

## Steady operating performance, credit pick-up healthy

**About the stock:** IndusInd Bank is a Hinduja group promoted newer age private sector bank and is the fifth largest private bank in India.

- Vehicle finance forms around 27% of overall loans
- Strong pan-India presence with 5507 branches as on September 2021

**Q2FY22 Results:** IndusInd Bank reported operationally steady results.

- GNPA down 11 bps QoQ to 2.77%. Restructured book at 3.6%
- Total loan related provisions at 3.9% of loans
- Loan growth was 9.7% YoY while deposits were up 20.7% YoY
- NII up 11.6% YoY, NIMs flat QoQ to 4.07%, PAT at ₹ 1113 crore

**What should investors do?** IndusInd Bank's share price has gained ~2x in the past one year. We believe the bank will show improved business traction with corporate book adding to the momentum.

- We retain our BUY rating on the stock

**Target Price and Valuation:** We value the bank at ~2.4x FY23E ABV with a revised target price of ₹ 1400 per share (earlier ₹ 1150).

**Key triggers for future price performance:**

- Healthy growth guidance of 16-18% is a positive
- Comfortable capitalisation (CRAR at 17.37%)
- Sufficient provisions, 3.9% of loans, to curb earnings volatility
- Return ratios set to improve with RoA, RoE reaching 1.3%, 12.3%, respectively, by FY23E

**Alternate Stock Idea:** Besides IndusInd, in our coverage we also like Axis Bank.

- Strong liability profile with healthy capitalisation makes the bank well placed to accrue earnings growth momentum. Healthy provision cover provides comfort on smoother earnings trajectory
- BUY with target price of ₹ 970

## IndusInd Bank

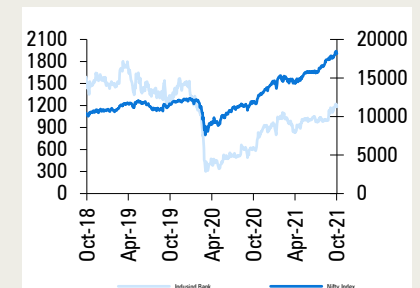
### Particulars

Particulars	Amount
Market Capitalisation	₹ 94020 crore
52 week H/L	1239 / 571
Net worth	₹ 45326 Crore
Face Value	₹ 10
DII Holding (%)	51.4
FII Holding (%)	19.0

### Shareholding pattern

(in %)	Dec-20	Mar-21	Jun-21	Sep-21
Promoter	14.7	16.6	16.5	16.5
FII	54.9	50.9	52.1	51.4
DII	16.2	18.1	17.7	19.0
Others	14.2	14.4	13.7	13.1

### Price chart



### Recent Event & Key risks

- GNPA declines to 2.77%. Overall loan provisions at 3.9% of loans
- **Key Risk:** Higher slippages in MFI segment could dent asset quality

### Research Analyst

Kajal Gandhi  
kajal.gandhi@icicisecurities.com

Vishal Narnolia  
vishal.narnolia@icicisecurities.com

Sameer Sawant  
sameer.sawant@icicisecurities.com

### Key Financial Summary

₹ Crore	FY18	FY19	FY20	FY21	3 year CAGR (FY18-FY21)	FY22E	FY23E	2 year CAGR (FY21-23E)
NII	7,497	8,846	12,059	13,528	22%	15,664	18,070	16%
PPP	6,656	8,088	10,773	11,727	21%	13,476	15,087	13%
PAT	3,606	3,301	4,418	2,836	-8%	4,439	5,642	41%
ABV (₹)	385	405	473	542		594	587	
P/E	20.3	22.2	19.1	33.2		21.2	16.7	
P/ABV	3.2	3.0	2.6	2.2		2.0	2.1	
RoA	1.8	1.3	1.5	0.8		1.2	1.3	
RoE	16.2	13.1	14.4	7.3		10.0	12.3	

