

BUY

TP: Rs 1,547 | ▲ 29%

INDUSIND BANK

| Banking

| 19 January 2023

Recovery plan in play

- Q3 PAT growth strong at 58% YoY backed by healthy core income coupled with stable opex and lower provisions
- Rebound in vehicle finance business looks sustainable, driving improvement in asset quality (FY25E GNPA/NNPA at 1.5%/0.4%)
- We assume coverage with BUY and a TP of Rs 1,547, valuing the stock at 1.7x FY25E ABV

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Robust quarter: IIB delivered a strong all-round Q3FY23 performance with continued improvement in loan growth (+19% YoY/+5% QoQ), supported by retail loans (+5% QoQ/+18% YoY). Retail growth was led by recovery in vehicle finance (+7% QoQ), driven by the commercial vehicle, utility vehicle and car segments (+40% YoY growth in disbursements). Management is confident of sustaining growth in the vehicle book and further diversifying the mix, which will be NIM-accretive.

The microfinance business also saw signs of revival with improvement in disbursement and CE of ~99%. Further, SME (small and medium-sized enterprises) and small corporates drove non-retail growth and faced no added asset quality challenges. Deposits were subdued at 14% YoY (3% QoQ) with CASA ratio steady at 42%.

Margin to remain stable: NIM remained flat at 4.44% despite higher yield, as slower growth in low-cost CASA deposits kept the cost of funds elevated (+42bps). Given gradual improvement in the retail book, we expect NIM to continue its upward trajectory led by granularity on the liability side. That said, higher granularity keeps the cost/income ratio elevated (expect C/I at 43%/40% in FY24/FY25).

Gradual improvement in asset quality: IIB's asset quality was stable with lower slippages in Q3 (GNPA/NNPA at 2.1%/0.6%), but with no major improvement in its vehicle finance book. Management expects a sharp rise in quality of this book over the next two quarters. Sequentially lower slippages resulted in 20bps improvement in credit cost (164bps). Additionally, provisioning at 130% of GNPA offers a cushion against future asset quality challenges. Core PPOP grew 20% YoY and we expect similar levels over FY22-FY25 aided by core business income and lower credit cost.

BUY, TP Rs 1,547: Stable asset quality, robust capitalisation and a suitable loan mix place IIB on a strong wicket. Assessing its past record, we believe the bank may surprise the market by surpassing its own growth target (+20% near term) backed by an improved performance across verticals. We expect ROA/ROE to rise to 1.7%/14% by FY25 and believe for a possible rerating. We assume coverage with BUY and a TP of Rs 1,547, set at 1.7x FY25E ABV which is based on the Gordon growth model.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	IIB IN/Rs 1,201
Market cap	US\$ 11.4bn
Free float	74%
3M ADV	US\$ 43.0mn
52wk high/low	Rs 1,276/Rs 763
Promoter/FPI/DII	17%/45%/39%

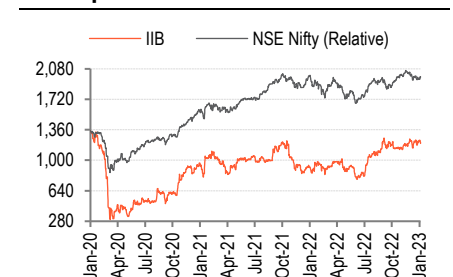
Source: NSE | Price as of 19 Jan 2023

Key financials

Y/E 31 Mar	FY22A	FY23E	FY24E
Net interest income	1,50,008	1,76,407	2,05,827
NII growth (%)	10.9	17.6	16.7
Adj. net profit (Rs mn)	48,046	74,569	80,895
EPS (Rs)	62.1	96.2	104.4
Consensus EPS (Rs)	62.1	97.0	113.0
P/E (x)	19.3	12.5	11.5
P/BV (x)	1.9	1.6	1.4
ROA (%)	1.3	1.7	1.6
ROE (%)	10.5	13.9	12.9

