Total Advances	55,102	68,788	88,419	98,949	102,770	113,081	116,407	123,181	128,542
YoY Growth	24.3	24.8	28.5	26.4	25.1	27.9	24.3	24.5	25.1

Source: Company, ICICIdirect.com Research

**Impressive improvement in liability franchise, CASA crosses 40%**

IndusInd Bank's CASA improvement has been admirable. In Q3FY18, it was at 42.86%. Savings balances increased 68% YoY to ₹ 42246 crore. In Q2FY18, a sharp surge in savings deposits was led by one new government account. In Q4FY17 and Q1FY18 also, savings deposits grew at strong pace of 57% YoY and 65% YoY.

IIB's deposits also witnessed a sharp traction of 23% CAGR in FY08-17 to ₹ 126573 crore. More notable is the improvement in quality of the liability franchise. The CASA ratio in the period has doubled to 36.9% of deposits currently owing to a rising branch presence (up from 210 in FY10 to over 1200 as on FY17), innovative services & SA deregulation in Q2FY12.

Going ahead, we expect the deposit base to increase at 24% CAGR in FY18-20E to ₹ 243452 crore. We expect the CASA ratio to reach 44-45% by FY20E. A major upside to our CASA ratio estimates could be the opening up of the agency business of the RBI, which would lead to a sharp increase in CA balances for the bank. Currently, it is restricted to only a few large banks.

We expect CASA ratio to improve to ~44-45% levels by FY20E led by strong surge savings balances.

**Exhibit 4: Deposit traction remains strong; surge in SA balance**

₹ Crore	FY14	FY15	FY16	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18
Savings	9,915	12,944	17,246	20,567	25,175	27,037	31,556	40,157	42,246
Current	9,776	12,356	15,478	20,467	18,987	19,609	18,945	19,618	20,369
Term	40,811	48,835	60,276	71,279	75,056	79,926	83,172	81,666	83,471
<b>Total Deposits</b>	<b>60,502</b>	<b>74,134</b>	<b>93,000</b>	<b>112,313</b>	<b>119,218</b>	<b>126,572</b>	<b>133,673</b>	<b>141,441</b>	<b>146,086</b>
YoY Growth	11.8	22.5	25.4	38.9	37.9	36.1	31.4	25.9	22.5
CASA Amount	19,691	25,300	32,724	41,034	44,162	46,646	50,501	59,775	62,615
CASA%	32.5	34.1	35.2	36.5	37.0	36.9	37.8	42.3	42.9

Source: Company quarterly presentation, ICICIdirect.com Research

**Margins to continue to stay among best in class**

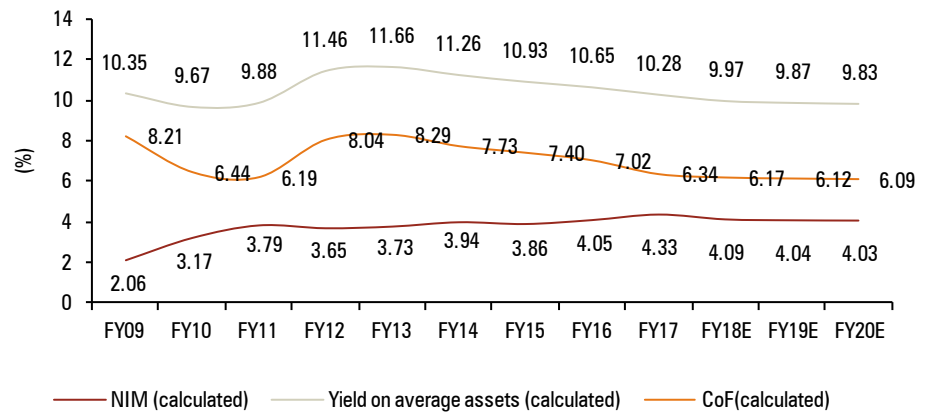
IIB's FY17 calculated NIM of ~4% is highest after HDFC Bank and Kotak Mahindra Bank. The trend continued in Q3FY18 also at 4%. We expect calculated NIMs to be maintained over FY17-20E owing to enhanced growth in the CF book led by CV financing and a further improvement in the CASA franchise. The high yielding nature of the loan book as well as healthy CASA franchise has enabled IIB to maintain such strong margins of ~3.7-4% for the past four years.

