

**BUY**  
 TP: Rs 1,844 | ▲ 31%

**INDUSIND BANK**

| Banking

| 29 July 2024

**Stable performance**

- **Business growth moderate on seasonality with credit/deposit growth of 15%/16% YoY vs. target 18-23% (guidance intact) leading to flat QoQ NII**
- **Reported NIM flat 4.25% on growth slowing in MFI and CC book; expect improved performance on operational efficiency and stable asset quality**
- **Lower GGM-based TP to Rs 1,844, valued at 1.8x FY26E P/ABV, as we tweak growth estimates. Maintain BUY**

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**Moderate business growth:** IIB’s business growth was moderate, with credit rising 15.5% YoY (+1.3% QoQ), while deposits rose 15% YoY (4% QoQ). Loan book was driven by the CFD book (+18% YoY), where IIB witnessed a slowdown in both Vehicle Finance and MFI due to seasonality, election-related issues and the heat wave. CCB growth was muted at 13% YoY, but rose 3% QoQ supported by Mid and Small Corporate (14%/22% YoY). Deposit growth accelerated to 15% YoY vs. 14% in Q4, driven by term deposits (TD) which led to 120bps fall in CASA ratio to 36.7%.

**Flat NIM, PPop decline QoQ on weak topline:** NIM was flat at 4.25% vs. 4.26% in Q4 as CoF increased 3bps and yield on advances 2bps QoQ. Lower rise in yield was due to growth deceleration on high yielding Vehicle Finance and MFI book related to a strategic decision to avoid stress. IIB continues to guide for NIM of 4.2-4.3% in FY25. Both NII and other income remained subdued with 11% growth on YoY. Opex stayed elevated and grew 20%/2.5% YoY/QoQ leading to a 142bps QoQ rise in C/I ratio to 49.7% on weak topline. Hence, PPop remained muted at +3%/-3% YoY/QoQ.

**Asset quality stable:** Slippages rose to Rs 15.4bn (45bps) vs. Rs 14.3bn (44bps) in Q4, where corporate slippages were Rs 0.5bn (vs. Rs 1.6bn) and CFD Rs 14.9bn (vs. Rs 12.7bn). Credit cost (calc.) stood at 122bps vs. 113bps in Q4, which is within the guided range of 110-130bps over FY23-FY26. Lower upgrades/recovery led to 10/3bps rise in GNPA/NNPA to 2%/0.6% while PCR was stable at 71%. IIB’s restructured book continued to decline (to 34bps of loan vs. 40bps in Q4FY24), while SMA book was flat at 25bps. Total provisions of 2.2% (106% of GNPA) provide confidence on asset health.

**Maintain BUY:** Growth deceleration seems temporary as IIB has a cushion in terms of liquidity, and continues to guide for business growth of 18-23% over FY26. It maintained NIM guidance at 4.2%-4.3% with credit cost at 110-130bps, indicating its performance will likely fall in line with guidance. We expect IIB to deliver healthy return ratios (ROA/ROE to 1.9%/16% in FY26 vs. 1.7%/14% in FY23). We retain BUY and lower our TP to Rs 1,844 (from Rs 1,881) as we revise estimates (cut EPS by 7% each for FY25/FY26) and value it at 1.8x FY26E (Jun’26) using GGM Model.

**Key changes**

Target	Rating
▼	◀ ▶

Ticker/Price	IIB IN/Rs 1,404
Market cap	US\$ 13.1bn
Free float	84%
3M ADV	US\$ 69.9mn
52wk high/low	Rs 1,695/Rs 1,354
Promoter/FPI/DII	16%/38%/30%

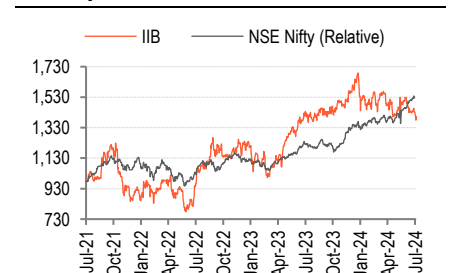
Source: NSE | Price as of 26 Jul 2024

**Key financials**

Y/E 31 Mar	FY24P	FY25E	FY26E
NII (Rs mn)	206,159	231,392	281,208
NII growth (%)	17.2	12.2	21.5
Adj. net profit (Rs mn)	89,770	94,382	121,434
EPS (Rs)	115.5	121.2	155.9
Consensus EPS (Rs)	115.6	125.0	158.0
P/E (x)	12.2	11.6	9.0
P/BV (x)	1.7	1.5	1.4
ROA (%)	1.8	1.7	1.9
ROE (%)	15.2	14.1	16.0

