

BUY

TP: Rs 1,550 | ▲ 38%

INDUSIND BANK

| Banking

| 25 April 2023

Gearing up for the next leg of growth

- **Q4 PAT growth strong at 46% YoY backed by robust business growth that offset lower other income and higher opex**
- **Vehicle finance and MFI businesses on the rebound, though asset quality concerns persist**
- **Maintain BUY with a TP of Rs 1,550 (vs. Rs 1,547), valuing the stock at 1.7x FY25E ABV**

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Robust quarter: IIB delivered a strong 46% YoY increase in PAT for Q4FY23 supported by high business growth (loans up 21% YoY/6% QoQ) in the consumer finance division (CFD) and some uptick in microfinance (MFI). In CFD, vehicle finance registered high disbursements of Rs 125bn (+22% YoY, 5% QoQ) led by the CV, UV, car and equipment finance, while MFI loans grew 9% QoQ (5% YoY) with a 30% sequential increase in disbursements. Management is confident of sustaining growth in CFD spurred by vehicle finance and expects a change in mix towards this division.

The corporate book grew 23% YoY (+7% QoQ) driven by mid and small corporates which are likely to be the next growth engine. IIB's focus on granularity led to deposit growth of 15% YoY, wherein low-cost retail deposits (as per LCR) grew 19% YoY and increased its share to 43% of total deposits (CASA flat at 40.1%).

Margin stable: Despite a better yield, NIM(Calc) was flat QoQ at 4.4% due to a higher cost of funds. Opex remained elevated with higher branch expansion, leading to a C/I ratio of 45%. Management expects C/I to stabilise at 41-43% as the bank gradually leverages retail growth. The anticipated change in mix towards CFD will also help sustain margins.

Asset quality improving gradually: MFI-led delinquencies raised overall slippages to Rs 16bn in Q4 (vs. Rs 14.6bn in Q3), although slippages from vehicle finance reduced 40% QoQ. However, higher upgrades and recoveries led to improvement in GNPA/NNPA by 8bps/3bps QoQ. Credit cost stood at 146bps (vs. 160bps in Q3) despite provisions towards security receipts (Rs 3bn), with a guidance at 110-130bps over 2023-26. Management does not expect major asset quality concerns in its vehicle finance book, which should aid stable asset quality over 2023-26.

Maintain BUY, TP Rs 1,550: Improving asset quality, robust capitalisation and a healthy loan mix put IIB on a strong wicket. Given continued growth momentum and gradual improvement in asset quality, we expect ROA/ROE to rise to 1.9%/16.3% by FY25, making the stock a prime candidate for a re-rating. We retain BUY with a TP of Rs 1,550 (vs. Rs 1,547), set at 1.7x FY25E ABV (Gordon Growth Model).

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	IIB IN/Rs 1,122
Market cap	US\$ 10.6bn
Free float	74%
3M ADV	US\$ 52.9mn
52wk high/low	Rs 1,276/Rs 763
Promoter/FPI/DII	17%/45%/39%

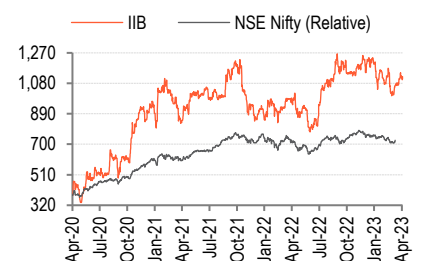
Source: NSE | Price as of 25 Apr 2023

Key financials

Y/E 31 Mar	FY23P	FY24E	FY25E
Net interest income	175,921	209,382	244,129
NII growth (%)	17.3	19.0	16.6
Adj. net profit (Rs mn)	74,431	93,023	110,011
EPS (Rs)	96.0	119.9	141.8
Consensus EPS (Rs)	96.0	113.0	130.0
P/E (x)	11.7	9.4	7.9
P/BV (x)	1.6	1.4	1.2
ROA (%)	1.7	1.9	1.9
ROE (%)	14.5	15.8	16.3