In consumer financing, blended yields are ~14% while in the corporate space yields are at ~9%. In the past four or five years, strong growth in the CASA franchise has helped manage to keep CoF (calculated) in the range of 7.0-8.0% across cycles. In Q3FY18, NIMs have stayed steady at ~4%.

The management remains confident of maintaining quarterly NIMs at healthy levels.

**Exhibit 5: Margins to stay healthy supported by improving CASA franchise and changing loan mix**

We have factored in calculated NIMs of ~4% in FY18E-20E



Source: Company quarterly presentation, ICICIdirect.com Research \* YoA = yield on assets, CoF = cost of funds

**Diversified book enables superior asset quality**

The asset quality of IIB has fared well over the years. GNPA and NNPA ratios declined from 3.1% and 2.3% in FY08 to 1% and 0.3% by FY11, respectively. They remain more or less at these levels currently. The steady performance is owing to IIB’s peculiar loan mix. The corporate banking (CB) book mainly consists of loans towards working capital, which is less risky than term loans. Further, the CB book is well diversified with exposure to stressed sectors such as iron & steel, commercial real estate (CRE), power, etc, at lower levels of ~1-2%. Also, the asset quality has been manageable in the CF book, which comprises the balance half.

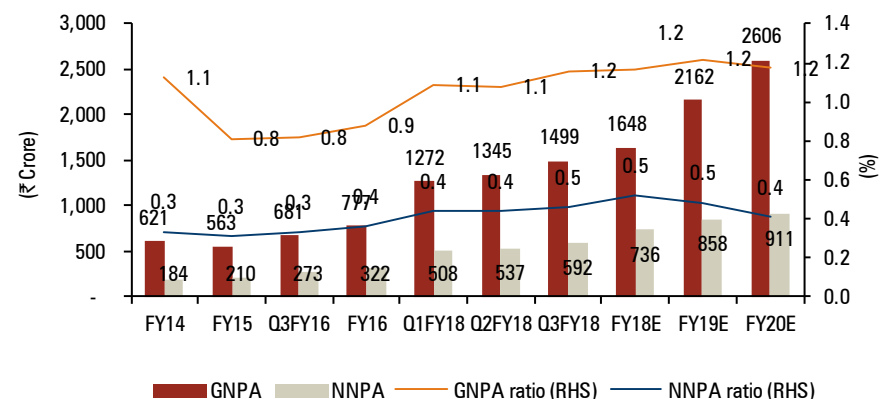
During Q3FY18, total slippages declined further to ₹ 408 crore vs. ₹ 498 crore in Q2FY18 and ₹ 608 crore in Q1FY18. In Q3FY18, corporate book slippages fell further to ₹ 142 crore vs. ₹ 285 crore.

IIB has indicated that it has exposure to three accounts in the initial 12 accounts. Eight of the total 40 accounts directed to NCLT. Provision levels remain high at >60% on these loans.

Going ahead, we expect absolute GNPA and NNPA of ₹ 2606 crore and ₹ 911 crore, respectively, as on FY20E. Overall, IIB’s asset quality remains manageable and appears better than the system.

**Exhibit 6: Asset quality remains acceptable**

Credit cost is also expected to be in the guided range of 60-70 bps in FY16-19E. We expect GNPA and NNPA ratios of 1.2% and 0.4%, respectively, by FY20E



Source: Company quarterly press release and annual report, ICICIdirect.com Research



### Fee income: well diversified & growing at strong pace

IIB's other income constitutes ~40% of its operating income. In other income, the major component is the fee income that accounts for ~90%. Various sources of fee income include trade & remittances, forex income, distribution fees, general banking, processing fees & investment banking (IB). The bank also has a tie-up with HDFC Ltd for sourcing home loans on its behalf for which it gets a commission of ~1% and additional 0.2% in insurance.