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

**Stock performance**



Source: NSE



**Fig 1 – Quarterly snapshot: Income statement**

(Rs mn)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)
<b>Income Statement</b>							
Interest Income	88,372	93,789	96,945	102,088	103,520	17.1	1.4
Income on investments	13,998	15,602	15,892	16,531	18,023	28.8	9.0
Int. on bal. with RBI & inter-bank funds & Others	4,927	3,088	2,886	3,367	3,925	(20.3)	16.6
<b>Interest income</b>	<b>107,297</b>	<b>112,478</b>	<b>115,723</b>	<b>121,985</b>	<b>125,468</b>	<b>16.9</b>	<b>2.9</b>
Interest expense	58,625	61,711	62,766	68,221	71,391	21.8	4.6
<b>Net interest income</b>	<b>48,671</b>	<b>50,767</b>	<b>52,956</b>	<b>53,765</b>	<b>54,076</b>	<b>11.1</b>	<b>0.6</b>
Growth YoY (%)	18.0	18.0	17.8	15.1	11.1	(688bps)	(404bps)
<b>Non-interest income</b>	<b>22,098</b>	<b>22,819</b>	<b>23,959</b>	<b>25,081</b>	<b>24,416</b>	<b>10.5</b>	<b>(2.7)</b>
Growth YoY (%)	14.4	13.5	15.4	16.5	10.5	(392bps)	(597bps)
<b>Total income</b>	<b>70,769</b>	<b>73,586</b>	<b>76,916</b>	<b>78,846</b>	<b>78,492</b>	<b>10.9</b>	<b>(0.4)</b>
Growth YoY (%)	16.8	16.6	17.0	15.6	10.9	(593bps)	(464bps)
Staff expenses	12,352	13,378	13,907	14,102	14,384	16.5	2.0
Other operating expenses	20,103	21,121	22,585	23,928	24,590	22.3	2.8
<b>Operating expenses</b>	<b>32,455</b>	<b>34,499</b>	<b>36,492</b>	<b>38,030</b>	<b>38,974</b>	<b>20.1</b>	<b>2.5</b>
<b>Pre-Provisioning Profit (PPoP)</b>	<b>38,315</b>	<b>39,087</b>	<b>40,423</b>	<b>40,815</b>	<b>39,518</b>	<b>3.14</b>	<b>(3.2)</b>
Growth YoY (%)	11.7	10.3	9.7	8.6	3.1	(854bps)	(548bps)
<b>Provisions</b>	<b>9,916</b>	<b>9,738</b>	<b>9,693</b>	<b>9,502</b>	<b>10,498</b>	<b>5.9</b>	<b>10.5</b>
Growth YoY (%)	(20.7)	(14.7)	(9.0)	(7.7)	5.9	2,661bps	1,363bps
<b>PBT</b>	<b>28,399</b>	<b>29,349</b>	<b>30,731</b>	<b>31,313</b>	<b>29,020</b>	<b>2.2</b>	<b>(7.3)</b>
Tax	7,155	7,329	7,717	7,822	7,312	2.2	(6.5)
<b>PAT</b>	<b>21,244</b>	<b>22,021</b>	<b>23,014</b>	<b>23,491</b>	<b>21,707</b>	<b>2.2</b>	<b>(7.6)</b>
Growth YoY (%)	30.3	22.0	17.2	15.0	2.2	(2,807bps)	(1,278bps)
<b>Per Share</b>							
FV (Rs)	10	10	10	10	10	0.0	0.0
EPS (Rs)	27	28	30	30	28	2.0	(7.6)
Book Value (Rs)	746	698	725	726	752	0.7	3.6

Source: Company, BOBCAPS Research

**Fig 2 – Quarterly snapshot: Balance sheet & other metrics**

(Rs mn)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)
Deposits	3,470,470	3,595,480	3,687,930	3,845,857	3,985,130	14.8	3.6
Growth YoY (%)	14.6	13.9	13.4	14.4	14.8	19bps	41bps
Advances	3,013,170	3,154,541	3,270,570	3,432,983	3,478,980	15.5	1.3
Growth YoY (%)	21.5	21.3	19.9	18.4	15.5	(606bps)	(295bps)
Investment	942,160	944,275	974,290	1,064,865	1,010,240	7.2	(5.1)
Equity	579,200	591,711	615,590	639,859	663,570	14.6	3.7
Assets	4,669,930	4,779,224	4,888,650	5,150,940	5,301,650	13.5	2.9
Growth YoY (%)	13.9	12.0	10.0	12.5	13.5	(35bps)	102bps
<b>Yield (%)</b>							
Yield on Funds	9.85	10.09	10.16	10.30	10.15	31bps	(15bps)
Cost of Funds	6.03	6.23	6.20	6.49	6.53	50bps	4bps
Spread	3.82	3.86	3.96	3.81	3.62	(19bps)	(19bps)
Net Interest Margin	4.47	4.55	4.65	4.54	4.38	(9bps)	(16bps)
<b>Ratios (%)</b>							
Other Income / Net Income	31.2	31.0	31.2	31.8	31.1	(12bps)	(70bps)
Cost to Income ratio	45.9	46.9	47.4	48.2	49.7	379bps	142bps
CASA ratio	39.9	39.3	38.5	37.9	36.7	(321bps)	(120bps)
C/D ratio	86.8	87.7	88.7	89.3	87.3	48bps	(197bps)
Investment to Assets	20.2	19.8	19.9	20.7	19.1	(112bps)	(162bps)
<b>Assets Quality</b>							
GNPA	59,411	61,642	63,771	66,934	71,268	20.0	6.48
NNPA	17,469	18,138	18,752	19,689	20,955	20.0	6.4
Provision	41,942	43,505	45,019	47,245	50,313	20.0	6.5
GNPA (%)	1.94	1.93	1.92	1.92	2.02	8bps	10bps
NNPA (%)	0.58	0.57	0.57	0.57	0.60	2bps	3bps
Provision (%)	70.1	70.5	70.6	0.0	0.0	(7,010bps)	0bps
<b>Others (nos)</b>							
Branches	6,000	6,123	6,305	6,604	6,692	692	88
ATMs	2,875	2,807	2,939	2,956	2,988	113	32

Source: Company, BOBCAPS Research

## Earnings call highlights

### Planning cycle 6 (PL-6)

IIB indicated it has successfully accomplished its fifth planning cycle (PL-5) and is now targeting the following under PL-6 over FY23-FY26:

- Loan growth of 18-23% vs. 15% in Q1FY25
- Retail loan mix of 55-60% vs. 55% in Q1FY25
- Retail deposits of 45-50% vs. 44% as per LCR in Q1FY25
- PPOP/Loans of 5.25-5.75% vs. 4.78% in Q1FY25
- Branch network of 3,250-3,750 vs. 3,013 in Q1FY25
- Customer base of >50mn vs. 41mn in Q1FY25

### Asset quality

- IIB's gross slippages during Q1FY25 stood at Rs 15.4bn vs. Rs 14.3bn, driven by delinquencies in the MFI book.
- Corporate slippage was at Rs 0.5bn vs. Rs 1.6bn in Q4FY24, while CFD slippages stood at Rs 14.9bn vs. Rs 12.7bn in Q4.
- SMA-1 and SMA-2 loans collectively stood at 25bps vs. 25bps in Q4.
- IIB reported credit cost at 121bps vs. 113ps for Q4 and maintained guidance at 110-130bps for FY25.
- The restructured book declined to 34bps from 40bps in Q4 of loans, largely due to upgrades and recoveries.
- IIB aspires to keep 2%/0.5% extra provision on MFI/MHCV book as a buffer considering expected volatility and maintained provision of Rs10bn.
- The net security receipts book reduced further to 32bps from 34bps of loans in Q4.
- Total loan-related provisions stood at 2.2% of loans (2.1% in Q4) or 106% of GNPA (108% in Q4).