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE



Fig 1 – Quarterly result snapshot

(Rs mn)	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	YoY (%)	QoQ (%)
Income Statement										
Interest Income	61,812	62,389	63,350	63,884	67,201	71,478	77,725	83,041	30.0	6.8
Income on investments	9,984	9,930	10,232	10,384	10,533	11,283	12,128	12,971	24.9	7.0
Int. on bal. with RBI & inter-bank funds & Others	3,951	4,185	3,793	4,331	4,083	4,319	4,721	4,194	(3.2)	(11.1)
Interest income	75,747	76,504	77,375	78,599	81,818	87,080	94,574	100,207	27.5	6.0
Interest expense	40,110	39,920	39,439	38,747	40,565	44,060	49,621	53,513	38.1	7.8
Net interest income	35,637	36,584	37,936	39,852	41,253	43,021	44,954	46,695	17.2	3.9
Growth YoY (%)	7.7	11.6	11.4	12.7	15.8	17.6	18.5	17.2	442bps	(133bps)
Non-interest income	17,234	18,413	18,769	19,050	19,315	20,112	20,765	21,536	13.0	3.7
Growth YoY (%)	13.3	18.5	14.0	7.0	12.1	9.2	10.6	13.0	605bps	241bps
Non-interest income (Ex- Trading income)	12,144	15,093	15,189	16,460	17,855	18,722	19,405	21,536	30.8	11.0
Total income	52,871	54,997	56,704	58,902	60,568	63,132	65,718	68,231	15.8	3.8
Growth YoY (%)	9.5	13.8	12.2	10.8	14.6	14.8	15.9	15.8	502bps	(6bps)
Staff expenses	8,429	8,489	8,655	9,163	9,281	10,104	10,872	11,530	25.8	6.1
Other operating expenses	13,234	14,284	14,928	15,925	16,980	17,584	17,982	19,126	20.1	6.4
Operating expenses	21,663	22,774	23,583	25,088	26,261	27,689	28,854	30,656	22.2	6.2
Pre-Provisioning Profit (PPoP)	31,208	32,223	33,121	33,814	34,307	35,444	36,864	37,575	11.12	1.9
Growth YoY (%)	6.6	13.0	11.8	8.1	9.9	10.0	11.3	11.1	304bps	(18bps)
Pre-Provisioning Profit (Ex-Trading income)	26,118	28,903	29,541	31,224	32,847	34,054	35,504	37,575	20.3	5.8
Growth YoY (%)	(10.8)	1.3	(0.3)	(0.2)	25.8	17.8	20.2	20.3	2054bps	15bps
Provisions	17,793	17,070	16,541	14,635	12,510	11,411	10,647	10,301	(29.6)	(3.3)
Growth YoY (%)	(21.2)	(13.1)	(10.8)	(21.6)	(29.7)	(33.2)	(35.6)	(29.6)	(806bps)	601bps
PBT	13,415	15,154	16,581	19,179	21,797	24,033	26,217	27,275	42.2	4.0
Tax	3,254	3,687	4,167	5,174	5,487	5,981	6,582	6,841	32.2	3.9
PAT	10,161	11,467	12,414	14,005	16,310	18,052	19,635	20,434	45.9	4.1
Growth YoY (%)	99.1	72.9	49.5	51.2	60.5	57.4	58.2	45.9	(533bps)	(1227bps)
Per Share										
FV (Rs)	10	10	10	10	10	10	10	10	0.0	0.0
EPS (Rs)	13	15	16	18	21	23	25	26	45.7	4.0
Book Value (Rs)	576	579	601	607	641	635	682	671	10.4	(1.7)

Source: Company, BOBCAPS Research

Fig 2 – Quarterly result snapshot

Balance Sheet (Rs mn)	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	YoY (%)	QoQ (%)
Deposits	2,672,330	2,752,882	2,844,840	2,933,495	3,027,190	3,155,321	3,252,780	3,361,202	14.6	3.3
Growth YoY (%)	26.5	20.8	19.0	14.6	13.3	14.6	14.3	14.6	(7bps)	24bps
Advances	2,107,270	2,208,076	2,285,830	2,390,515	2,479,600	2,601,288	2,727,540	2,899,237	21.3	6.3
Growth YoY (%)	6.4	9.7	10.4	12.4	17.7	17.8	19.3	21.3	884bps	196bps
Investment	686,990	692,447	727,150	709,299	724,870	759,935	761,740	830,757	17.1	9.1
Equity	445,480	453,260	466,050	480,264	497,070	508,842	528,840	550,046	14.5	4.0
Assets	3,729,960	3,804,949	3,905,640	4,019,674	4,101,000	4,265,752	4,444,850	4,578,366	13.9	3.0
Growth YoY (%)	17.3	14.6	14.4	10.8	9.9	12.1	13.8	13.9	313bps	9bps
Yield (%)										
Yield on Funds	8.79	8.65	8.54	8.42	8.59	8.95	9.35	9.50	107bps	15bps
Cost of Funds	5.14	5.00	4.84	4.62	4.74	5.03	5.45	5.65	103bps	20bps
Spread	3.65	3.65	3.70	3.80	3.86	3.92	3.90	3.85	5bps	(5bps)
Net Interest Margin	4.14	4.14	4.19	4.27	4.33	4.42	4.44	4.43	16bps	(2bps)
Ratios (%)										
Other Income / Net Income	32.6	33.5	33.1	32.3	31.9	31.9	31.6	31.6	(78bps)	(3bps)
Cost to Income ratio	41.0	41.4	41.6	42.6	43.4	43.9	43.9	44.9	234bps	102bps
CASA ratio	42.0	42.1	42.1	42.7	43.1	42.3	41.9	40.1	(264bps)	(184bps)
C/D ratio	78.9	80.2	80.4	81.5	81.9	82.4	83.9	86.3	477bps	240bps
Investment to Assets	18.4	18.2	18.6	17.6	17.7	17.8	17.1	18.1	50bps	101bps
Assets Quality										
GNPA	61,858	62,450	57,793	55,172	59,329	55,671	57,108	58,263	5.6	2.02
NNPA	17,596	17,714	16,332	15,298	16,612	15,840	16,815	17,150	12.1	2.0
Provision	44,262	44,737	41,461	39,873	42,717	39,832	40,293	41,113	3.1	2.0
GNPA (%)	2.88	2.77	2.48	2.27	2.35	2.11	2.06	1.98	(29bps)	(8bps)
NNPA (%)	0.84	0.80	0.71	0.64	0.67	0.61	0.62	0.59	(5bps)	(3bps)
Provision (%)	70.8	71.1	71.4	71.8	71.5	71.1	69.9	70.2	(160bps)	30bps
Slippages	5.40	5.11	4.88	3.83	4.00	2.69	2.41	2.51	(131bps)	11bps

Source: Company, BOBCAPS Research

Earnings call highlights

Asset quality

- Barring one corporate restructured account (Rs 1.75bn) which slipped into NPA for not meeting required covenants in the stipulated time, IIB indicated that it is not facing any meaningful stress in the corporate loan book.
- The restructured book stood at 0.8% of loans in Q4FY23.
- MFI net slippages were at Rs 600mn. The net security receipts book declined to 0.34% of loans and the 30-90dpd book reduced from 2.1% to 1.1%.
- The bank made a provision of Rs 3bn towards the security receipt book (SR: total of Rs 5bn in H2FY23), which has reduced to 0.34% of loans from 0.56% a quarter ago.
- The SMA1+ SMA2 book was steady at 0.32% of loans.