The other income witnessed a strong CAGR of 35% in the past. Even in Q3FY18, fee income growth was healthy at 21.7% YoY led by distribution and loan processing fees. The management has guided that fee income growth is likely to normalise in line with loan growth. Trading income declined in Q3FY18 on expected lines. We factor in total other income CAGR of 20% to ₹ 5976 crore in FY17-19E.

#### Exhibit 7: Core fee income trend continues to be strong

Other income break up (₹ Crore)	FY12	FY13	FY14	FY16	Q2FY17	Q3FY17	FY17	Q1FY18	Q2FY18	Q3FY18
Core fee income	913	1,239	1,610	774	826	885	996	974	1,013	1,077
Securities/FX trading others	92	107	263	139	145	132	215	193	175	110

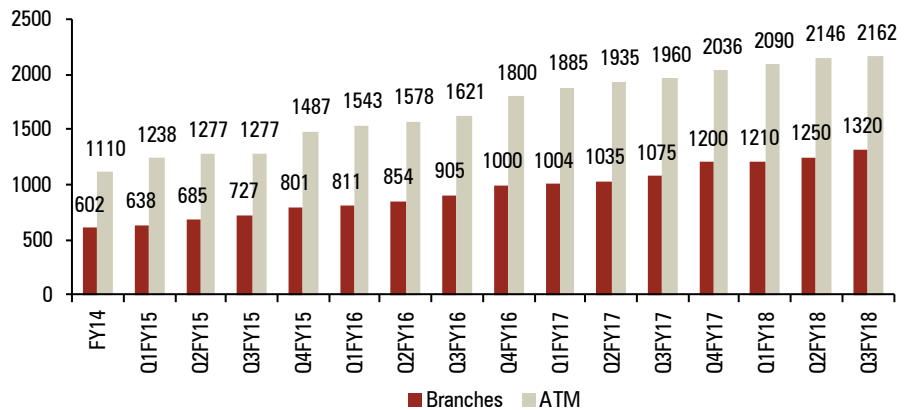
  

Break up of fee income (₹ Crore)	FY12	FY13	FY14	FY16	Q2FY17	Q3FY17	FY17	Q1FY18	Q2FY18	Q3FY18
Trade & Remittances	118	169	214	97	103	107	121	131	128	127
Foreing Exchange Income	201	285	435	140	156	179	170	198	183	202
Distribution Fees	245	270	281	138	156	181	241	210	237	256
General Banking	110	139	145	48	49	64	63	64	65	70
Loan Processing Fees	161	233	291	228	201	195	243	196	214	242
Investment Banking	79	143	242	122	161	160	159	175	186	180
<b>Total</b>	<b>913</b>	<b>1,239</b>	<b>1,610</b>	<b>774</b>	<b>826</b>	<b>885</b>	<b>997</b>	<b>974</b>	<b>1,013</b>	<b>1,077</b>

Source: Company quarterly presentation, ICICIdirect.com Research

#### Exhibit 8: Expanding branch and ATM network

The bank added 200 new branches in FY17. Under Planning Cycle 4, in FY18-20, the bank plans to double its branch network to ~2000



Source: Company quarterly presentation, ICICIdirect.com Research

## Outlook and valuation

In the past three or four years, IIB has traded at premium valuations compared to its private sector counterparts, except HDFC Bank and Kotak Mahindra Bank. This is due to a sustained and structural improvement in earnings (up 3x in the last four years) and best in class return ratios with RoE of ~18-19% and RoA of >1.6% in the past four years.

Further, the major factor on the back of which the stock got re-rated from time to time was that such a strong performance has been accomplished in a strained economic environment wherein the banking system has been plagued by declining growth and increasing deterioration in asset quality. IIB, owing to its ideal mix of the loan book (niche presence in vehicle finance), improving CASA franchise and lower exposure to stressed sectors was able to ring fence itself from major systemic concerns and deliver strong results.