## Key takeaways of recent quarter & conference call highlights

### Q2FY22 Results: Healthy overall performance

- NII was up 11.6% YoY to ₹ 3658 crore on the back of stable margins and sequential pick-up in loan growth. NIMs for the quarter were stable at 4.07% vs. 4.06% QoQ. Other income was up 18.2% YoY to ₹1837 crore driven by 42% YoY rise in core fee income at ₹ 1506 crore
- C/I ratio increased marginally 81 bps to 42.2% on a QoQ basis due to a rise in business activity while provisions were down 7.6% QoQ to ₹ 1703 crore. The bank during the quarter utilised floating provisions worth ₹ 125 crore. Thus, net profit for the quarter was up 72.1% YoY to ₹ 1113 crore
- GNPA and NNPA declined 11 bps and 4 bps QoQ to 2.77% and 0.80%, respectively but restructured book increased 90 bps sequentially to 3.6%. Slippages for the quarter were marginally down at ₹ 2658 crore compared to the previous quarter but remained at elevated levels
- Overall loan related provisions were at 3.9% of loans against 3.6% in the previous quarter
- Loans increased by 4.8% QoQ to ₹ 2.2 lakh crore while disbursement were up to ₹ 8594 crore vs. ₹ 5307 crore YoY. Deposit growth was healthy at 21% YoY driven by 26% YoY uptick in CASA

### Q2FY22 Earnings Conference Call highlights

- Collection efficiency was 94% for the quarter
- MFI slippages mainly came in from Kerala and West Bengal
- Have provided fully to funded telecom exposure of ₹ 995 crore
- Of the total restructuring 90% are paying timely instalments
- Total 81% of restructured books have completed two loan cycles
- Expect to reach loan growth of 16-18% in the medium term
- Credit cost guidance in the range of 160-190 bps
- C/I ratio likely to be in the range of 41-43%
- Corporate re-alignment behind and loan growth coming from road, education and NBFCs segments
- No NPA or restructuring in gems and jewellery segment

## Peer comparison

Exhibit 1: Peer Comparison

Sector / Company	CMP		M Cap (₹ Bn)	EPS (₹)			P/E (x)			P/ABV (x)			RoA (%)			
	(₹)	TP(₹)		Rating	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E
BoB (BANBAR)	96	120	Buy	489	2.5	8.9	13.4	38.6	10.8	7.2	0.9	0.8	0.7	0.1	0.4	0.5
SBI (STABAN)	506	540	Buy	4488	22.9	30.5	35.8	22	16.6	14.1	2.1	1.9	1.7	0.5	0.6	0.6
Indian Bank (INDIBA)	187	180	Buy	174	26.6	32.9	46.7	7.0	5.7	4.0	0.9	0.9	0.8	0.6	0.6	0.8
Axis Bank (AXIBAN)	777	970	Buy	2382	21.5	41.0	52.7	36.1	19.0	14.7	2.5	2.3	1.9	0.7	1.2	1.4
City Union (CITUNI)	176	200	Buy	126	8.8	9.3	11.7	20.0	18.9	15.1	2.7	2.4	2.0	1.3	1.2	1.4
Federal Bank (FEDBAN)	104	120	Buy	218	8.0	8.8	11.3	13.1	11.8	9.2	1.4	1.4	1.2	0.8	0.9	1.0
HDFC Bank (HDFBAN)	1,656	2,000	Buy	9335	47.9	56.4	66.1	34.6	29.3	25.0	5.4	4.6	4.0	1.9	1.9	1.9
IndusInd Bank (INDBA)	1,217	1,400	Buy	940	36.7	57.4	72.9	33.2	21.2	16.7	2.2	2.0	2.1	0.8	1.2	1.3
Kotak Bank (KOTMAH)	2,210	2,550	Buy	4382	35.1	39.9	50.2	62.9	55.3	44.0	7.2	6.4	5.6	1.9	1.9	2.1
CSB Bank (CSBBAN)	307	380	Buy	53	12.6	19.7	24.7	24.4	15.6	12.4	2.9	2.5	2.1	0.1	1.0	1.4
Bandhan (BANBAN)	310	310	Hold	519	13.7	19.0	29.5	22.6	16.3	10.5	3.4	2.9	2.3	2.1	2.5	3.2
IDFC First (IDFBAN)	49	60	Buy	306	0.8	0.6	2.9	61.5	83.0	16.8	1.6	1.3	1.2	0.3	0.2	0.9

Source: Company, ICICI Direct Research

Business is expected to gain momentum with corporate book adding to growth while well provided MFI and unsecured book are expected to reduce earnings volatility.