Business operations

- Corporate loan growth was led by mid and small corporates and sectors such as gems & jewellery, power, services and petroleum.
- The proportion of A-and-above rated customers is now at 73% vs. 71% YoY.
- Commercial vehicle (CV), construction equipment and utility vehicles (UV) witnessed disbursement growth over 30% YoY in Q4 while cars, two-wheelers and three-wheelers posted growth over 20%.
- The non-vehicle finance book grew 7% QoQ (26% YoY), wherein business banking was up 8% QoQ, credit cards 10%, personal loans 13%, and merchant acquiring business 30%.
- Savings accounts contracted because savings deposits moved into term deposits and the bank let go of some bulk accounts.
- The CD (Deposit) is witnessing a gradual decline and now stands at 3% of Total deposits.
- LCR stood at 123% with healthy surplus liquidity of Rs 420bn.

Planning cycle 6 (PL-6)

IIB indicated that it has successfully accomplished its fifth planning cycle (PL-5) and is now targeting the following under PL-6 by 2023-26:

- Loan growth: 18-23% vs. 21% in FY23
- Retail loan mix: 55-60% vs. 54%
- Retail deposits as per LCR: 45-50% vs. 43%
- PPOP/Loans: 5.25-5.75%
- Branch network: 3,250-3,750 vs. 2,606
- Customer base: >50mn vs. 34mn

Fig 3 – Portfolio mix (Absolute)

(Rs mn)	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	YoY (%)	QoQ (%)
Large Corporates	446,090	503,950	537,890	602,230	623,220	686,680	710,530	743,400	23.4	4.6
Mid Corporates	437,540	444,670	467,140	403,220	422,100	424,780	442,010	463,740	15.0	4.9
Small Corporates	40,440	42,170	49,780	89,180	98,970	106,200	117,560	134,360	50.7	14.3
Corporate and Commercial Banking	924,070	990,790	1,054,810	1,094,630	1,144,290	1,217,660	1,270,100	1,341,500	22.6	5.6
Commercial Vehicle Loans	228,530	225,980	226,180	232,090	244,150	253,400	268,190	281,710	21.4	5.0
Utility Vehicle Loans	49,620	52,140	56,970	61,720	67,970	74,670	83,110	90,290	46.3	8.6
Small CV	32,710	29,900	30,350	30,440	31,840	31,960	33,650	34,590	13.6	2.8
Two-Wheeler Loans	51,150	47,600	47,230	44,680	43,580	43,340	47,490	47,740	6.8	0.5
Car Loans	77,640	79,890	82,650	83,920	87,890	93,260	99,930	105,710	26.0	5.8
Tractor	68,490	71,730	76,660	79,070	82,500	86,110	91,590	93,720	18.5	2.3
Equipment Financing	88,310	85,780	86,040	87,310	87,900	88,930	92,690	98,670	13.0	6.5
Vehicle Finance	596,450	593,020	606,080	619,230	645,830	671,670	716,650	752,430	21.5	5.0
Credit Card	45,120	50,060	53,010	55,200	64,780	70,980	77,140	83,950	52.1	8.8
LAP	87,610	87,880	86,640	88,170	90,090	92,480	95,020	96,400	9.3	1.5
BBG	112,230	110,310	113,140	118,920	122,030	125,120	128,390	138,450	16.4	7.8
Other (BL, PL, GL, AHL, Others)	77,880	94,870	97,720	108,240	118,550	127,200	143,360	164,360	51.8	14.6
Microfinance (incl. BHAFIN)	263,910	281,150	274,430	306,120	294,030	296,170	296,880	322,150	5.2	8.5
Non- Vehicle Finance	586,750	624,270	624,940	676,650	689,480	711,950	740,790	805,310	19.0	8.7
Consumer Finance	1,183,200	1,217,290	1,231,020	1,295,880	1,335,310	1,383,620	1,457,440	1,557,740	20.2	6.9
Total Loan	2,107,270	2,208,080	2,285,830	2,390,510	2,479,600	2,601,280	2,727,540	2,899,240	21.3	6.3

Source: Company, BOBCAPS Research

Fig 4 – Portfolio mix (% share)