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly performance

(Rs mn)	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	YoY (%)	QoQ (%)
Income Statement									
Interest Income	61,812	62,389	63,350	63,884	67,201	71,478	77,725	22.7	8.7
Income on investments	9,984	9,930	10,232	10,384	10,533	11,283	12,128	18.5	7.5
Int. on bal. with RBI & inter-bank funds & Others	3,951	4,185	3,793	4,331	4,083	4,319	4,721	24.4	9.3
Interest income	75,747	76,504	77,375	78,599	81,818	87,080	94,574	22.2	8.6
Interest expense	40,110	39,920	39,439	38,747	40,565	44,060	49,621	25.8	12.6
Net interest income	35,637	36,584	37,936	39,852	41,253	43,021	44,954	18.5	4.5
Growth YoY (%)	7.7	11.6	11.4	12.7	15.8	17.6	18.5	712bps	91bps
Fee Income	10,220	12,850	12,910	14,100	15,660	16,040	16,920	31.1	5.5
Trading gains/(losses)	5,090	3,320	3,580	2,590	1,460	1,390	1,360	(62.0)	(2.2)
Forex Income	1,920	2,210	2,280	2,340	2,200	2,680	2,490	9.2	(7.1)
Non-interest income	17,234	18,413	18,769	19,050	19,315	20,112	20,765	10.6	3.2
Growth YoY (%)	13.3	18.5	14.0	7.0	12.1	9.2	10.6	(340bps)	141bps
Non-interest income (Ex- Trading income)	12,144	15,093	15,189	16,460	17,855	18,722	19,405	27.8	3.6
Total income	52,871	54,997	56,704	58,902	60,568	63,132	65,718	15.9	4.1
Growth YoY (%)	9.5	13.8	12.2	10.8	14.6	14.8	15.9	365bps	110bps
Staff expenses	8,429	8,489	8,655	9,163	9,281	10,104	10,872	25.6	7.6
Other operating expenses	13,234	14,284	14,928	15,925	16,980	17,584	17,982	20.5	2.3
Operating expenses	21,663	22,774	23,583	25,088	26,261	27,689	28,854	22.4	4.2
Pre-Provisioning Profit (PPoP)	31,208	32,223	33,121	33,814	34,307	35,444	36,864	11.3	4.0
Growth YoY (%)	6.6	13.0	11.8	8.1	9.9	10.0	11.3	(46bps)	131bps
Pre-Provisioning Profit (Ex- Trading income)	26,118	28,903	29,541	31,224	32,847	34,054	35,504	20.2	4.3
Growth YoY (%)	(10.8)	1.3	(0.3)	(0.2)	25.8	17.8	20.2	2,050bps	237bps
Provisions	17,793	17,070	16,541	14,635	12,510	11,411	10,647	(35.6)	(6.7)
Growth YoY (%)	(21.2)	(13.1)	(10.8)	(21.6)	(29.7)	(33.2)	(35.6)	(2,487bps)	(2,48bps)
PBT	13,415	15,154	16,581	19,179	21,797	24,033	26,217	58.1	9.1
Tax	3,254	3,687	4,167	5,174	5,487	5,981	6,582	57.9	10.0
PAT	10,161	11,467	12,414	14,005	16,310	18,052	19,635	58.2	8.8
Growth YoY (%)	99.1	72.9	49.5	51.2	60.5	57.4	58.2	868bps	74bps
Per Share									
FV (Rs)	10	10	10	10	10	10	10	0.0	0.0
EPS (Rs)	13	15	16	18	21	23	25	57.9	8.8
Book Value (Rs)	576	579	601	607	641	635	682	13.5	7.4

Source: Company, BOBCAPS Research

Fig 2 – Quarterly performance

(Rs mn)	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	YoY (%)	QoQ (%)
Balance sheet									
Deposits	26,72,330	27,52,882	28,44,840	29,33,495	30,27,190	31,55,321	32,52,780	14.3	3.1
Growth YoY (%)	26.5	20.8	19.0	14.6	13.3	14.6	14.3	(462bps)	(28bps)
Advances	21,07,270	22,08,076	22,85,830	23,90,515	24,79,600	26,01,288	27,27,540	19.3	4.9
Growth YoY (%)	6.4	9.7	10.4	12.4	17.7	17.8	19.3	897bps	152bps
Investment	6,86,990	6,92,447	7,27,150	7,09,299	7,24,870	7,59,935	7,61,740	4.8	0.2
Equity	4,45,480	4,53,260	4,66,050	4,80,264	4,97,070	5,08,842	5,28,840	13.5	3.9
Assets	37,29,960	38,04,949	39,05,640	40,19,674	41,01,000	42,65,752	44,44,850	13.8	4.2
Growth YoY (%)	17.3	14.6	14.4	10.8	9.9	12.1	13.8	(58bps)	170bps
Yield (%)									
Yield on Funds	8.8	8.7	8.5	8.4	8.6	8.9	9.3	81bps	40bps
Cost of Funds	5.1	5.0	4.8	4.6	4.7	5.0	5.4	61bps	42bps
Spread	3.6	3.6	3.7	3.8	3.9	3.9	3.9	20bps	(2bps)
Net Interest Margin	4.1	4.1	4.2	4.3	4.3	4.4	4.4	26bps	2bps
Ratios (%)									
Other Income / Net Income	32.6	33.5	33.1	32.3	31.9	31.9	31.6	(150bps)	(26bps)
Cost to Income ratio	59.0	58.6	58.4	57.4	56.6	56.1	56.1	(232bps)	(5bps)
CASA ratio	42.0	42.1	42.1	42.7	43.1	42.3	41.9	(22bps)	(39bps)
C/D ratio	78.9	80.2	80.4	81.5	81.9	82.4	83.9	350bps	141bps
Investment to Assets	18.4	18.2	18.6	17.6	17.7	17.8	17.1	(148bps)	(68bps)
Assets Quality									
GNPA	61,858	62,450	57,793	55,172	59,329	55,671	57,108	(1.2)	2.6
NNPA	17,596	17,714	16,332	15,298	16,612	15,840	16,815	3.0	6.2
Provision	44,262	44,737	41,461	39,873	42,717	39,832	40,293	(2.8)	1.2
GNPA (%)	2.9	2.8	2.5	2.3	2.4	2.1	2.1	(42bps)	(5bps)
NNPA (%)	0.8	0.8	0.7	0.6	0.7	0.6	0.6	(9bps)	1bps
Provision (%)	70.8	71.1	71.4	71.8	71.5	71.1	69.9	(147bps)	(119bps)
Slippages (%)	5.4	5.1	4.9	3.8	4.0	2.7	2.4	(248bps)	(28bps)

Source: Company, BOBCAPS Research

Earnings call highlights

Economic outlook

- Management indicated that while domestic economic activity remains strong and India is the only major economy forecast to grow >5.5% in the coming years, global challenges are like to persist.
- IIB expects the interest rate cycle to pause after another potential hike of 25-30bps in Feb'23.
- The bank will formulate PC 6 in Q4FY23 with a focus on retail business.