### Loan book

- Loans grew 15% YoY in Q1 with corporate loans up 13% (focus on mid-to-small accounts), vehicle loans up 15% (growth moderated due to seasonally weak quarter and election related issues and heat wave) and non-vehicle finance rising 21%.
- The mix of retail to corporates stood at 55:45, in line with target.
- Bank remained cautious on disbursement in vehicle and MFI during the election phase.

### Deposits

- Retail deposits as per LCR grew 16% YoY and formed 44% of total deposits in Q1 vs. 45% in Q4, progressing towards the bank's target of 45-50% in PL-6.
- IIB continued to steer clear of non-retail deposits such as share certificates in a bid to focus on granularity.
- LCR stood at 122% vs. 118% in Q4 (full-year guidance at 115-125%), with average surplus liquidity at Rs 430bn vs. Rs 394bn in Q3.

### Opex

- Sequential opex growth of 2% in Q1 (4% in Q4). However, the sequential rise in C/I ratio was mainly due to slower revenues on seasonally weak disbursements in vehicles and microfinance.
- The bank added 88 branches during the quarter, totalling 6,692 and plans to add 250-300 branches per year.

### Margins

- Reported NIM was flat QoQ at 4.25% vs. 4.26% in Q4, wherein cost of deposits increased by 5bps and cost of fund increased by 3bps while yield on advances increased by 2bps on the back of a change in mix and loan repricing.
- The bank believes it has adequate levers to absorb any further rise in cost of deposits along with improvement in business and, hence, NIM is guided to remain at 4.2-4.3% for FY25.

### Vehicle Finance

- Vehicle Finance loans grew 2.0% QoQ and 15% YoY, while disbursement stood at Rs 112.6bn in Q1 vs. Rs 119.6bn in Q4.
- Disbursement growth declined QoQ due to subdued demand during the election phase, extreme heat in most regions and Q1 being a generally weak quarter. Within Vehicle Finance, book growth in MHCV, construction equipment, two-wheeler and tractor segment growth were weak.
- Vehicle finance slippages increased to 75bps from 57bps in Q4 due to system transition to Finacle from the legacy system, which impacted business. The segment's restructured book reduced to Rs 4.17bn from Rs 5.47bn in the previous quarter.
- The bank indicated the Vehicle Finance book is well diversified between the commercial and passenger segments, which helps it to derisk the cyclical impact. Management has guided for 20% YoY growth in the segment on the back of timely onset of monsoon and government's capex push in the recent Union budget.

### Microfinance

- MFI loan book outstanding stood at Rs 370.46bn for 1QFY25 vs. Rs 391.92bn in Q4, rising 16% YoY.

### Corporate banking portfolio

- The corporate loan book grew 3% QoQ in Q1 led by mid corporates (+8% QoQ, +14% YoY) while small corporates remained flat QoQ and grew 22% YoY.
- The proportion of A-and-above rated customers remained stable at 79% QoQ.

### Diamond portfolio

- Gold & jewellery loans improved QoQ on global macro challenges and now contribute 2.8% of the loan book. However, asset quality remained comfortable.
- IIB has no SMA-1 and SMA-2 loans in this business.

**Fig 3 – Portfolio mix (Absolute)**

(Rs mn)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)
Large Corporates	770,650	792,330	809,720	840,270	850,450	10.4	1.2
Mid Corporates	476,240	479,710	488,450	501,010	542,320	13.9	8.2
Small Corporates	147,480	159,500	167,700	179,250	179,960	22.0	0.4
<b>Corporate and Commercial Banking</b>	<b>1,394,370</b>	<b>1,431,540</b>	<b>1,465,870</b>	<b>1,520,530</b>	<b>1,572,730</b>	<b>12.8</b>	<b>3.4</b>
Commercial Vehicle Loans	293,200	308,790	318,630	332,390	338,340	15.4	1.8
Utility Vehicle Loans	98,130	107,290	119,510	-	-	NA	NA
Small CV	35,610	37,730	39,400	40,180	40,600	14.0	1.0
Two-Wheeler Loans	47,780	48,040	51,840	51,030	50,400	5.5	(1.2)
Car Loans	111,100	117,840	126,710	256,580	266,290	139.7	3.8
Tractor	95,160	95,800	94,460	89,550	85,720	(9.9)	(4.3)
Equipment Financing	102,340	105,020	110,370	114,220	116,830	14.2	2.3
<b>Vehicle Finance</b>	<b>783,320</b>	<b>820,510</b>	<b>860,920</b>	<b>883,950</b>	<b>898,180</b>	<b>14.7</b>	<b>1.6</b>
Credit Card	89,780	94,620	102,390	107,310	107,860	20.1	0.5
LAP	99,530	101,810	104,700	108,110	111,690	12.2	3.3
BBG	148,070	153,640	158,940	167,320	166,830	12.7	(0.3)
Other (BL, PL, GL, AHL, Others)	178,290	208,790	220,140	253,840	251,230	40.9	(1.0)
Microfinance (incl. BHAFIN)	319,810	343,630	357,610	391,920	370,460	15.8	(5.5)
<b>Non- Vehicle Finance</b>	<b>835,480</b>	<b>902,490</b>	<b>943,780</b>	<b>1,028,500</b>	<b>1,008,070</b>	<b>20.7</b>	<b>(2.0)</b>
<b>Consumer Finance</b>	<b>1,618,800</b>	<b>1,723,000</b>	<b>1,804,700</b>	<b>1,912,450</b>	<b>1,906,250</b>	<b>17.8</b>	<b>(0.3)</b>
<b>Total</b>	<b>3,013,170</b>	<b>3,154,540</b>	<b>3,270,570</b>	<b>3,432,980</b>	<b>3,478,980</b>	<b>15.5</b>	<b>1.3</b>