Segment (%)	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Large Corporates	21.2	22.8	23.5	25.2	25.1	26.4	26.1	25.6
Mid Corporates	20.8	20.1	20.4	16.9	17.0	16.3	16.2	16.0
Small Corporates	1.9	1.9	2.2	3.7	4.0	4.1	4.3	4.6
Corporate and Commercial Banking	43.9	44.9	46.1	45.8	46.1	46.8	46.6	46.3
Commercial Vehicle Loans	10.8	10.2	9.9	9.7	9.8	9.7	9.8	9.7
Utility Vehicle Loans	2.4	2.4	2.5	2.6	2.7	2.9	3.0	3.1
Small CV	1.6	1.4	1.3	1.3	1.3	1.2	1.2	1.2
Two-Wheeler Loans	2.4	2.2	2.1	1.9	1.8	1.7	1.7	1.6
Car Loans	3.7	3.6	3.6	3.5	3.5	3.6	3.7	3.6
Tractor	3.3	3.2	3.4	3.3	3.3	3.3	3.4	3.2
Equipment Financing	4.2	3.9	3.8	3.7	3.5	3.4	3.4	3.4
Vehicle Finance	28.3	26.9	26.5	25.9	26.0	25.8	26.3	26.0
Credit Card	2.1	2.3	2.3	2.3	2.6	2.7	2.8	2.9
LAP	4.2	4.0	3.8	3.7	3.6	3.6	3.5	3.3
BBG	5.3	5.0	4.9	5.0	4.9	4.8	4.7	4.8
Other (BL, PL, GL, AHL, Others)	3.7	4.3	4.3	4.5	4.8	4.9	5.3	5.7
Microfinance (incl. BHAFIN)	12.5	12.7	12.0	12.8	11.9	11.4	10.9	11.1
Non- Vehicle Finance	27.8	28.3	27.3	28.3	27.8	27.4	27.2	27.8
Consumer Finance	56.1	55.1	53.9	54.2	53.9	53.2	53.4	53.7
Total Loan	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

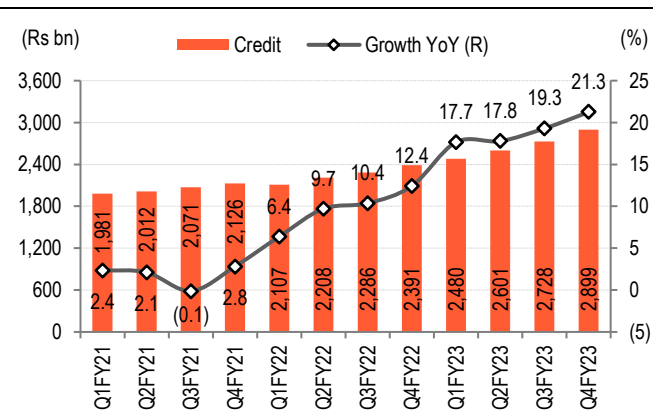
Source: Company, BOBCAPS Research

Fig 5 – Yield profile

(Rs mn)	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Corporate and Commercial Banking	924,070	990,790	1,054,810	1,094,630	1,144,290	1,217,660	1,270,100	1,341,500
% Of Loan	43.9	44.9	46.1	45.8	46.1	46.8	46.6	46.3
Yield (%)	8.4	8.2	7.9	7.7	7.8	8.2	8.6	8.9
Consumer Finance	1,183,200	1,217,290	1,231,020	1,295,880	1,335,310	1,383,620	1,457,440	1,557,740
% of Loan	56.1	55.1	53.9	54.2	53.9	53.2	53.4	53.7
Yield (%)	14.4	14.3	14.2	14.2	14.3	14.3	14.5	14.7
Total Loan	2,107,270	2,208,080	2,285,830	2,390,510	2,479,600	2,601,280	2,727,540	2,899,240
Yield (%)	11.8	11.7	11.4	11.3	11.4	11.5	11.8	12.0