Asset quality

- IIB used Rs 4.6bn of its contingency provisions during Q3FY23 and does not expect to utilise more than Rs 13bn in FY23.
- The bank set aside Rs 4.6bn toward restructured asset provisioning and Rs 10bn towards telecom accounts.
- Vehicle finance restructuring was down to Rs 18.7bn from Rs 22.7bn last quarter.
- SMA-1 and SMA-2 stood at 8bps and 22bps respectively vs. a combined 58bps in the prior quarter. Management expects substantial improvement in the restructured book over the next two quarters.
- IIB had no sale of stressed assets to any asset reconstruction company (ARC) during the quarter.
- Standard slippages were higher in the commercial vehicle portfolio due to the impact of a mining duty levy in Odisha. This duty has been rolled back in Q4 and hence slippages should normalise.
- Loans that are 31-90 days past due form 2.4% of the total book – mainly contributed by eastern states.

Business operations

- Corporate loan growth was driven by demand from the steel, services and petroleum segments.
- Savings account contraction was because savings deposits moved into term deposits and the bank let go of some bulk accounts.
- Credit/Deposit ratio was in the range of 85-93%.
- NIM is guided to remain in the range of 4.15-4.25% with PPOP margin holding above 5%.
- Liquidity coverage stood at 117% with surplus liquidity of Rs 440bn.
- IIB aims to take its branch count to 2,450-2,500 by FY23.
- The bank has received no communication from RBI with respect to extension of the MD & CEO's tenure

Fig 3 – Portfolio mix (Absolute)

(Rs mn)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Large Corporates	4,38,190	4,19,270	4,15,510	4,22,970	4,46,090	5,03,950	5,37,890	6,02,230	6,23,220	6,86,680	7,10,530
Mid Corporates	3,66,490	3,98,890	4,27,110	4,24,240	4,37,540	4,44,670	4,67,140	4,03,220	4,22,100	4,24,780	4,42,010
Small Corporates	35,180	36,110	42,200	62,970	40,440	42,170	49,780	89,180	98,970	1,06,200	1,17,560
Corporate and Commercial Banking	8,39,860	8,54,270	8,84,820	9,10,180	9,24,070	9,90,790	10,54,810	10,94,630	11,44,290	12,17,660	12,70,100
Commercial Vehicle Loans	2,37,370	2,39,320	2,38,120	2,36,000	2,28,530	2,25,980	2,26,180	2,32,090	2,44,150	2,53,400	2,68,190
Utility Vehicle Loans	43,600	45,390	47,660	49,880	49,620	52,140	56,970	61,720	67,970	74,670	83,110
Small CV	36,060	36,910	35,900	34,110	32,710	29,900	30,350	30,440	31,840	31,960	33,650
Two-Wheeler Loans	57,740	57,390	60,310	56,440	51,150	47,600	47,230	44,680	43,580	43,340	47,490
Car Loans	72,450	74,600	78,790	79,460	77,640	79,890	82,650	83,920	87,890	93,260	99,930
Tractor	46,730	54,840	61,910	66,530	68,490	71,730	76,660	79,070	82,500	86,110	91,590
Equipment Financing	81,110	83,690	87,340	90,710	88,310	85,780	86,040	87,310	87,900	88,930	92,690
Vehicle Finance	5,75,060	5,92,140	6,10,030	6,13,130	5,96,450	5,93,020	6,06,080	6,19,230	6,45,830	6,71,670	7,16,650
Credit Card	47,750	48,530	52,250	45,360	45,120	50,060	53,010	55,200	64,780	70,980	77,140
LAP	94,690	95,400	93,620	90,030	87,610	87,880	86,640	88,170	90,090	92,480	95,020
BBG	1,08,960	1,15,310	1,15,750	1,17,720	1,12,230	1,10,310	1,13,140	1,18,920	1,22,030	1,25,120	1,28,390
Other (BL, PL, GL, AHL, Others)	79,710	82,990	84,730	85,700	77,880	94,870	97,720	1,08,240	1,18,550	1,27,200	1,43,360
Microfinance (incl. BHAFIN)	2,34,660	2,23,830	2,30,080	2,63,830	2,63,910	2,81,150	2,74,430	3,06,120	2,94,030	2,96,170	2,96,880
Non- Vehicle Finance	5,65,770	5,66,060	5,76,430	6,02,640	5,86,750	6,24,270	6,24,940	6,76,650	6,89,480	7,11,950	7,40,790
Consumer Finance	11,40,830	11,58,200	11,86,460	12,15,770	11,83,200	12,17,290	12,31,020	12,95,880	13,35,310	13,83,620	14,57,440
Total Loan	19,80,690	20,12,470	20,71,280	21,25,950	21,07,270	22,08,080	22,85,830	23,90,510	24,79,600	26,01,280	27,27,540

Source: Company, BOBCAPS Research

Fig 4 – Portfolio mix (% share)