Source: Company, BOBCAPS Research

**Fig 4 – Portfolio mix (% share)**

Segment (%)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)
Large Corporates	25.6	25.1	24.8	24.5	24.4	(113bps)	(3bps)
Mid Corporates	15.8	15.2	14.9	14.6	15.6	(22bps)	99bps
Small Corporates	4.9	5.1	5.1	5.2	5.2	28bps	(5bps)
<b>Corporate and Commercial Banking</b>	<b>46.3</b>	<b>45.4</b>	<b>44.8</b>	<b>44.3</b>	<b>45.2</b>	<b>(107bps)</b>	<b>91bps</b>
Commercial Vehicle Loans	9.7	9.8	9.7	9.7	9.7	(1bps)	4bps
Utility Vehicle Loans	3.3	3.4	3.7	0.0	0.0	(326bps)	0bps
Small CV	1.2	1.2	1.2	1.2	1.2	(1bps)	0bps
Two-Wheeler Loans	1.6	1.5	1.6	1.5	1.4	(14bps)	(4bps)
Car Loans	3.7	3.7	3.9	7.5	7.7	397bps	18bps
Tractor	3.2	3.0	2.9	2.6	2.5	(69bps)	(14bps)
Equipment Financing	3.4	3.3	3.4	3.3	3.4	(4bps)	3bps
<b>Vehicle Finance</b>	<b>26.0</b>	<b>26.0</b>	<b>26.3</b>	<b>25.7</b>	<b>25.8</b>	<b>(18bps)</b>	<b>7bps</b>
Credit Card	3.0	3.0	3.1	3.1	3.1	12bps	(3bps)
LAP	3.3	3.2	3.2	3.1	3.2	(9bps)	6bps
BBG	4.9	4.9	4.9	4.9	4.8	(12bps)	(8bps)
Other (BL, PL, GL, AHL, Others)	5.9	6.6	6.7	7.4	7.2	130bps	(17bps)
Microfinance (incl. BHAFIN)	10.6	10.9	10.9	11.4	10.6	3bps	(77bps)
<b>Non-Vehicle Finance</b>	<b>27.7</b>	<b>28.6</b>	<b>28.9</b>	<b>30.0</b>	<b>29.0</b>	<b>125bps</b>	<b>(98bps)</b>
<b>Consumer Finance</b>	<b>53.7</b>	<b>54.6</b>	<b>55.2</b>	<b>55.7</b>	<b>54.8</b>	<b>107bps</b>	<b>(91bps)</b>
<b>Total Loan</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>-</b>

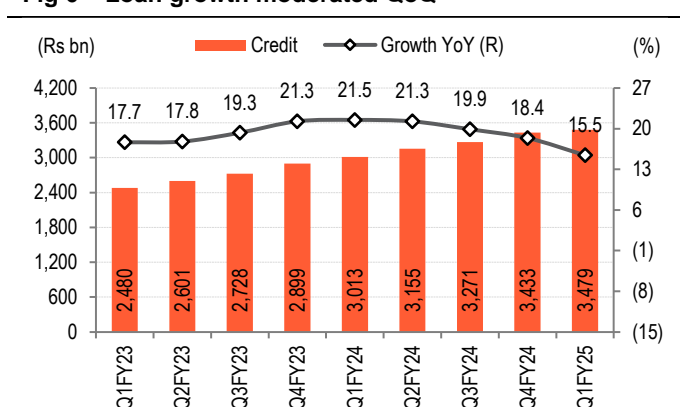
Source: Company, BOBCAPS Research

**Fig 5 – Yield profile**

(Rs mn)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)
<b>Corporate and Commercial Banking</b>	1,394,370	1,431,540	1,465,870	1,520,530	1,572,730	12.8	3.4
% of Loan	46.3	45.4	44.8	44.3	45.2	(198bps)	(53bps)
Yield (%)	9.0	9.0	9.1	9.0	9.0	12bps	(5bps)
<b>Consumer Finance</b>	1,618,800	1,723,000	1,804,700	1,912,450	1,906,250	17.8	(0.3)
% of Loan	53.7	54.6	55.2	55.7	54.8	198bps	53bps
Yield (%)	14.8	14.8	15.1	15.5	15.4	77bps	38bps
<b>Total Loan</b>	3,013,170	3,154,540	3,270,570	3,432,980	3,478,980	15.5	1.3
Yield (%)	12.2	12.3	12.5	12.7	12.6	64bps	21bps