We introduce FY20E estimates and expect PAT CAGR of 25% to ₹ 5485 crore by FY20E. An improving CV cycle and consequent rise in high yielding vehicle portfolio augur well for the future. The bank has announced an all-share deal to buy Bharat Financial (BFIL). The merger is expected to impact standalone BV in FY18E by just ₹ 8/share (₹ 390) while warrant issuance to promoter can add ~₹ 25/share (₹ 415). Thus, the overall transaction is not negatively impacting BV. Hence, we continue to retain our target price at ₹ 1920 (rolling over to FY20E ABV and valuing at 3.7x and 21x FY20E EPS) with BUY recommendation.

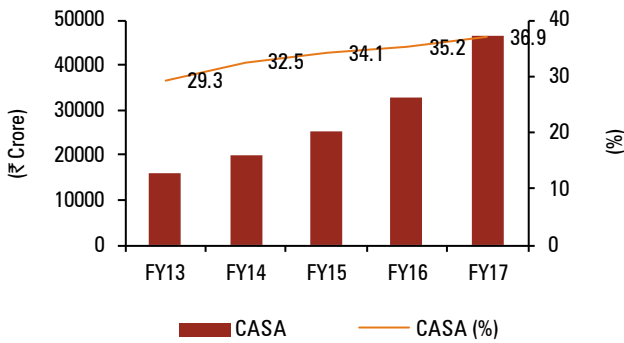
**Exhibit 9: Valuation**

	NII (₹ cr)	Growth (%)	PAT (₹ cr)	Growth (%)	P/E (x)	ABV (₹)	P/ABV (x)	RoA (%)	RoE (%)
FY16	4,517	32.1	2,286.5	27.4	44.1	291.8	5.8	1.8	16.2
FY17	6,063	34.2	2,868.6	25.5	35.3	331.6	5.1	1.8	15.1
FY18E	7,067	16.6	3,528.4	23.0	28.7	377.9	4.5	1.8	16.2
FY19E	8,565	21.2	4,425.8	25.4	22.9	440.2	3.8	1.9	17.5

Source: Company, ICICIdirect.com Research

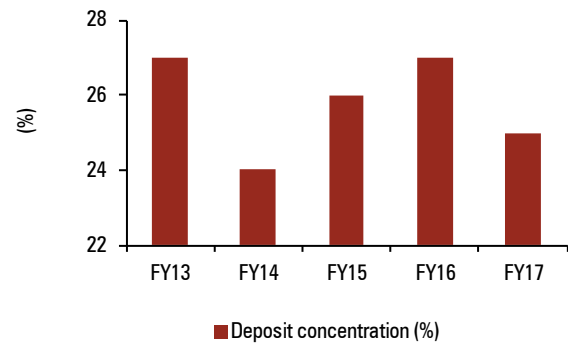
## Annual Report Analysis

**Exhibit 10: CASA ratio continues above 35% mark...**



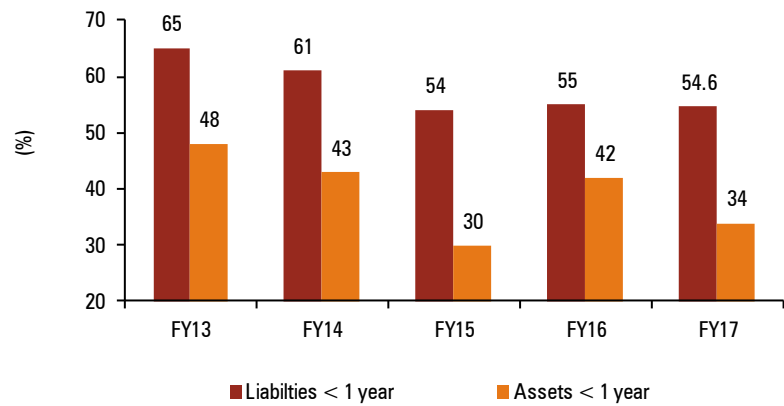
Source: Company, ICICIdirect.com, Research