(%)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Large Corporates	22.1	20.8	20.1	19.9	21.2	22.8	23.5	25.2	25.1	26.4	26.1
Mid Corporates	18.5	19.8	20.6	20.0	20.8	20.1	20.4	16.9	17.0	16.3	16.2
Small Corporates	1.8	1.8	2.0	3.0	1.9	1.9	2.2	3.7	4.0	4.1	4.3
Corporate and Commercial Banking	42.4	42.4	42.7	42.8	43.9	44.9	46.1	45.8	46.1	46.8	46.6
Commercial Vehicle Loans	12.0	11.9	11.5	11.1	10.8	10.2	9.9	9.7	9.8	9.7	9.8
Utility Vehicle Loans	2.2	2.3	2.3	2.3	2.4	2.4	2.5	2.6	2.7	2.9	3.0
Small CV	1.8	1.8	1.7	1.6	1.6	1.4	1.3	1.3	1.3	1.2	1.2
Two-Wheeler Loans	2.9	2.9	2.9	2.7	2.4	2.2	2.1	1.9	1.8	1.7	1.7
Car Loans	3.7	3.7	3.8	3.7	3.7	3.6	3.6	3.5	3.5	3.6	3.7
Tractor	2.4	2.7	3.0	3.1	3.3	3.2	3.4	3.3	3.3	3.3	3.4
Equipment Financing	4.1	4.2	4.2	4.3	4.2	3.9	3.8	3.7	3.5	3.4	3.4
Vehicle Finance	29.0	29.4	29.5	28.8	28.3	26.9	26.5	25.9	26.0	25.8	26.3
Credit Card	2.4	2.4	2.5	2.1	2.1	2.3	2.3	2.3	2.6	2.7	2.8
LAP	4.8	4.7	4.5	4.2	4.2	4.0	3.8	3.7	3.6	3.6	3.5
BBG	5.5	5.7	5.6	5.5	5.3	5.0	4.9	5.0	4.9	4.8	4.7
Other (BL, PL, GL, AHL, Others)	4.0	4.1	4.1	4.0	3.7	4.3	4.3	4.5	4.8	4.9	5.3
Microfinance (incl. BHAFIN)	11.8	11.1	11.1	12.4	12.5	12.7	12.0	12.8	11.9	11.4	10.9
Non- Vehicle Finance	28.6	28.1	27.8	28.3	27.8	28.3	27.3	28.3	27.8	27.4	27.2
Consumer Finance	57.6	57.6	57.3	57.2	56.1	55.1	53.9	54.2	53.9	53.2	53.4
Total Loan	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

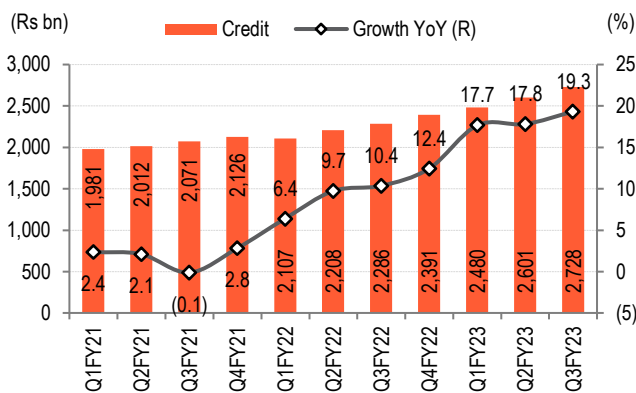
Source: Company, BOBCAPS Research

Fig 5 – Yield profile

(Rs mn)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Corporate and Commercial Banking	8,39,860	8,54,270	8,84,820	9,10,180	9,24,070	9,90,790	10,54,810	10,94,630	11,44,290	12,17,660	12,70,100
% Of Loan	42.4	42.4	42.7	42.8	43.9	44.9	46.1	45.8	46.1	46.8	46.6
Yield (%)	8.6	8.4	8.4	8.4	8.4	8.2	7.9	7.7	7.8	8.2	8.6
Consumer Finance	11,40,830	11,58,200	11,86,460	12,15,770	11,83,200	12,17,290	12,31,020	12,95,880	13,35,310	13,83,620	14,57,440
% Of Loan	57.6	57.6	57.3	57.2	56.1	55.1	53.9	54.2	53.9	53.2	53.4
Yield (%)	14.5	14.6	14.1	14.3	14.4	14.3	14.2	14.2	14.3	14.3	14.5
Total Loan	19,80,690	20,12,470	20,71,280	21,25,950	21,07,270	22,08,080	22,85,830	23,90,510	24,79,600	26,01,280	27,27,540
Yield (%)	11.9	12.0	11.7	11.8	11.8	11.7	11.4	11.3	11.4	11.5	11.8