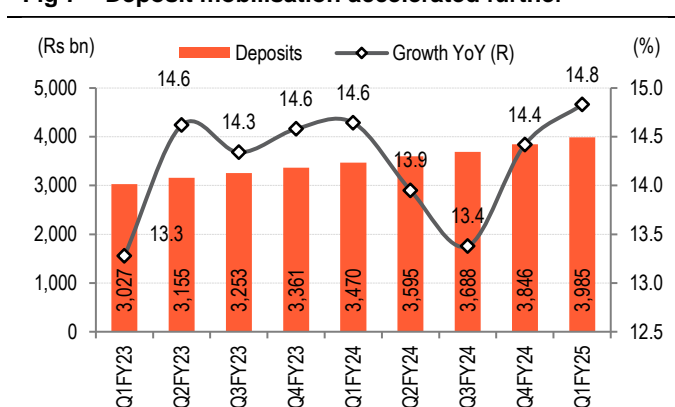
Source: Company, BOBCAPS Research

**Fig 6 – Loan growth moderated QoQ**



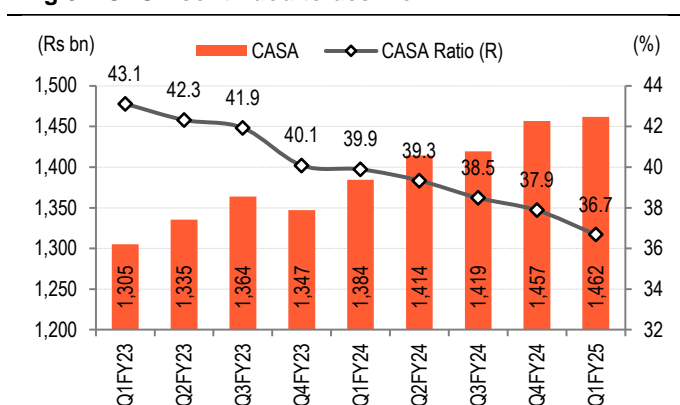
Source: Company, BOBCAPS Research

**Fig 7 – Deposit mobilisation accelerated further**



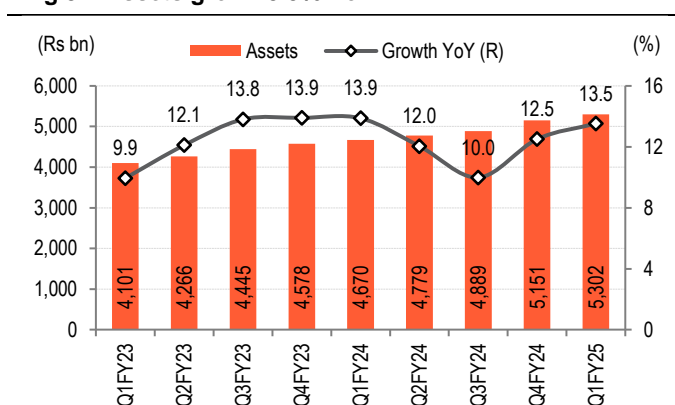
Source: Company, BOBCAPS Research

**Fig 8 – CASA continued to decline**



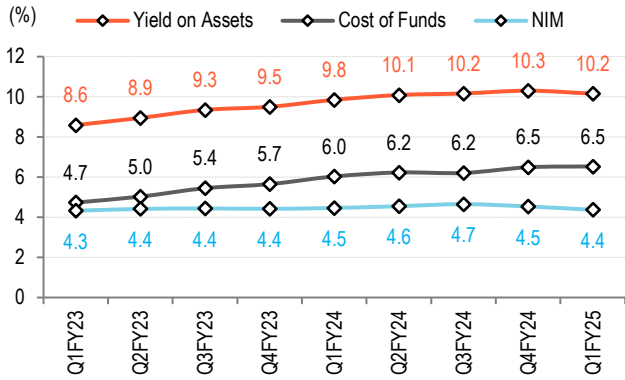
Source: Company, BOBCAPS Research

**Fig 9 – Assets grew 13.5% YoY**



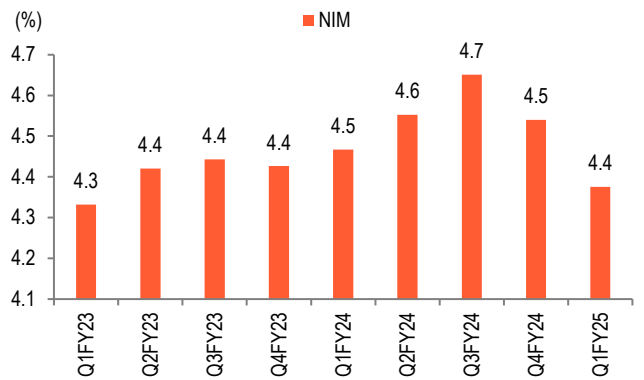
Source: Company, BOBCAPS Research

**Fig 10 – NIM flat QoQ despite higher cost of funds**



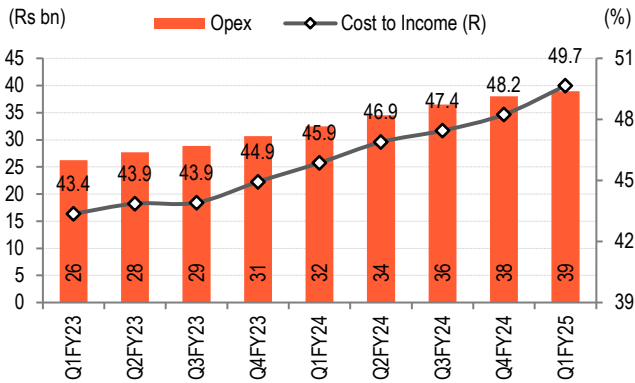
Source: Company, BOBCAPS Research

**Fig 11 – NIM (calc.) likely to remain stable at current level**



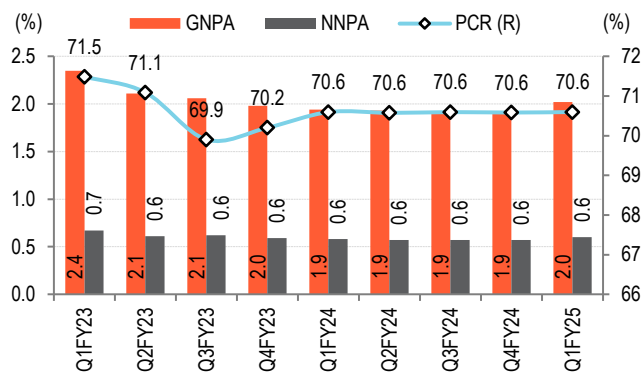
Source: Company, BOBCAPS Research

**Fig 12 – C/I to remain elevated with continued investment**



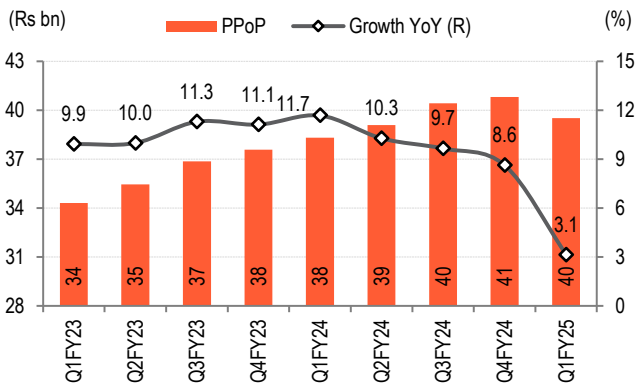
Source: Company, BOBCAPS Research

**Fig 13 – Asset quality remained stable**



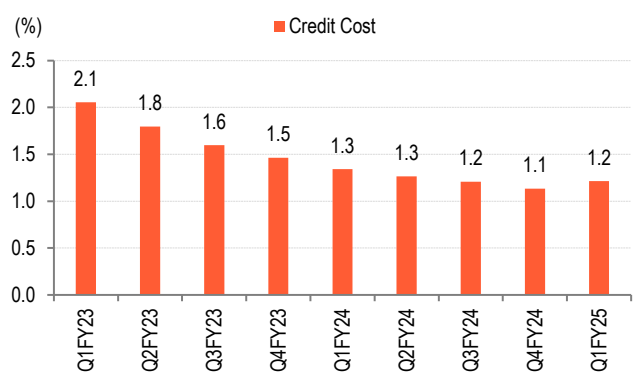
Source: Company, BOBCAPS Research

**Fig 14 – Lower topline led to muted PPOP**



Source: Company, BOBCAPS Research

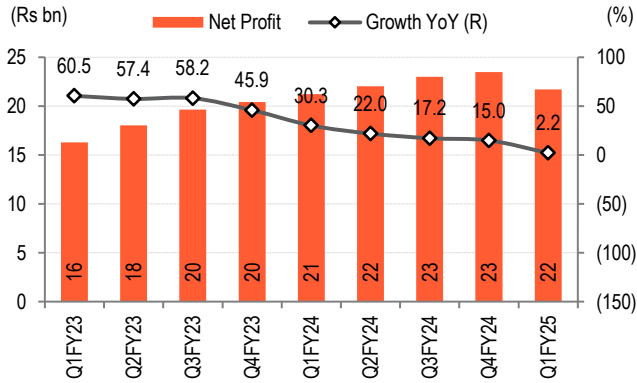
**Fig 15 – Credit cost within the target range**



Source: Company, BOBCAPS Research

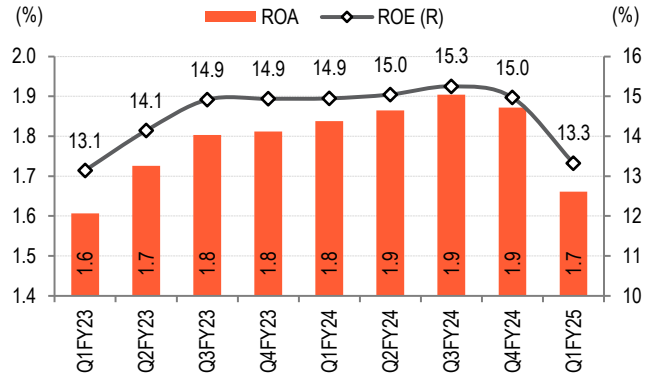