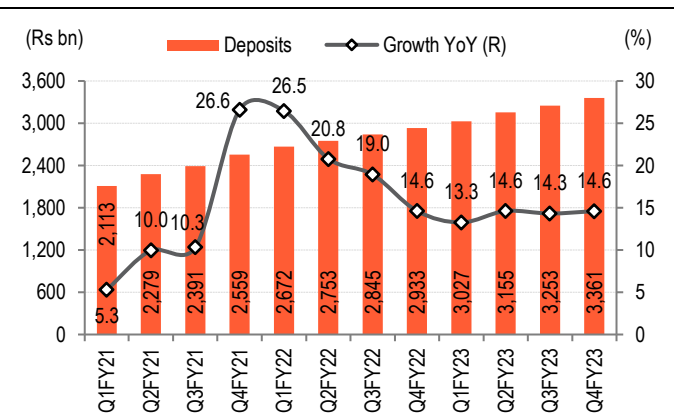
Source: Company, BOBCAPS Research

Fig 6 – Strongest loan growth in last 8-10 quarters



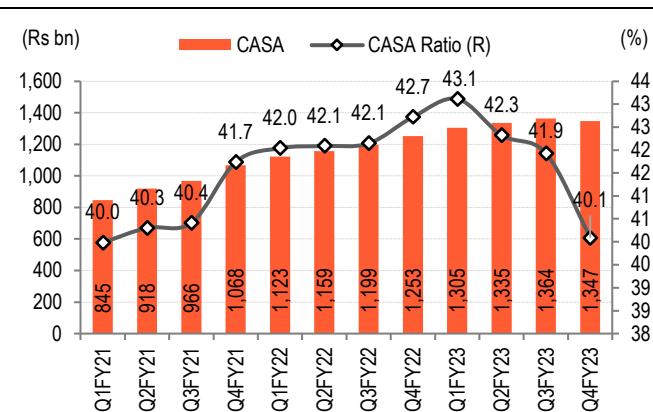
Source: Company, BOBCAPS Research

Fig 7 – Deposit mobilisation remained subdued



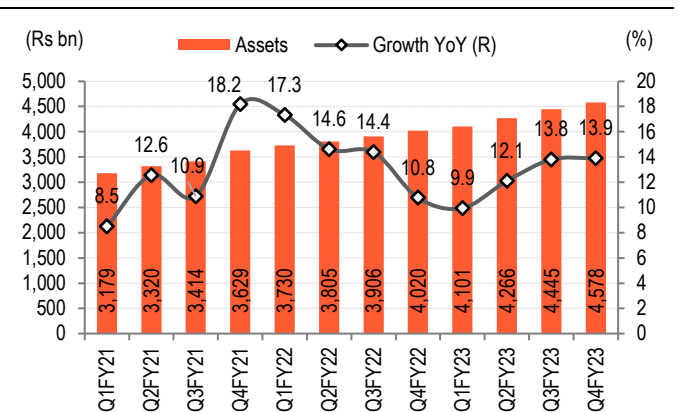
Source: Company, BOBCAPS Research

Fig 8 – CASA moderated



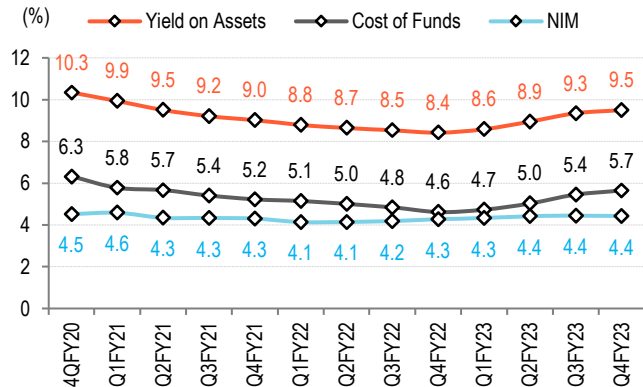
Source: Company, BOBCAPS Research

Fig 9 – Assets grew 13.9% YoY



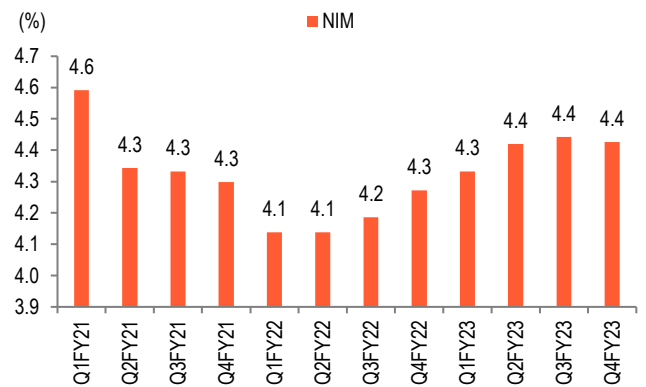
Source: Company, BOBCAPS Research

Fig 10 – Higher cost of funds kept NIM flat



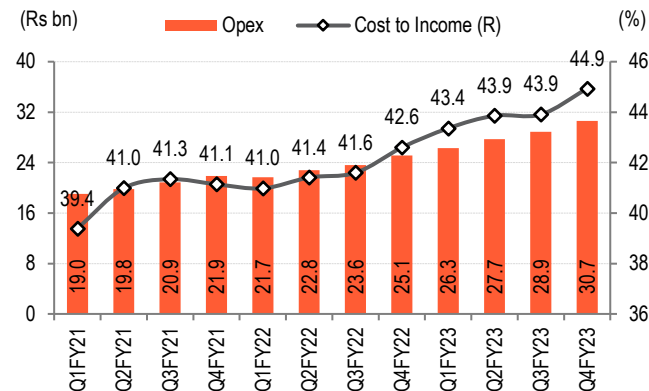
Source: Company, BOBCAPS Research

Fig 11 – NIM likely to remain stable at current level



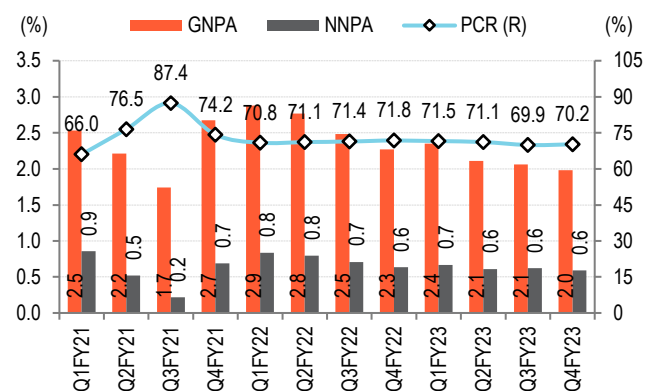
Source: Company, BOBCAPS Research

Fig 12 – C/I to remain elevated with retailisation of deposits



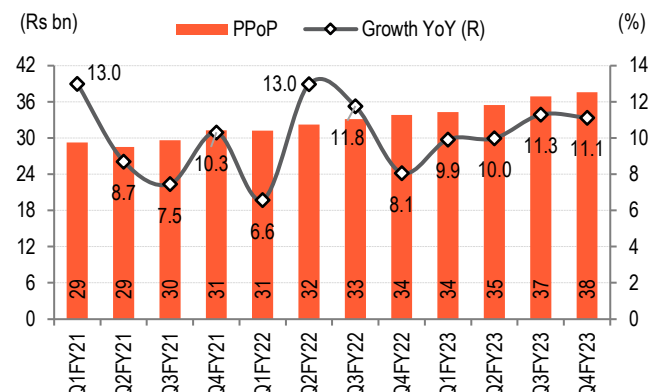
Source: Company, BOBCAPS Research

Fig 13 – Improvement in asset quality (key monitorable)