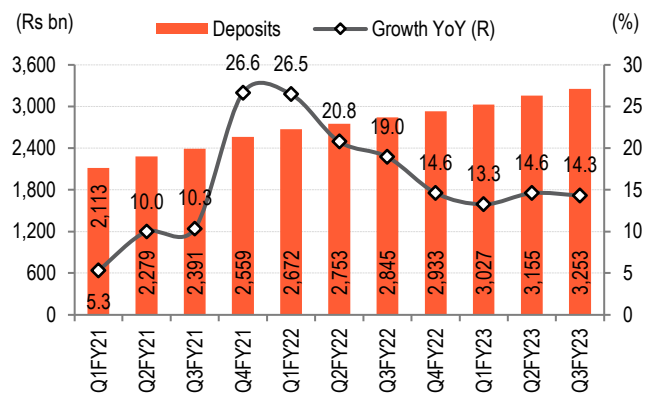
Source: Company, BOBCAPS Research

Fig 6 – Strongest loan growth in last 8 quarters



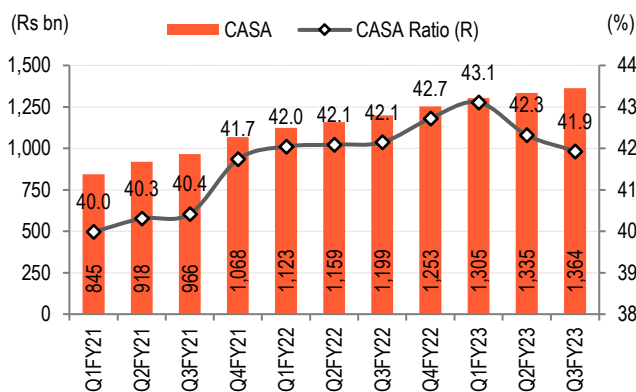
Source: Company, BOBCAPS Research

Fig 7 – Deposit mobilisation remained subdued



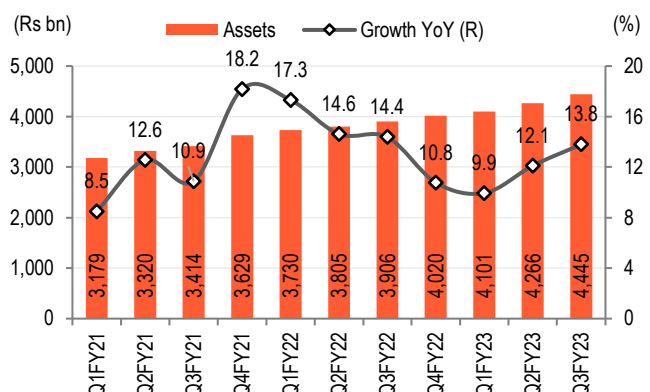
Source: Company, BOBCAPS Research

Fig 8 – CASA moderated



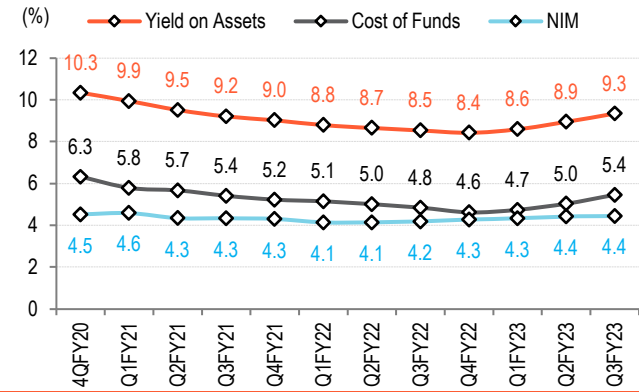
Source: Company, BOBCAPS Research

Fig 9 – Assets grew 13.8% YoY



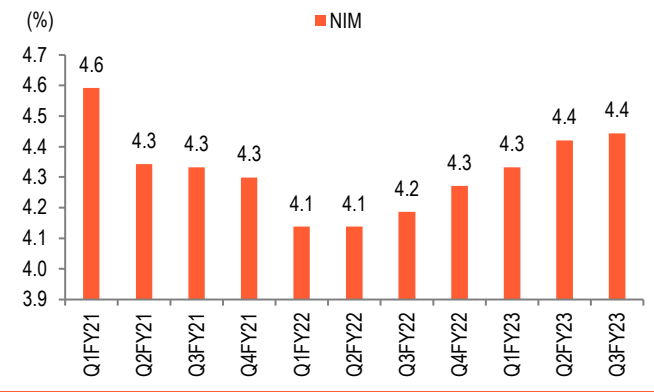
Source: Company, BOBCAPS Research

Fig 10 – Higher cost of funds kept NIM flat



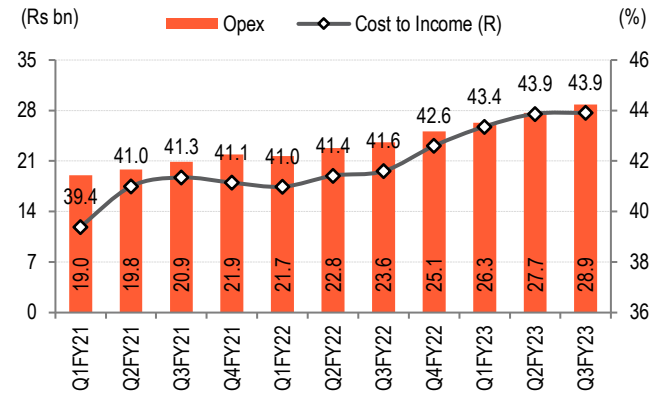
Source: Company, BOBCAPS Research

Fig 11 – NIM likely to remain stable at current level



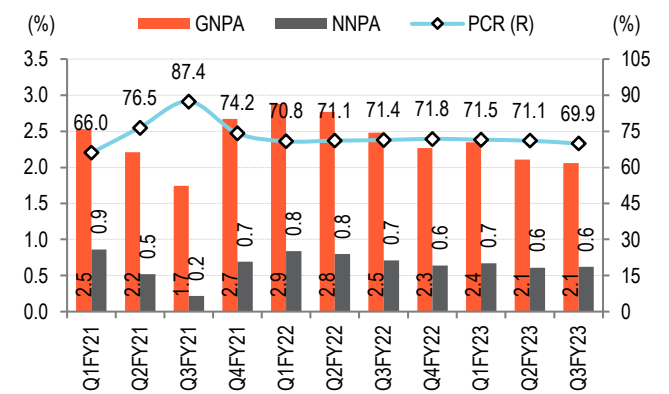
Source: Company, BOBCAPS Research

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



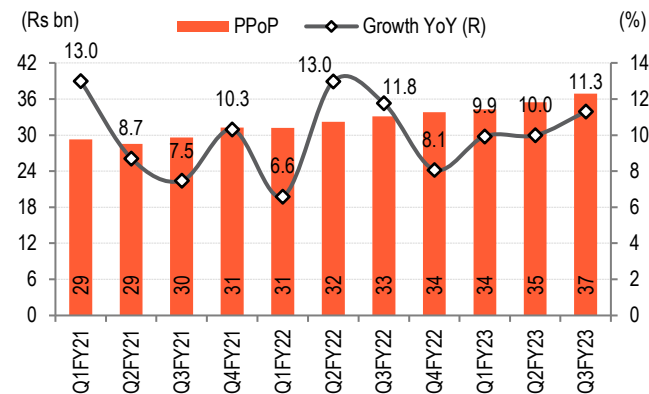
Source: Company, BOBCAPS Research

Fig 13 – Improvement in asset quality but still some way to go



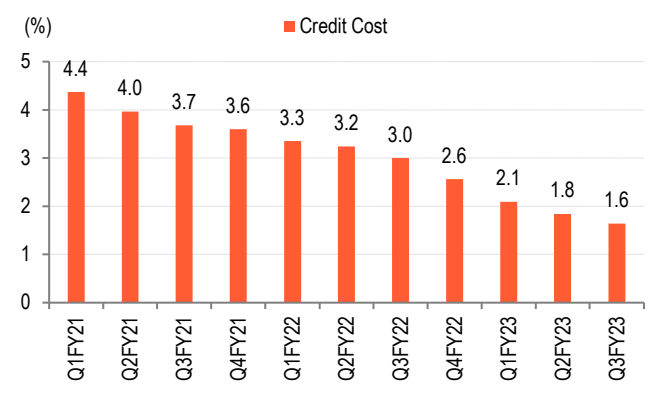
Source: Company, BOBCAPS Research

Fig 14 – Strong topline supported PPOP growth



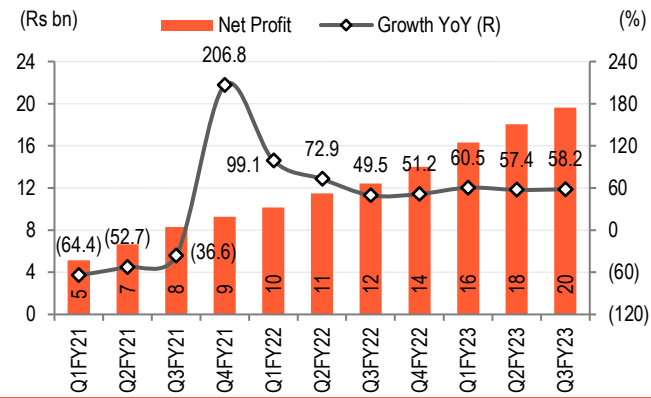
Source: Company, BOBCAPS Research

Fig 15 – Credit cost continues to decline



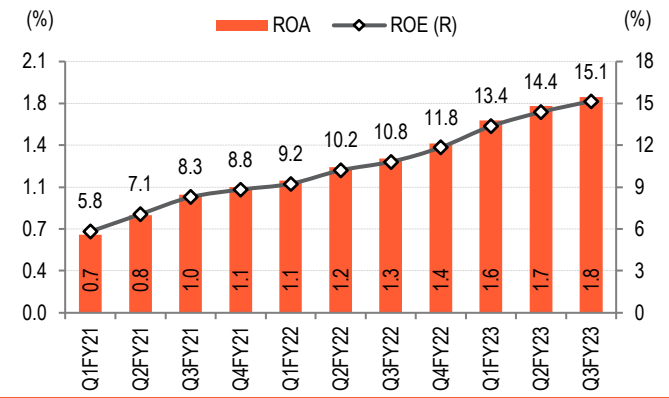
Source: Company, BOBCAPS Research

Fig 16 – PAT growth at 58% YoY



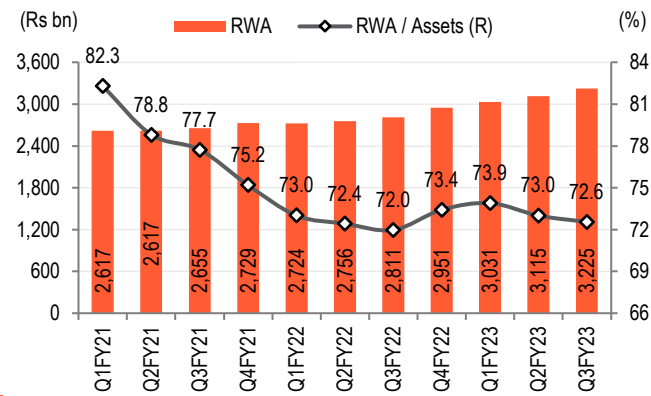
Source: Company, BOBCAPS Research

Fig 17 – Return ratios likely to improve



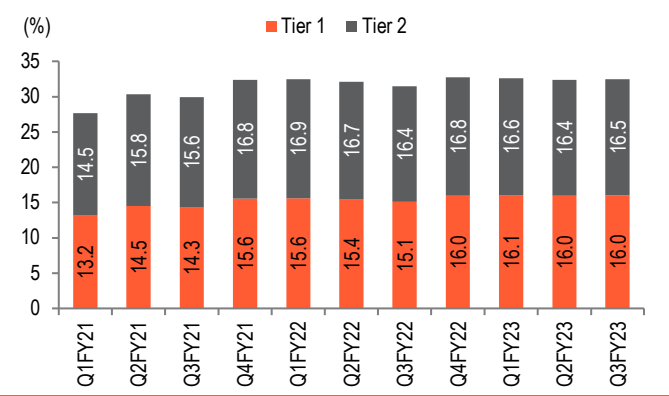
Source: Company, BOBCAPS Research

Fig 18 – RWA/Asset ratio expected to remain at 72%



Source: Company, BOBCAPS Research

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



Source: Company, BOBCAPS Research

Valuation methodology