**Fig 16 – PAT declined on lower topline and higher provision**



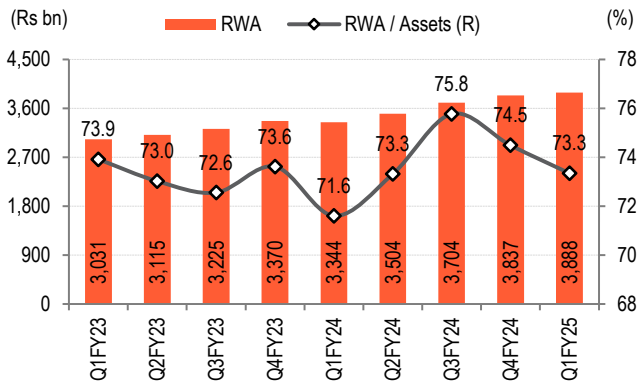
Source: Company, BOBCAPS Research

**Fig 17 – Return ratios likely to improve as NIM rises**



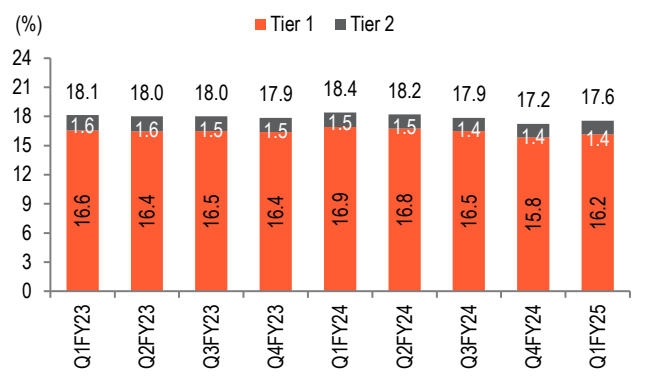
Source: Company, BOBCAPS Research

**Fig 18 – RWA/Assets normalised**



Source: Company, BOBCAPS Research

**Fig 19 – Well capitalised with Tier-1 at 17.6%**



Source: Company, BOBCAPS Research

## Valuation methodology

Following the Q1FY25 results wherein challenging deposit mobilisation became a major hinderance for credit growth, we lower our credit growth estimates by 1% each in FY25/FY26 while increasing our deposit forecasts by 1.4% each for the same period as the bank's core focus remains with deposit mobilisation to fund assets.

The change in mix towards retail lending, specifically vehicle loans and MFI which are relatively high yielding in nature, is likely to aid margins and offset some cost pressure. Thus, we expect NIM (calc.) to remain stable at 4.2%-4.3% over FY25/FY26. Given some normalisation in credit cost we revise our provision estimates by 10%/-1% for FY25/FY26 which is within the guidance range of 1.1%/-1.3%. Overall, the tweak in business growth and change in PPOP led to -8%/-7% decline in PAT over FY25E /FY26E. In terms of asset quality, we model for credit cost at 123bps/120bps for FY25 E/FY26E vs. previous estimates of 111bps/120bps each for FY25/FY26.