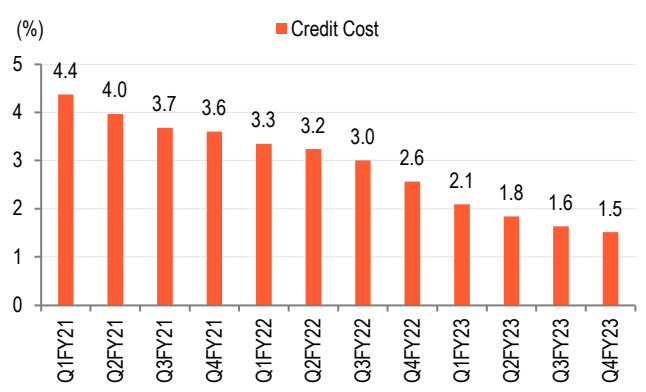
Source: Company, BOBCAPS Research

Fig 14 – Strong topline supported PPOP growth



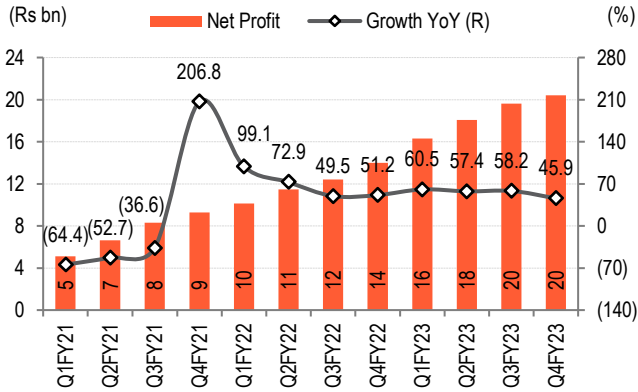
Source: Company, BOBCAPS Research

Fig 15 – Credit cost continues to decline



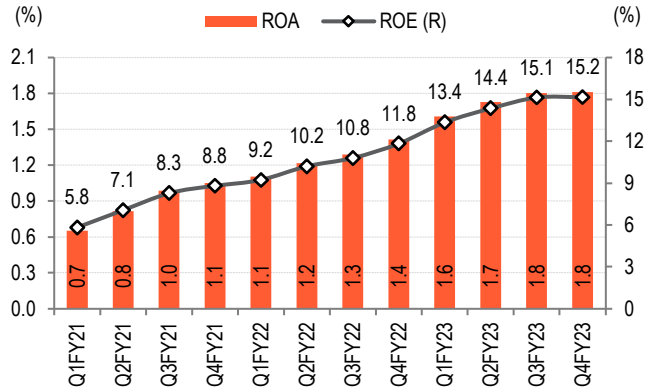
Source: Company, BOBCAPS Research

Fig 16 – PAT growth at 46% YoY



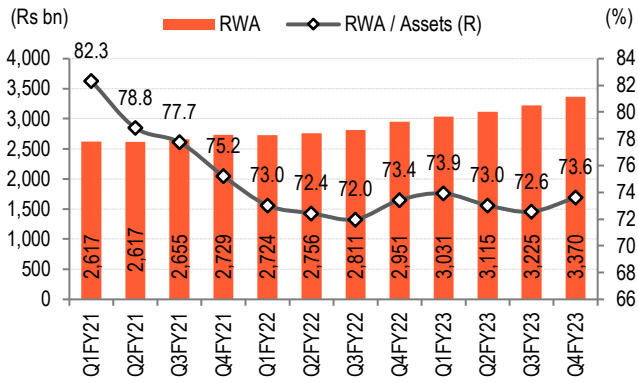
Source: Company, BOBCAPS Research

Fig 17 – Return ratios likely to improve



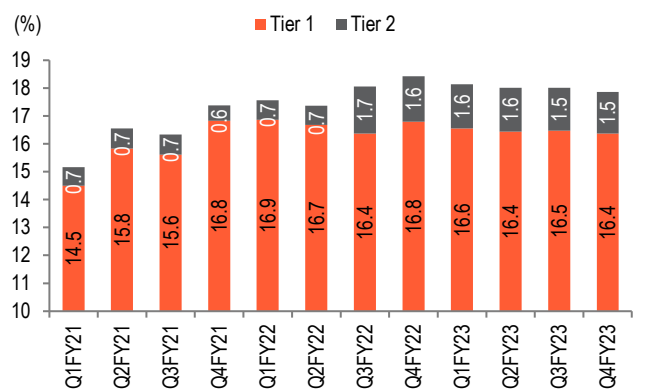
Source: Company, BOBCAPS Research

Fig 18 – RWA/Asset ratio expected to remain at 74%



Source: Company, BOBCAPS Research

Fig 19 – Well capitalised with tier-1 at 16%



Source: Company, BOBCAPS Research

Valuation methodology

IIB has continued to deliver an improved performance across business verticals during Q4FY23. Strong business growth mainly driven by CFD should support an estimated NII CAGR of 17.6% and a net income CAGR of 17% over FY22-25. Despite a higher cost of funds, we expect NIM to remain stable at 4.4%, supported by a change in mix towards CFD which is high yield in nature. Increased granularity in deposits together with continued branch expansion and technology spends could keep the C/I ratio elevated at 44% levels, leading to an estimated PPOP CAGR of 15% through to FY25.