Exhibit 2: Variance Analysis

	Q2FY22	Q2FY22E	Q2FY21	YoY (%)	Q1FY21	QoQ (%)	Comments
NII	3,658	3,796	3,278	11.6	3,564	2.7	Growth aided by stable margins
NIM (%)	4.07	4.20	4.16	-9 bps	4.06	1 bps	NIMs remain stable as cost and yields fall in tandem
Other Income	1,837	1,817	1,554	18.2	1,781	3.2	42% uptick in core fee income
Net Total Income	5,496	5,613	4,832	13.7	5,345	2.8	
Staff cost	602	620	524	14.8	608	-1.1	
Other Operating Expenses	1,720	1,686	1,477	16.4	1,606	7.1	Slight QoQ rise due to higher business activity
PPP	3,174	3,306	2,831	12.2	3,131	1.4	
Provision	1,703	1,930	1,964	-13.3	1,844.0	-7.6	
PBT	1,471	1,376	866	69.9	1,287	14.3	
Tax Outgo	358	351	219	63.2	311.6	14.8	
PAT	1,113.5	1,025.0	647.04	72.1	975.0	14.2	Lower credit costs aid profits
Key Metrics							
GNPA	6,245	6,062	4,532	37.8	6,186	1.0	
NNPA	1,771	1,724	1,056	67.8	1,760	0.7	
Credit book	2,20,808	2,21,855	2,01,247	9.7	2,10,727	4.8	Corporate book drives growth
Deposit book	2,75,473	2,75,425	2,28,279	20.7	2,67,233	3.1	CASA rises 26% YoY

Source: Company, ICICI Direct Research

Exhibit 3: Change in Estimates

(₹ Crore)	FY22E			FY23E		
	Old	New	% Change	Old	New	% Change
Net Interest Income	15,176	15,664	3.2	17,540.0	18,070	3.0
Pre Provision Profit	12,605	13,476	6.9	14,285.9	15,087	5.6
NIM(%) (calculated)	4.8	4.91	13 bps	4.8	4.94	10 bps
PAT	5,343	4,439	-16.9	5,885.2	5,642	-4.1
ABV per share (₹)	565.6	594	5.1	581.1	587	1.1

Source: Company, ICICI Direct Research

Exhibit 4: Assumptions

	Current		Earlier	
	FY22E	FY23E	FY22E	FY23E
Credit growth (%)	14.2	14.8	12.7	14.8
Deposit Growth (%)	12.3	13.0	12.3	13.0
NIM Calculated (%)	15.8	15.4	12.2	15.6
Cost to income ratio (%)	42.5	42.4	42.6	42.3
GNPA (₹ crore)	5,795.0	6,212.9	5,795.0	6,207.5
NNPA (₹ crore)	-840.2	557.8	1,232.0	1,160.7
Credit cost (%)	3.1	2.7	2.3	2.3

Source: Company, ICICI Direct Research

## Financial summary

Exhibit 5: Profit and loss statement					
	₹ Crore				
(Year-end March)	FY19	FY20	FY21	FY22E	FY23E
Interest Earned	22,261	28,783	29,000	33,711	38,552
Interest Expended	13,415	16,724	15,472	18,047	20,482
Net Interest Income	8,846	12,059	13,528	15,664	18,070
Growth (%)	18	36	12	16	15
Non Interest Income	5,647	6,951	6,559	7,764	8,145
Treasury Income	115	553	1,486	1,694	1,355
Other income	1,459	1,784	1,594	2,035	2,270
Net Income	14,493	19,010	20,087	23,428	26,215
Employee cost	1,854	2,208	2,214	2,577	2,916
Other operating Exp.	4,551	6,029	6,146	7,375	8,212
Operating Income	8,088	10,773	11,727	13,476	15,087
Provisions	3,108	4,652	7,943	7,517	7,514
PBT	4,980	6,121	3,784	5,958	7,573
Taxes	1,679	1,703	948	1,519	1,931
Net Profit	3,301	4,418	2,836	4,439	5,642
Growth (%)	(8.5)	33.8	(35.8)	56.5	27.1
EPS (₹)	54.8	63.7	36.7	57.4	72.9