**Maintain BUY:** Growth deceleration seems temporary as IIB has cushioning in terms of liquidity and continues to guide for business growth of 18-23% over FY26. Further, IIB maintained its guidance for NIM at 4.2%-4.3% with credit cost at 110-130bps, likely resulting in its performance falling in line with guidance. We expect IIB to deliver healthy return ratios (ROA/ROE to 1.9%/16% in FY26E vs. 1.7%/14% in FY23). We retain BUY and lower our TP to Rs 1,844 (from Rs 1,881) as we cut EPS estimates by 7% each for FY25/FY26 and value IIB at 1.8x FY26 (Jun'26) using the Gordon Growth Model.

**Fig 20 – Revised estimates**

(Rs mn)	New		Old		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Loan	4,040,621	4,771,973	4,078,383	4,816,571	(0.9)	(0.9)
Deposits	4,503,498	5,210,547	4,441,964	5,139,353	1.4	1.4
Assets	6,012,501	7,031,013	6,065,119	7,073,097	(0.9)	(0.6)
NII	231,392	281,208	236,319	286,062	(2.1)	(1.7)
PPOP	172,709	216,094	179,113	229,732	(3.6)	(5.9)
Provisions	45,851	52,876	41,688	53,370	10.0	(0.9)
PAT	94,382	121,434	102,244	131,214	(7.7)	(7.5)

Source: BOBCAPS Research

**Fig 21 – Key valuation assumptions**

Components of Gordon growth model	Assumptions (%)
Cost of equity (%)	12.6
Blended ROE (%)	15.3
Initial high growth period (years)	10.0
Payout ratio of high-growth phase (%)	20.0
Long-term growth (%)	6
Long-term dividend payout ratio (%)	60
Justified P/BV (x)	1.8

Source: BOBCAPS Research

**Fig 22 – Key operational assumptions**

Parameter (%)	FY24P	FY25E	FY26E	FY27E
Advances growth	18.4	17.7	18.1	18.1
NII growth	17.2	12.2	21.5	20.6
PPoP growth	10.0	8.9	25.1	23.7
PAT growth	20.6	5.1	28.7	25.5
NIM	4.1	4.1	4.3	4.4
GNPA	1.9	1.8	1.8	1.7
CAR	17.0	16.8	16.7	16.3

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.

## Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Axis Bank	AXSB IN	43.5	1,177	1,222	HOLD
Bandhan Bank	BANDHAN IN	3.7	193	222	BUY
Canara Bank	CBK IN	12.3	114	140	BUY
DCB Bank	DCBB IN	0.5	125	172	BUY
Federal Bank	FB IN	5.8	198	242	BUY
HDFC Bank	HDFCB IN	145.7	1,618	1,872	BUY
ICICI Bank	ICICIB IN	101.3	1,207	1,272	HOLD
IDFC First Bank	IDFCBK IN	6.0	74	96	BUY
Indusind Bank	IIB IN	13.1	1,404	1,844	BUY
Kotak Mahindra Bank	KMB IN	43.1	1,814	2,040	BUY
RBL Bank	RBK IN	1.7	236	276	BUY
State Bank of India	SBIN IN	91.9	862	969	BUY

Source: BOBCAPS Research, NSE | Price as of 26 Jul 2024

## Glossary

Glossary of Abbreviations			
<b>AUCA</b>	Advance Under Collection Account	<b>LCR</b>	Liquidity Coverage Ratio
<b>ARC</b>	Asset Reconstruction Company	<b>MCLR</b>	Marginal Cost of Funds-based Lending Rate
<b>BRDS</b>	Bills Rediscounting Scheme	<b>MFI</b>	Micro Finance Institutions
<b>CASA</b>	Current Account and Savings Account	<b>MHCV</b>	Medium and Heavy Commercial Vehicle
<b>CAR</b>	Capital Adequacy Ratio	<b>MTM</b>	Mark to Market
<b>CCB</b>	Corporate & Commercial Banking	<b>NII</b>	Net Interest Income
<b>CET1</b>	Common Equity Tier 1	<b>NIM</b>	Net Interest Margin
<b>CD</b>	Credit-Deposit Ratio	<b>NNPA</b>	Net Non-Performing Assets
<b>CFD</b>	Consumer Finance Division	<b>PCR</b>	Provision Coverage Ratio
<b>C/I</b>	Cost-Income Ratio	<b>PPOP</b>	Pre-Provision Operating Profit
<b>CoF</b>	Cost of Funds	<b>PSU</b>	Public Sector Unit
<b>CRB</b>	Commercial and Rural Banking	<b>RWA</b>	Risk-weighted Assets
<b>DPD</b>	Days Past Due	<b>SLR</b>	Statutory Liquidity Ratio
<b>EBLR</b>	External Benchmark-based Lending Rate	<b>SMA</b>	Special Mention Account
<b>ECL</b>	Expected Credit Loss	<b>SME</b>	Small and Medium-sized Enterprises
<b>GNPA</b>	Gross Non-Performing Assets	<b>SR</b>	Security Receipts
<b>IBPC</b>	Interbank Participation Certificate		