IIB continued to deliver an improved performance across business verticals during Q3FY23. The loan book grew 19% YoY backed by strong recovery in vehicle finance (+7% QoQ), though deposits increased at a slower pace at 14% on lower growth in saving deposits. Backed by a steady recovery in the vehicle and MFI book, we expect the bank to clock a credit CAGR of 20% and deposit CAGR of 17% over FY22-FY25 aided by competitive deposit pricing.

Strong business growth should support an estimated NII CAGR of 19% and a net income CAGR of 20%. Despite a higher cost of funds, we expect NIM to remain stable at 4.1%, in line with management guidance, with a higher C/I ratio of 40% through to FY25 and a PPOP CAGR of 18%.

In terms of asset quality, we model for substantial improvement in GNPA/NNPA to 1.5%/0.4% by FY25, with further improvement in the vehicle finance book and a judicious corporate book. Credit cost is estimated at 1.5% in FY25 backed by pickup in the vehicle finance segment. While we expect slippages to remain in the range of 2.5-2.3% over FY24-FY25, buffer provisioning at 130% of GNPA provides a cushion against future asset quality challenges.

Stable asset quality, robust capitalisation and a suitable loan mix place IIB on a strong wicket. Assessing its past record, we believe the bank may surprise the market by surpassing its own growth target (of +20% near term) on the strength of all-round improvement across verticals. We expect ROA/ROE to rise to 1.7%/14% by FY25 and believe the stock is a prime candidate for a rerating. We assume coverage with BUY and a TP of Rs 1,547, set at 1.7x FY25E ABV, based on the Gordon growth model.

Fig 20 – Key assumptions

Parameter (%)	FY21	FY22	FY23E	FY24E
Advances Growth	12.4	19.5	19	20
NII Growth	12.2	10.9	17.6	16.7