**Exhibit 11: ...with decline in concentration of deposits**



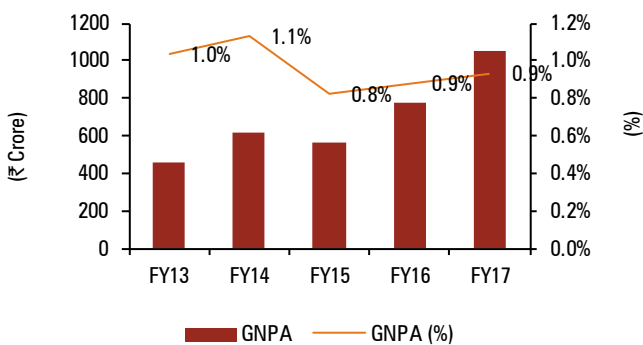
Source: Company, ICICIdirect.com, Research, \* Top 20 depositors

**Exhibit 12: Asset-liability maturity (ALM) gap remains high**



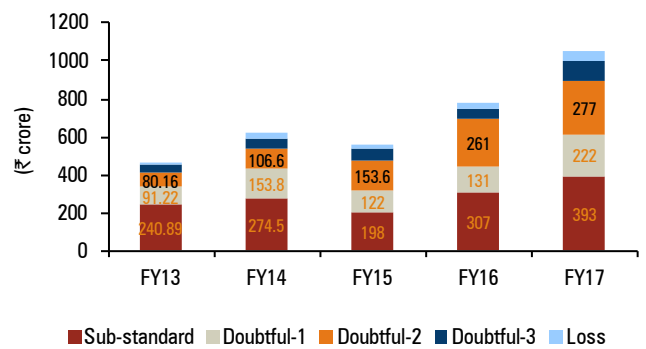
Source: Company, ICICIdirect.com, Research

**Exhibit 13: Asset quality continues to remain robust**



Source: Company, ICICIdirect.com, Research

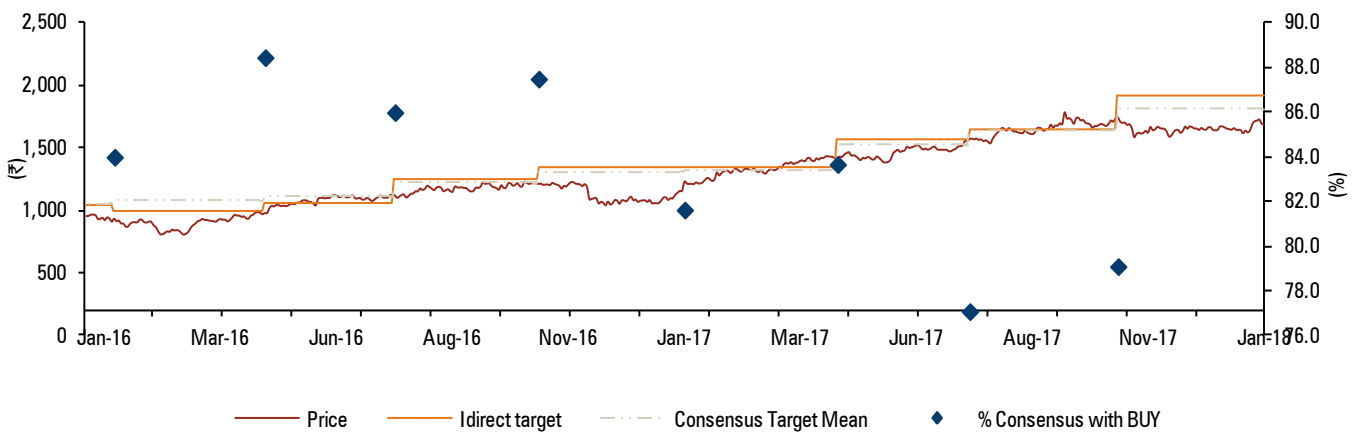
**Exhibit 14: Doubtful assets remain high**