In terms of asset quality, we now model for substantial improvement in credit cost to 1.4%/1.3% over FY24/FY25 (vs. 1.6% each earlier), in line with management's guidance of 110-130bps, and estimate GNPA/NNPA at 1.5%/0.4% with a PCR of 72% by FY25. A gradual decline in restructured book also offers further comfort on asset quality.

Improving asset healthy, robust capitalisation and a healthy loan mix put IIB on a strong wicket. The bank has set forth a new planning cycle (PL-6) targeting an improved performance, after successful completion of its fifth cycle. Given all-round improvement across verticals and revised credit cost estimates, we expect ROA/ROE to rise to 1.9%/16.3% by FY25, making the stock a prime candidate for a rerating. We reiterate BUY with a TP of Rs 1,550 (vs. Rs 1,547), set at 1.7x FY25E ABV based on the Gordon Growth Model.

Fig 20 – Revised estimates

(Rs mn)	New		Old		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Loan	3,481,983	4,150,524	3,407,945	4,123,613	2.2	0.7
Deposits	3,935,967	4,624,762	3,963,885	4,717,023	(0.7)	(2.0)
Assets	5,307,236	6,232,210	5,314,222	6,424,229	(0.1)	(3.0)
NII	209,382	244,129	213,578	256,933	(2.0)	(5.0)
PPOP	169,426	198,620	174,844	210,722	(3.1)	(5.7)
Provisions	44,669	50,756	50,002	58,370	(10.7)	(13.0)
PAT	93,023	110,011	93,086	113,350	(0.1)	(2.9)

Source: Company, BOBCAPS Research

Fig 21 – Key operational assumptions

Parameter (%)	FY21	FY22	FY23E	FY24E
Advances Growth	2.8	12.4	21.3	20.1
NII Growth	12.2	10.9	17.3	19.0
PPoP growth	9.6	10.3	10.1	17.5
PAT growth	(34.3)	64.0	54.9	25.0
NIM	4.4	4.2	4.4	4.5
GNPA	2.7	2.3	2.0	1.7
CAR	17.4	18.4	17.9	17.9

Source: Company, BOBCAPS Research

Fig 22 – Key valuation assumptions

Components of Gordon Growth Model	Assumptions (%)
Cost of equity (%)	12.5
Blended ROE (%)	15.1
Initial high growth period (yrs)	10.0
Payout ratio of high-growth phase (%)	20.0
Long-term growth (%)	6
Long term dividend payout ratio (%)	60
Justified P/BV Multiple (x)	1.7

Source: Company, BOBCAPS Research

Key risks

Key downside risks to our estimates are:

- inability to sustain business growth, mainly in the vehicle finance book, and
- further deterioration in asset quality, which may lead to higher provisioning.

Glossary

Glossary of Abbreviations			
CASA	Current Account and Savings Account	MCLR	Marginal Cost of Funds based Lending Rate
CAR	Capital Adequacy Ratio	NII	Net Interest Income
CET1	Common Equity Tier 1	NIM	Net Interest Margin
CD	Credit-Deposit Ratio	NNPA	Net Non-Performing Assets
C/I	Cost-Income Ratio	PCR	Provision Coverage Ratio
DPD	Days Past Due	PPOP	Pre-provision Operating Profit
EBLR	External Benchmark based Lending Rate	PSU	Public Sector Unit
GNPA	Gross Non-Performing Assets	RWA	Risk-weighted Assets
LCR	Liquidity Coverage Ratio	SMA	Special Mention Accounts
MFI	Microfinance Institution		

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23P	FY24E	FY25E
Net interest income	135,279	150,008	175,921	209,382	244,129
NilI growth (%)	12.2	10.9	17.3	19.0	16.6
Non-interest income	65,008	74,076	81,728	96,883	113,672
Total income	200,287	224,085	257,649	306,266	357,801
Operating expenses	81,568	93,107	113,459	136,839	159,181
PPOP	118,718	130,978	144,190	169,426	198,620
PPOP growth (%)	9.6	10.3	10.1	17.5	17.2
Provisions	79,425	66,650	44,868	44,669	50,756
PBT	39,293	64,328	99,322	124,758	147,864
Tax	9,995	16,282	24,891	31,735	37,853
Reported net profit	29,298	48,046	74,431	93,023	110,011
Adjustments	0	0	0	0	0
Adjusted net profit	29,298	48,046	74,431	93,023	110,011

Balance Sheet

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23P	FY24E	FY25E
Equity capital	7,734	7,747	7,759	7,759	7,759
Reserves & surplus	427,219	472,357	541,844	620,913	714,422
Net worth	434,952	480,103	549,603	628,672	722,181
Deposits	2,558,701	2,933,495	3,361,202	3,935,967	4,624,762
Borrowings	513,228	473,232	490,112	553,827	643,547
Other liab. & provisions	122,097	132,683	177,006	188,770	241,720
Total liab. & equities	3,628,979	4,019,513	4,577,923	5,307,236	6,232,210
Cash & bank balance	566,099	685,847	567,768	543,639	573,569
Investments	696,534	709,299	830,757	938,375	1,097,787
Advances	2,125,954	2,390,515	2,899,237	3,481,983	4,150,524
Fixed & Other assets	240,446	234,012	280,605	343,682	410,773
Total assets	3,629,033	4,019,674	4,578,366	5,307,679	6,232,653
Deposit growth (%)	26.7	14.6	14.6	17.1	17.5
Advances growth (%)	2.8	12.4	21.3	20.1	19.2