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24P	FY25E	FY26E	FY27E
<b>Net interest income</b>	<b>175,921</b>	<b>206,159</b>	<b>231,392</b>	<b>281,208</b>	<b>339,014</b>
NilI growth (%)	17.3	17.2	12.2	21.5	20.6
Non-interest income	81,728	93,958	107,264	125,218	145,629
Total income	257,649	300,117	338,656	406,426	484,643
Operating expenses	113,459	141,476	165,947	190,332	217,437
PPOP	144,190	158,641	172,709	216,094	267,207
PPOP growth (%)	10.6	10.0	8.9	25.1	23.7
Provisions	44,868	38,849	45,851	52,876	62,446
PBT	99,322	119,792	126,858	163,218	204,761
Tax	24,891	30,022	32,476	41,784	52,419
<b>Reported net profit</b>	<b>74,431</b>	<b>89,770</b>	<b>94,382</b>	<b>121,434</b>	<b>152,342</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>74,431</b>	<b>89,770</b>	<b>94,382</b>	<b>121,434</b>	<b>152,342</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24P	FY25E	FY26E	FY27E
Equity capital	7,759	7,783	7,790	7,790	7,790
Reserves & surplus	542,287	624,292	698,259	801,478	930,968
Net worth	550,046	632,076	706,049	809,268	938,758
Deposits	3,361,202	3,845,857	4,503,498	5,210,547	6,018,182
Borrowings	490,112	476,114	454,689	499,703	547,675
Other liab. & provisions	177,006	196,893	348,265	511,494	793,787
<b>Total liab. &amp; equities</b>	<b>4,578,366</b>	<b>5,150,940</b>	<b>6,012,501</b>	<b>7,031,013</b>	<b>8,298,402</b>
Cash & bank balance	567,768	369,074	487,987	524,558	606,351
Investments	830,757	1,064,865	1,173,896	1,344,223	1,595,894
Advances	2,899,237	3,432,983	4,040,621	4,771,973	5,635,700
Fixed & Other assets	280,605	284,018	309,997	390,258	460,456
<b>Total assets</b>	<b>4,578,366</b>	<b>5,150,940</b>	<b>6,012,501</b>	<b>7,031,013</b>	<b>8,298,402</b>
Deposit growth (%)	14.6	14.4	17.1	15.7	15.5
Advances growth (%)	21.3	18.4	17.7	18.1	18.1

### Per Share

Y/E 31 Mar (Rs)	FY23A	FY24P	FY25E	FY26E	FY27E
EPS	96.0	115.5	121.2	155.9	195.6
Dividend per share	14.0	0.0	18.2	23.4	29.3
Book value per share	708.9	812.1	906.4	1,038.9	1,205.1

### Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24P	FY25E	FY26E	FY27E
P/E	14.6	12.2	11.6	9.0	7.2
P/BV	2.0	1.7	1.5	1.4	1.2
Dividend yield (%)	1.0	0.0	1.3	1.7	2.1

### DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24P	FY25E	FY26E	FY27E
Net interest income	4.1	4.2	4.1	4.3	4.4
Non-interest income	1.9	1.9	1.9	1.9	1.9
Operating expenses	2.6	2.9	3.0	2.9	2.8
Pre-provisioning profit	3.4	3.3	3.1	3.3	3.5
Provisions	1.0	0.8	0.8	0.8	0.8
PBT	2.3	2.5	2.3	2.5	2.7
Tax	0.6	0.6	0.6	0.6	0.7
ROA	1.7	1.8	1.7	1.9	2.0
Leverage (x)	8.3	8.2	8.3	8.6	8.8
ROE	14.4	15.2	14.1	16.0	17.4

### Ratio Analysis

Y/E 31 Mar	FY23A	FY24P	FY25E	FY26E	FY27E
<b>YoY growth (%)</b>					
Net interest income	17.3	17.2	12.2	21.5	20.6
Pre-provisioning profit	10.6	10.0	8.9	25.1	23.7
EPS	56.7	20.3	4.9	28.6	25.5
<b>Profitability &amp; Return ratios (%)</b>					
Net interest margin	4.1	4.1	4.1	4.3	4.4
Fees / Avg. assets	0.3	0.0	0.4	0.4	0.4
Cost-Income	44.0	47.1	49.0	46.8	44.9
ROE	14.4	15.2	14.1	16.0	17.4
ROA	1.7	1.8	1.7	1.9	2.0
<b>Asset quality (%)</b>					
GNPA	2.0	1.9	1.8	1.8	1.7
NNPA	0.6	0.6	0.5	0.5	0.5
Slippage ratio	2.9	2.1	1.9	1.8	1.8
Credit cost	1.7	1.2	1.2	1.2	1.2
Provision coverage	70.0	70.4	70.5	71.5	71.5
<b>Ratios (%)</b>					
Credit-Deposit	86.3	89.3	89.7	91.6	93.6
Investment-Deposit	24.7	27.7	26.1	25.8	26.5
CAR	17.9	17.0	16.8	16.7	16.3
Tier-1	16.4	15.6	15.5	15.5	15.2

Source: Company, BOBCAPS Research

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**BUY** – Expected return >+15%

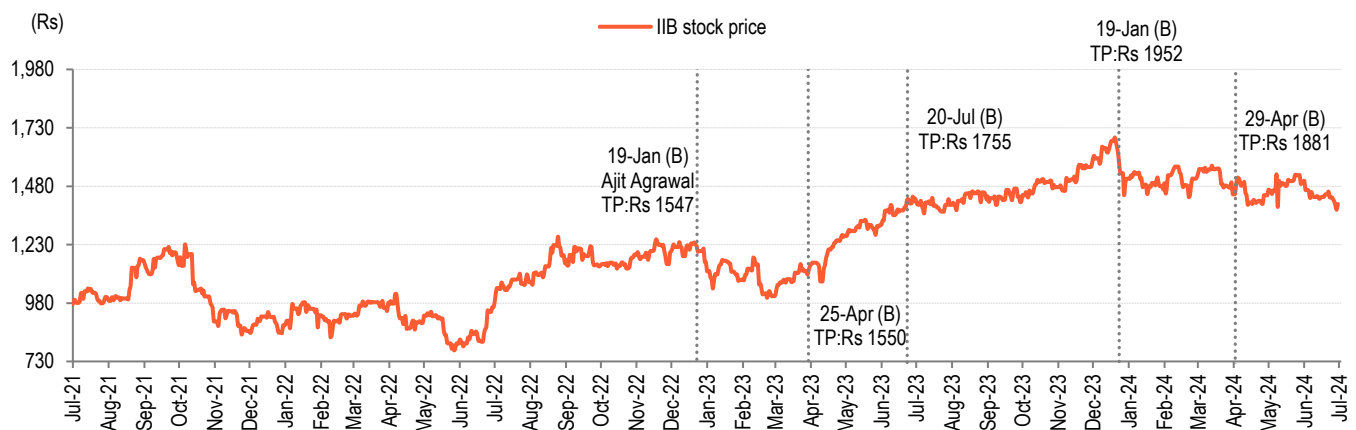
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

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



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