PPoP growth	9.6	10.3	10.8	17.7
PAT growth	(34.3)	64.0	55.2	8.5
NIM	4.14	4.14	4.1	4.03
GNPA	2.7	2.3	1.9	1.7
CAR	17.4	18.4	19.1	18.6

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.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Net interest income	1,35,279	1,50,008	1,76,407	2,05,827	2,51,553
Nil growth (%)	12.2	10.9	17.6	16.7	22.2
Non-interest income	65,009	74,076	81,922	93,813	1,08,301
Total income	2,00,288	2,24,085	2,58,329	2,99,640	3,59,853
Operating expenses	81,568	93,107	1,13,166	1,28,720	1,44,874
PPOP	1,18,719	1,30,978	1,45,163	1,70,920	2,14,979
PPOP growth (%)	9.6	10.3	10.8	17.7	25.8
Provisions	79,425	66,650	45,614	62,699	85,551
PBT	39,294	64,328	99,549	1,08,221	1,29,428
Tax	9,995	16,282	24,980	27,326	32,681
Reported net profit	29,299	48,046	74,569	80,895	96,748
Adjustments	0	0	0	0	0
Adjusted net profit	29,299	48,046	74,569	80,895	96,748

Balance Sheet

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Equity capital	7,734	7,747	7,750	7,750	7,750
Reserves & surplus	4,27,273	4,72,517	5,84,473	6,55,661	7,37,897
Net worth	4,35,007	4,80,264	5,92,223	6,63,411	7,45,647
Deposits	25,58,701	29,33,495	33,73,519	39,47,017	46,93,003
Borrowings	5,13,228	4,73,232	4,49,571	5,03,519	5,79,047
Other liab. & provisions	1,22,097	1,32,683	1,93,960	2,23,340	3,73,232
Total liab. & equities	36,29,033	40,19,674	46,09,273	53,37,287	63,90,929
Cash & bank balance	5,66,099	6,85,847	6,46,064	6,69,829	7,90,562
Investments	6,96,534	7,09,299	7,92,615	9,30,783	11,18,097
Advances	21,25,954	23,90,515	28,56,666	33,99,432	40,79,319
Fixed & Other assets	2,40,446	2,34,012	3,13,929	3,37,243	4,02,951
Total assets	36,29,033	40,19,674	46,09,273	53,37,287	63,90,929
Deposit growth (%)	26.7	14.6	15.0	17.0	18.9
Advances growth (%)	2.8	12.4	19.5	19.0	20.0