Per Share

Y/E 31 Mar (Rs)	FY21A	FY22A	FY23P	FY24E	FY25E
EPS	39.9	62.1	96.0	119.9	141.8
Dividend per share	0.0	5.0	14.0	18.0	21.3
Book value per share	558.3	615.6	708.3	810.2	930.8

Valuations Ratios

Y/E 31 Mar (x)	FY21A	FY22A	FY23P	FY24E	FY25E
P/E	28.1	18.1	11.7	9.4	7.9
P/BV	2.0	1.8	1.6	1.4	1.2
Dividend yield (%)	0.0	0.4	1.2	1.6	1.9

DuPont Analysis

Y/E 31 Mar (%)	FY21A	FY22A	FY23P	FY24E	FY25E
Net interest income	4.0	3.9	4.1	4.2	4.2
Non-interest income	1.9	1.9	1.9	2.0	2.0
Operating expenses	2.4	2.4	2.6	2.8	2.8
Pre-provisioning profit	3.5	3.4	3.4	3.4	3.4
Provisions	2.4	1.7	1.0	0.9	0.9
PBT	1.2	1.7	2.3	2.5	2.6
Tax	0.3	0.4	0.6	0.6	0.7
ROA	0.9	1.3	1.7	1.9	1.9
Leverage (x)	8.6	8.4	8.3	8.4	8.5
ROE	7.5	10.5	14.5	15.8	16.3

Ratio Analysis

Y/E 31 Mar	FY21A	FY22A	FY23P	FY24E	FY25E
YoY growth (%)					
Net interest income	12.2	10.9	17.3	19.0	16.6
Pre-provisioning profit	9.6	10.3	10.1	17.5	17.2
EPS	(41.9)	55.4	54.7	24.9	18.3
Profitability & Return ratios (%)					
Net interest margin	4.1	4.1	4.3	4.4	4.5
Fees / Avg. assets	0.3	0.3	0.3	0.4	0.4
Cost-Income	40.7	41.5	44.0	44.7	44.5
ROE	7.5	10.5	14.5	15.8	16.3
ROA	0.9	1.3	1.7	1.9	1.9
Asset quality (%)					
GNPA	2.7	2.3	1.8	1.7	1.5
NNPA	0.7	0.6	0.6	0.5	0.4
Slippage ratio	3.7	4.8	2.9	2.5	2.4
Credit cost	0.0	0.0	0.0	0.0	0.0
Provision coverage	73.8	71.6	67.9	71.5	71.6
Ratios (%)					
Credit-Deposit	83.1	81.5	86.3	88.5	89.7
Investment-Deposit	27.2	24.2	24.7	23.8	23.7
CAR	17.4	18.4	17.9	17.9	17.7
Tier-1	16.8	16.8	16.4	16.5	16.2

Source: Company, BOBCAPS Research

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BUY – Expected return >+15%

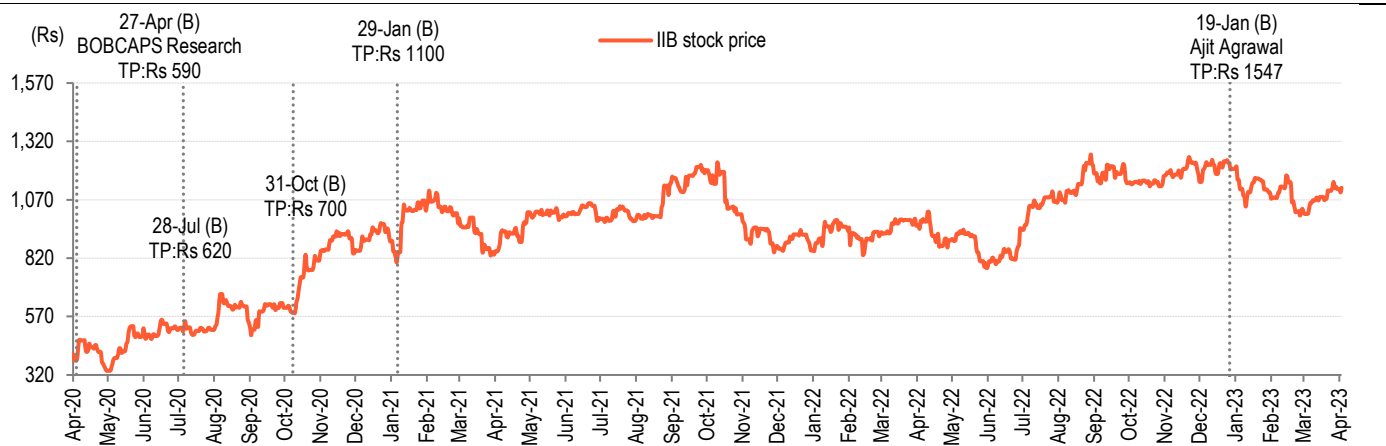
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): INDUSIND BANK (IIB IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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