Source: Company, ICICIdirect.com, Research



### Recommendation history vs. Consensus



Source: Bloomberg, Company, ICICIdirect.com Research

### Key events

Date	Event
FY04	Ashok Leyland Finance (ALF), an NBFC, merged with IndusInd Bank, which enabled it to have a niche presence in the vehicle financing space
Jan-07	Aviva Life Insurance and IndusInd Bank announce their tie-up as bancassurance partners
Feb-08	A new management team headed by Romesh Sobti inducted from ABN Amro Bank NV, leading to a sharp turnaround of the bank
Mar-09	The new management focused on improving liability franchise as low cost CASA ratio improved from 15.7% in FY08 to 29.3% in FY13. On the lending side, it reduced exposure to risky segments like unsecured loans and focused on high yielding-relatively less risky segments like CV, car loans, UV, three-wheelers, LAP, etc.
FY11	IndusInd Bank enters into an agreement with Deutsche Bank to acquire its credit card business in India
FY11	IndusInd Bank signs an MoU with HDFC Ltd for home loans
FY11	Planning Cycle I (FY08-FY11) successfully achieved; launches Planning Cycle II (FY11-14)
Dec-11	Savings rate deregulation in Q3FY12 wherein IIB offers higher rates (6% above ₹ 1 lakh and 5.5% up to ₹ 1 lakh)
FY13	Branch network touches 500 and launches Planning Cycle III (FY14-FY16)
Apr-13	On April 1, 2013, the bank included in the Nifty 50 benchmark index
May-13	IndusInd was the best performing stock in the banking industry as it rose from ₹ 45 in FY09 to all-time high of ₹ 523.
Jul-13	RBI tightens liquidity by raising MSF rate by 3% and various other measures. IndusInd impacted due to its high reliance on wholesale deposits (50%)
Sep-13	Arrival of new RBI Governor changes sentiment, eases a few of the tight liquidity measures due to which the stock of IndusInd bounces back
Jun-15	Raises around ₹ 5000 crore via QIP (including allotment to promoters)

Source: Company, ICICIdirect.com Research

### Top 10 shareholders

Rank	Name	Latest Filing	% OS	Position (m)	Change (m)
1	Hinduja Group	30-09-2017	14.94%	89.60M	0
2	Prans Asset Management, Ltd.	30-09-2017	3.50%	21.01M	0
3	Franklin Templeton Asset Management (India) Pvt. Ltd.	31-12-2016	1.63%	9.79M	-0.63M
4	Icon Capital Limited	30-09-2017	1.52%	9.10M	0
5	UTI Asset Management Co. Ltd.	30-11-2017	1.44%	8.65M	-0.20M
6	Aditya Birla Sun Life AMC Limited	31-12-2017	1.36%	8.18M	-0.01M
7	J.P. Morgan Asset Management (Hong Kong) Ltd.	30-11-2017	1.32%	7.92M	-0.00M
8	ICICI Prudential Life Insurance Company Ltd.	30-09-2017	1.27%	7.63M	+0.35M
9	SBI Funds Management Pvt. Ltd.	30-11-2017	1.20%	7.21M	+0.01M
10	Schroder Investment Management (Hong Kong) Ltd.	30-09-2017	1.17%	7.01M	0

Source: Reuters, ICICIdirect.com Research

### Shareholding Pattern

(in %)	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17
Promoter	14.86	14.99	16.80	16.78	16.77
FII	43.81	43.14	43.00	43.10	48.00
DII	11.59	12.44	13.00	12.68	14.10
Others	29.74	29.43	29.00	29.25	21.13