Source: Company, ICICI Direct Research

Exhibit 6: Key Ratios					
(Year-end March)	FY19	FY20	FY21	FY22E	FY23E
Valuation					
No. of shares (crore)	60.3	69.4	77.3	77.3	77.3
EPS (₹)	54.8	63.7	36.7	57.4	72.9
DPS (₹)	7.7	7.8	-	4.2	5.4
BV (₹)	442.6	500.3	560.7	583.5	594.7
ABV (₹)	405.3	473.1	541.6	594.4	587.5
P/E	22.2	19.1	33.2	21.2	16.7
P/BV	2.7	2.4	2.2	2.1	2.0
P/ABV	3.0	2.6	2.2	2.0	2.1
Yields & Margins (%)					
Net Interest Margins	3.8	4.5	4.7	4.9	4.9
Yield on assets	9.6	10.7	10.0	10.6	10.5
Avg. cost on funds	6.2	6.6	5.4	5.5	5.5
Yield on average advances	11.0	12.2	11.5	12.4	12.4
Avg. Cost of Deposits	6.1	6.5	5.0	5.4	5.3
Quality and Efficiency (%)					
Cost to income ratio	44.2	43.3	41.6	42.5	42.4
Credit/Deposit ratio	95.7	102.3	83.0	84.4	85.7
GNPA	2.1	2.5	2.7	2.4	2.2
NNPA	1.2	0.9	0.7	(0.3)	0.2
ROE	13.1	14.4	7.3	10.0	12.3
ROA	1.3	1.5	0.8	1.2	1.3

Source: Company, ICICI Direct Research

Exhibit 7: Balance sheet					
	₹ Crore				
(Year-end March)	FY19	FY20	FY21	FY22E	FY23E
Sources of Funds					
Capital	603	694	773	773	773
Employee Stock Options	11	9	5	5	5
Reserves and Surplus	26,072	34,003	42,587	44,669	45,533
Networth	26,686	34,706	43,365	45,447	46,312
Deposits	1,94,868	2,02,040	2,56,205	2,87,643	3,25,121
Borrowings	47,321	60,754	51,323	60,584	65,387
Other Liabilities & Provisions	8,944	9,558	12,080	12,645	13,473
Total	2,77,819	3,07,058	3,62,973	4,06,319	4,50,294
Application of Funds					
Fixed Assets	1,710	1,820	1,809	2,134	2,273
Investments	59,266	59,980	69,695	79,037	90,105
Advances	1,86,394	2,06,783	2,12,595	2,42,766	2,78,626
Other Assets	15,666	22,471	22,546	46,657	40,586
Cash with RBI & call money	14,783	16,004	56,327	35,724	38,703
Total	2,77,819	3,07,058	3,62,973	4,06,319	4,50,294

Source: Company, ICICI Direct Research

Exhibit 8: Key ratios					
(Year-end March)	FY19	FY20	FY21	FY22E	FY23E
Total assets					
Total assets	25.4	10.5	18.2	11.9	10.8
Advances	28.6	10.9	2.8	14.2	14.8
Deposit	28.5	3.7	26.8	12.3	13.0
Total Income	26.7	28.0	(0.5)	16.6	12.6
Net interest income	18.0	36.3	12.2	15.8	15.4
Operating expenses	14.5	28.6	1.5	19.1	11.8
Operating profit	21.5	33.2	8.9	14.9	12.0
Net profit	(8.5)	33.8	(35.8)	56.5	27.1
Net worth	12.0	30.1	25.0	4.1	1.9
EPS	(8.8)	16.3	(42.4)	56.5	27.1

Source: Company, ICICI Direct Research

## RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: > 15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: < -15%



**Pankaj Pandey**

**Head – Research**

**[pankaj.pandey@icicisecurities.com](mailto:pankaj.pandey@icicisecurities.com)**

**ICICI Direct Research Desk,  
ICICI Securities Limited,  
1st Floor, Akruvi Trade Centre,  
Road No 7, MIDC,  
Andheri (East)  
Mumbai – 400 093  
[research@icicidirect.com](mailto:research@icicidirect.com)**

## ANALYST CERTIFICATION

I/We, Kajal Gandhi, CA, Vishal Narnolia, MBA and Sameer Sawant, MBA Research Analysts Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

## Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com).

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit [icicidirect.com](http://icicidirect.com) to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.