

## Banks

### Company Overview

IndusInd Bank Limited is a Mumbai based private bank established in 1994. The bank offers commercial, transactional and electronic banking products and services. IndusInd Bank was inaugurated in April 1994 by then Union Finance Minister Manmohan Singh and is the first among the new-generation private banks in India. The Bank is engaged in granting loans to various segments, such as industries and businesses, and retail loans; financing a range of vehicles or equipment to individuals, and priority sector lending. The Bank's segments include Treasury, Corporate/Wholesale Banking, Retail Banking and Other Banking Operations. The Treasury segment includes investment portfolios, profit or loss on sale of investments, foreign exchange transactions, equities, income from derivatives and money market operations. The Corporate/Wholesale and retail Banking segment includes lending to and deposits from corporate as well as retail customers.

### Investment Rationale

#### Exposure to stressed accounts at comfortable levels

Recently Indusind bank's management stated that the exposure to the recent additions of stressed assets (including three groups in media, diversified and housing finance sector) was at ~1.1% of total advances down from 1.67% of total advances earlier. The levels are comfortable but the same exposure is expected to get down to 0.8% by October 2019 through repayments. Additionally, exposure to Indiabulls Real Estate is at 0.45% and Indiabulls Housing is at 0.27%.

#### Credit book showed strong growth despite auto slowdown

Contrasting the inherent slowdown in the underlying auto sales, its credit growth saw a moderation of 21% YoY growth led by degrowth in corporate book due to some factors such as slowdown in auto and subdued microfinance growth. On quarterly basis, consumer finance book grew 3.5% while growth in corporate book remained flat. Therefore we expect the credit growth to grow 22% during FY20-21E.

#### Net Interest Margin to augur well in long run

In Q2FY20, NIMs came in at 4.1%, a growth of 5 basis points on a QoQ basis. This was mainly led by a steep fall of 16 basis points QoQ in the cost of deposits. Along with NIMs, the yields also grew 4 basis points QoQ even though slippages came in high. Going ahead, NIMs are expected to expand from these levels led by a (i) downward trend in the cost of funds and interest rates (ii) A large fixed rate book and (iii) an increasing share of high yielding unsecured loans. With these factors playing to the benefit of the company, NIMs are expected to touch 4.4% by FY22E.

### Valuation and Outlook

IndusInd bank being an established player in banking domain has been witnessing a steady operational performance led by healthy NII growth and other income growth. With the downside risk limited coupled with only 2% of loan book being exposed to stressed accounts (media, diversified and housing finance), a sense of comfort is derived. All these factors contribute towards our positive view towards the bank. On valuation front, we therefore recommend a BUY rating on the bank assigning a P/BV multiple of 2.9x of FY21 book value implying a target price of INR 1704.

### Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

### Sector Outlook

Positive

### Stock

CMP (INR)	1448.95
Target Price (INR)	1704
BSE code	532187
NSE Symbol	INDUSINBK
Bloomberg	IIB.IN
Reuters	INBK.BO

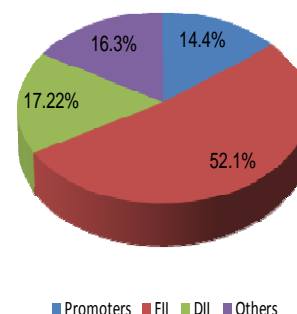
### Key Data

Nifty	11,914
52WeekH/L(INR)	1834/1188
O/s Shares (Mn)	692.98
Market Cap (INR bn)	1004.63
Face Value (INR)	10

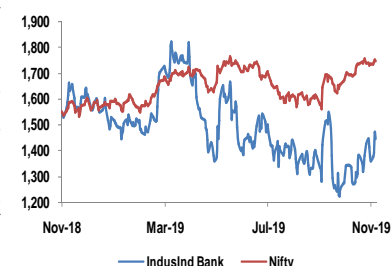
### Average volume

3 months	57,92,710
6 months	55,70,230
1 year	39,48,390

### Share Holding Pattern (%)



### Relative Price Chart





## Weekly Wealth

Key Financials					
YE March (Rs. mn)	FY17	FY18	FY19	FY20E	FY21E
<b>Net Interest Income</b>	<b>60,626</b>	<b>74,974</b>	<b>88,462</b>	<b>118,320</b>	<b>146,065</b>
<i>Revenue Growth (Y-o-Y)</i>	<i>34.0%</i>	<i>23.7%</i>	<i>18.0%</i>	<i>33.8%</i>	<i>23.4%</i>
<b>Pre-Provisioning Profits</b>	<b>54,510</b>	<b>66,561</b>	<b>80,876</b>	<b>105,451</b>	<b>131,240</b>
<i>Growth (Y-o-Y)</i>	<i>32.0%</i>	<i>22.1%</i>	<i>21.5%</i>	<i>30.4%</i>	<i>24.5%</i>
<b>Net Profit</b>	<b>28,679</b>	<b>36,060</b>	<b>33,005</b>	<b>60,103</b>	<b>81,123</b>
<i>Net Profit Growth (Y-o-Y)</i>	<i>25.0%</i>	<i>25.7%</i>	<i>(8.5%)</i>	<i>82.1%</i>	<i>35.0%</i>
<b>EPS</b>	<b>48.0</b>	<b>60.1</b>	<b>54.8</b>	<b>86.7</b>	<b>117.1</b>
<i>Diluted EPS Growth (Y-o-Y)</i>	<i>25.0%</i>	<i>25.3%</i>	<i>(8.8%)</i>	<i>58.4%</i>	<i>35.0%</i>
Key Ratios					
<b>NIM (%)</b>	<b>3.4%</b>	<b>3.4%</b>	<b>3.2%</b>	<b>3.5%</b>	<b>3.7%</b>
<b>ROA (%)</b>	<b>1.6%</b>	<b>1.6%</b>	<b>1.2%</b>	<b>1.8%</b>	<b>2.0%</b>
<b>RoE (%)</b>	<b>14.3%</b>	<b>15.5%</b>	<b>12.7%</b>	<b>16.5%</b>	<b>18.9%</b>
<b>BV per Share (Rs.)</b>	<b>338.7</b>	<b>391.0</b>	<b>435.3</b>	<b>483.0</b>	<b>580.0</b>
Valuation Ratios					
<b>P/E (x)</b>	<b>30.1x</b>	<b>24.0x</b>	<b>26.4x</b>	<b>16.6x</b>	<b>14.6x</b>
<b>P/BV (x)</b>	<b>4.3x</b>	<b>3.7x</b>	<b>3.3x</b>	<b>3.0x</b>	<b>2.9x</b>

Source: Company, BP Equities Research

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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