### Recent Activity

Investor name			Investor name		
Buy	Value	Shares	Sell	Value	Shares
Nomura Asset Management Co., Ltd.	+48.20M	+1.88M	Invesco Hong Kong Limited	-27.91M	-1.08M
BlackRock Asset Management North Asia Limited	+30.97M	+1.20M	Goldman Sachs Asset Management (India) Private Ltd.	-25.65M	-1.02M
Wellington Management Company, LLP	+15.84M	+0.61M	DSP BlackRock Investment Managers Pvt. Ltd.	-19.90M	-0.77M
Aasia Corporation L.L.P.	+9.92M	+0.39M	Reliance Nippon Life Asset Management Limited	-15.88M	-0.62M
JM Financial Asset Management Pvt. Ltd.	+9.62M	+0.38M	Motilal Oswal Asset Management Company Ltd.	-12.28M	-0.48M

Source: Reuters, ICICIdirect.com Research

## Financial summary

Profit and loss statement		₹ Crore			
(Year-end March)	FY17	FY18E	FY19E	FY20E	
Interest Earned	14,406	17,234.0	20,924.1	25,572	
Interest Expended	8,343.1	10,166.8	12,358.7	15,088.7	
Net Interest Income	6,063	7,067.2	8,565.4	10,483	
Growth (%)	34.2	16.6	21.2	22.4	
Non Interest Income	4,171.5	4,984.2	5,975.9	7,183.0	
Fees and advisory	2,895.3	3,567.1	4,394.6	5,414.2	
Treasury Income	276.9	332.3	398.8	478.5	
Other income	999.2	1,084.8	1,182.5	1,290.3	
Net Income	10,234.0	12,051.3	14,541.3	17,666.1	
Employee cost	1,520.7	1,735.3	1,976.3	2,246.7	
Other operating Exp.	3,262.4	3,720.7	4,644.1	5,670.1	
Operating Income	5,451.0	6,595.2	7,920.9	9,749.4	
Provisions	1,090.6	1,281.5	1,215.2	1,438.5	
PBT	4,360.4	5,313.8	6,705.7	8,310.9	
Taxes	1,491.8	1,785.4	2,279.9	2,825.7	
Net Profit	2,869	3,528.4	4,425.8	5,485	
Growth (%)	25.5	23.0	25.4	23.9	
EPS (₹)	48	59.0	74.0	92	

Source: Company, ICICIdirect.com Research

Key ratios					
(Year-end March)	FY17	FY18E	FY19E	FY20E	
Valuation					
No. of shares (crore)	59.8	59.8	59.8	59.8	
EPS (₹)	48.0	59.0	74.0	91.7	
DPS (₹)	5.2	6.6	8.3	10.2	
BV (₹)	338.9	390.2	454.6	534.4	
ABV (₹)	331.6	377.9	440.2	519.1	
P/E	35.3	28.7	22.9	18.5	
P/BV	5.0	4.3	3.7	3.2	
P/ABV	5.1	4.5	3.8	3.3	
Yields & Margins (%)					
Net Interest Margins	4.3	4.1	4.0	4.0	
Yield on assets	10.3	10.0	9.9	9.8	
Avg. cost on funds	6.3	6.2	6.1	6.1	
Yield on average advances	11.4	11.3	11.3	11.3	
Avg. Cost of Deposits	6.5	6.3	6.3	6.2	
Quality and Efficiency (%)					
Cost to income ratio	46.7	45.3	45.5	44.8	
Credit/Deposit ratio	89.3	89.8	90.5	91.2	
GNPA	0.9	1.2	1.2	1.2	
NNPA	0.4	0.5	0.5	0.4	
ROE	15.1	16.2	17.5	18.5	
ROA	2	1.8	1.9	2	