Per Share

Y/E 31 Mar (Rs)	FY21A	FY22A	FY23E	FY24E	FY25E
EPS	39.9	62.1	96.2	104.4	124.8
Dividend per share	0.0	5.0	9.6	12.5	18.7
Book value per share	558.3	615.8	760.0	851.9	958.0

Valuations Ratios

Y/E 31 Mar (x)	FY21A	FY22A	FY23E	FY24E	FY25E
P/E	30.1	19.3	12.5	11.5	9.6
P/BV	2.2	1.9	1.6	1.4	1.3
Dividend yield (%)	0.0	0.4	0.8	1.0	1.6

DuPont Analysis

Y/E 31 Mar (%)	FY21A	FY22A	FY23E	FY24E	FY25E
Net interest income	4.0	3.9	4.1	4.1	4.3
Non-interest income	1.9	1.9	1.9	1.9	1.8
Operating expenses	2.4	2.4	2.6	2.6	2.5
Pre-provisioning profit	3.5	3.4	3.4	3.4	3.7
Provisions	2.4	1.7	1.1	1.3	1.5
PBT	1.2	1.7	2.3	2.2	2.2
Tax	0.3	0.4	0.6	0.5	0.6
ROA	0.9	1.3	1.7	1.6	1.6
Leverage (x)	8.6	8.4	8.0	7.9	8.3
ROE	7.5	10.5	13.9	12.9	13.7

Ratio Analysis

Y/E 31 Mar	FY21A	FY22A	FY23E	FY24E	FY25E
YoY growth (%)					
Net interest income	12.2	10.9	17.6	16.7	22.2
Pre-provisioning profit	9.6	10.3	10.8	17.7	25.8
EPS	(41.9)	55.4	55.0	8.5	19.6
Profitability & Return ratios (%)					
Net interest margin	4.1	4.1	4.1	4.0	4.1
Fees / Avg. assets	1.9	1.9	1.9	1.9	1.8
Cost-Income	40.7	41.5	43.8	43.0	40.3
ROE	7.5	10.5	13.9	12.9	13.7
ROA	0.9	1.3	1.7	1.6	1.6
Asset quality (%)					
GNPA	2.7	2.3	1.9	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	2.4	1.8	3.5	2.3	2.0
Provision coverage	73.8	71.6	68.8	71.5	71.6
Ratios (%)					
Credit-Deposit	83.1	81.5	84.7	86.1	86.9
Investment-Deposit	27.2	24.2	23.5	23.6	23.8
CAR	17.4	18.4	19.1	18.6	17.4
Tier-1	16.8	16.8	17.7	17.0	15.9

Source: Company, BOBCAPS Research

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

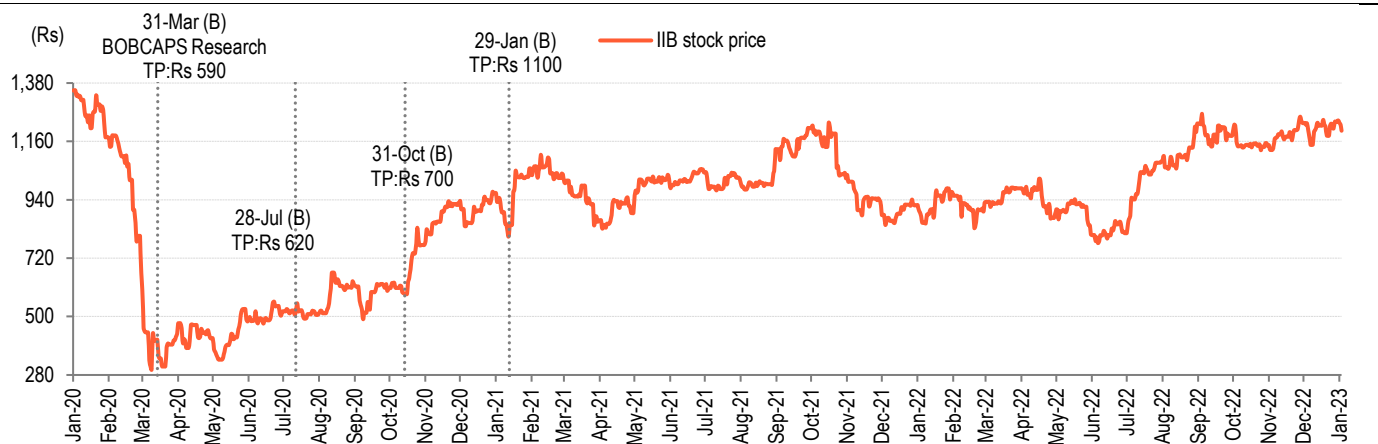
HOLD – Expected return from -6% to +15%

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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