Source: Company, ICICIdirect.com Research

Balance sheet		₹ Crore			
(Year-end March)	FY17	FY18E	FY19E	FY20E	
Sources of Funds					
Capital	598.2	598.2	598.2	598.2	
Reserves and Surplus	19,674.0	22,743.1	26,593.0	31,364.5	
Networth	20,272.1	23,341.3	27,191.2	31,962.7	
Deposits	126,572.2	157,426.8	195,696.2	243,452.7	
Borrowings	22,453.7	24,875.0	27,582.6	30,613.3	
Other Liabilities & Provisions	8,976.4	9,213.3	9,727.8	10,281.0	
Total	178,274	214,856.4	260,197.7	316,310	
Application of Funds					
Fixed Assets	1,335.3	1,519.2	1,731.1	1,986.1	
Investments	36,614.4	38,885.1	44,719.8	51,430.3	
Advances	113,080.5	141,298.2	177,168.4	221,978.2	
Other Assets	8,902.3	14,989.2	16,478.7	18,609.4	
Cash with RBI & call money	21,543.0	18,164.7	20,099.7	22,305.7	
Total	181,476	214,856.4	260,197.7	316,310	

Source: Company, ICICIdirect.com Research

Growth ratios		(% growth)			
(Year-end March)	FY17	FY18E	FY19E	FY20E	
Total assets	27.0	18.4	21.1	21.6	
Advances	27.9	25.0	25.4	25.3	
Deposit	36.1	24.4	24.3	24.4	
Total Income	22.5	19.6	21.1	21.8	
Net interest income	34.2	16.6	21.2	22.4	
Operating expenses	30.3	14.1	21.3	19.6	
Operating profit	31.6	21.0	20.1	23.1	
Net profit	25.5	23.0	25.4	23.9	
Net worth	14.6	15.1	16.5	17.5	
EPS	25	23.0	25.4	24	

Source: Company, ICICIdirect.com Research

## ICICIdirect.com coverage universe (Banking)

Sector / Company	CMP		Rating	M Cap (₹ Cr)	EPS (₹)			P/E (x)			P/ABV (x)			RoA (%)			RoE (%)		
	(₹)	TP(₹)			FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E
Bank of Baroda (BANBAR)	164	220	Buy	37,329	6	10	19	27.5	16.1	8.6	1.2	1.1	1.0	0.2	0.3	0.6	3	6	10
Punjab National Bank (PUNBAN)	178	245	Buy	42,712	6	12	20	28.5	15.2	8.7	1.7	1.6	1.2	0.2	0.3	0.5	3	6	10
State Bank of India (STABAN)	308	390	Buy	264,552	11	16	26	29.0	18.8	11.8	2.0	1.8	1.5	0.3	0.4	0.7	4	6	10
Axis Bank (AXIBAN)	571	600	Hold	145,310	15	16	30	37.2	36.6	18.8	2.9	3.2	2.9	0.6	0.6	1.0	7	7	12
City Union Bank (CITUNI)	175	180	Buy	11,680	8	9	11	23.0	19.3	16.6	3.7	3.1	2.6	1.5	1.6	1.6	15	16	16
DCB Bank (DCB)	196	200	Hold	6,059	7	9	11	27.8	22.5	18.1	3.1	2.5	2.2	0.9	1.0	1.0	11	12	12
HDFC Bank (HDFBAN)	1,858	2,300	Buy	482,984	57	67	83	32.7	27.7	22.5	5.4	4.0	3.5	1.9	1.9	2.0	18	17	16
IndusInd Bank (INDBA)	1,711	1,920	Buy	103,362	48	59	74	35.7	29.0	23.1	5.2	4.5	3.9	1.8	1.8	1.9	15	16	18
Jammu & Kashmir Bk(JAMKAS)	82	105	Buy	4,548	-31	8	12	-2.6	10.5	6.9	1.3	1.1	1.1	-2.0	0.5	0.7	-27	7	10
Kotak Mahindra Bank (KOTMAH)	1,011	1,015	Hold	192,056	19	23	30	54.6	43.3	33.9	7.2	6.2	5.4	1.7	1.8	2.0	13	14	16
Yes Bank (YESBAN)	339	325	Hold	76,818	15	19	24	22.8	18.1	14.1	3.6	3.1	2.7	1.8	1.7	1.8	19	18	19

Source: Company, ICICIdirect.com Research

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Buy: > 10%/15% for large caps/midcaps, respectively;

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Sell: -10% or more;



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