



CMP Rs.261

Recommendation BUY

Target Price Rs.314

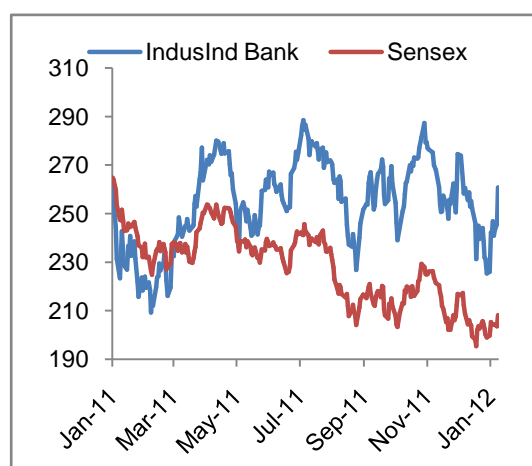
Sector: BFSI

Key Data

Size Segment	Mid Cap
Market Cap (Rs. cr)	12,184
Market Cap (US\$ mn)	2,333
O/S Shares, cr	46.70
Face Value, Rs.	10
2 Wk Avg Vol, NSE	287,760
52 Wk High	292
52 Wk Low	181
Rs/US\$	52.22
Bloomberg	IIB IN
Reuters	INBK.BO
NSE	INDUSINDBK
BSE	532,187

Shareholding Pattern

%	Q3 FY12	Q3 FY11
Promoters	19.5	19.7
FII	35.2	33.8
Inst Inv	7.2	7.6
Public	38.1	38.9



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Q3 FY12 Result Update

IndusInd Bank kick-started the result season with net profit (Rs. 206 cr) above market expectations (Rs.200 cr). The Q3 FY12 net profit of Rs.206 cr was up 34% YoY (7% QoQ) led by lower provisions (Rs. 43 cr, which is down 24% YoY and 9% QoQ) due to better asset quality.

Strong credit growth; well above the industry average (17%)

In Q3 FY12 advances grew by 30% YoY (8% QoQ) to Rs.32,426 cr due to strong growth in consumer finance division (up 48% YoY and 7% QoQ) which resulted in increase in share as % of total portfolio to 48.4% from 46.7% (Q2 FY12) and 42.3% (Q3 FY11). Deposits grew by 32% YoY (6% QoQ) to Rs.40,558 cr due to strong growth in saving deposits. Management maintained credit growth target in the range of 25-30% which is well above RBI's FY12 credit growth target of 18%. We believe, with focus on consumer finance division (majorly CV loans) and branch expansion, bank will be able to sustain its credit growth above industry average.

Remarkable asset quality in current turbulent economic scenario

Asset quality significantly improved due to decline in fresh slippages in Q3 FY12. Slippages declined to Rs.68 cr as against Rs.131 cr QoQ. GNPA remained flat QoQ in absolute terms while as % of advances reduced to 1.02% from 1.09%. This led to decline in cost of credit (NPA provision/advances) to 9bps from 13bps (QoQ). Management targets cost of credit in FY12E well below FY11 (61bps) due to low exposure towards stressed sectors.

Slight contraction in margins (NIMs)

With increase in cost of funds (7.23% vs 7.15% QoQ) due to high bulk borrowing cost (CBLO and Interbank) in Q3 FY12 and slight decline in yield on assets (10.48% vs 10.50% QoQ) due to run-down of some high yield construction loans, bank reported contraction in margins (NIMs). In Q3 FY12, NIMs declined to 3.25% from 3.35% (Q2 FY12) and 3.61% (Q3 FY11). Management expects no further contraction in NIMs.

CASA ratio declined; SA grew strongly

In Q3 FY12 bank increased its savings rate to 5.5% on deposits of up to Rs.1 lakh and 6% on deposits over Rs.1 lakh after the saving rate deregulation by RBI (on 25th Oct 2011) with an aim to increase SA customers (an opportunity with cost). This resulted in SA deposits to improve by 54% YoY (21% QoQ). CA deposits declined by 8% QoQ (up 20% YoY) which led to decline in CASA ratio to 26.5% in Q3 FY12 as against 27.7% QoQ. Bank added 15 branches in Q3 FY12 and the total now stands at 365. Management targets 400 branches by March 2012.

Strong growth in fee income boosts other income

Fee income grew by 46% YoY (18% QoQ) to Rs.250 cr in Q3 FY12 due to growth across all categories boosted other income (grew by 35% YoY and 11% QoQ). Thus, net interest income including other income (NII + Other income) grew by 24% YoY (6% QoQ) while net interest income grew by 19% YoY (3% QoQ).

Outlook and Valuation

Higher loan growth (above industry), better asset quality and strong fee income led to IndusInd Bank trading at high P/BV valuations (currently trading at 2.76X of its Q3 FY12 BV Rs.95). We believe with a strong Q3 FY12 performance, and expected robust FY12 results, IndusInd Bank deserves to (continue to) trade at premium P/BV multiple.

At CMP Rs.261 IndusInd Bank is trading at P/B multiple of 2.7x its FY12E BV of Rs.96 and 2.3x its FY13E BV of Rs.112. We value the bank at its 2-Year average P/BV multiple of 2.8x on its FY13E BV of Rs.112 and revise our target price to **Rs.314** (earlier Rs.301). We reiterate **BUY** on IndusInd Bank with an upside potential of 20% and an investment horizon of 12 months.

Exhibit 1: Standalone Income Statement (Quarterly)

Particulars Rs. cr	Dec-11	Sep-11	Dec-10	YoY%	QoQ%
Interest Earned	1,390	1,324	915	52%	5%
Income on Investments	294	267	187	57%	10%
Int. on Balances With RBI Other Inter Bank Funds	3	4	4	-20%	-22%
Interest / Discount on Advances / Bills	1,083	1,037	723	50%	4%
Others	10	15	0	-	-34%
Interest Expended	959	905	552	74%	6%
Net Interest Income (NII)	431	419	363	19%	3%
Other Income	265	239	196	35%	11%
NII + Other income	696	658	559	24%	6%
Operating Expenses	347	325	268	29%	6%
Payment To Provisions For Employees	126	115	98	29%	9%
Other Operating Expenses	220	210	170	30%	5%
Operating Profit before Prov.& Cont.	349	333	291	20%	5%
Provisions and Contingencies	43	47	56	-24%	-9%
PBT	306	286	235	30%	7%
Tax	100	93	81	24%	8%
Profit After Tax	206	193	154	34%	7%

Source: Company, SIHL Research

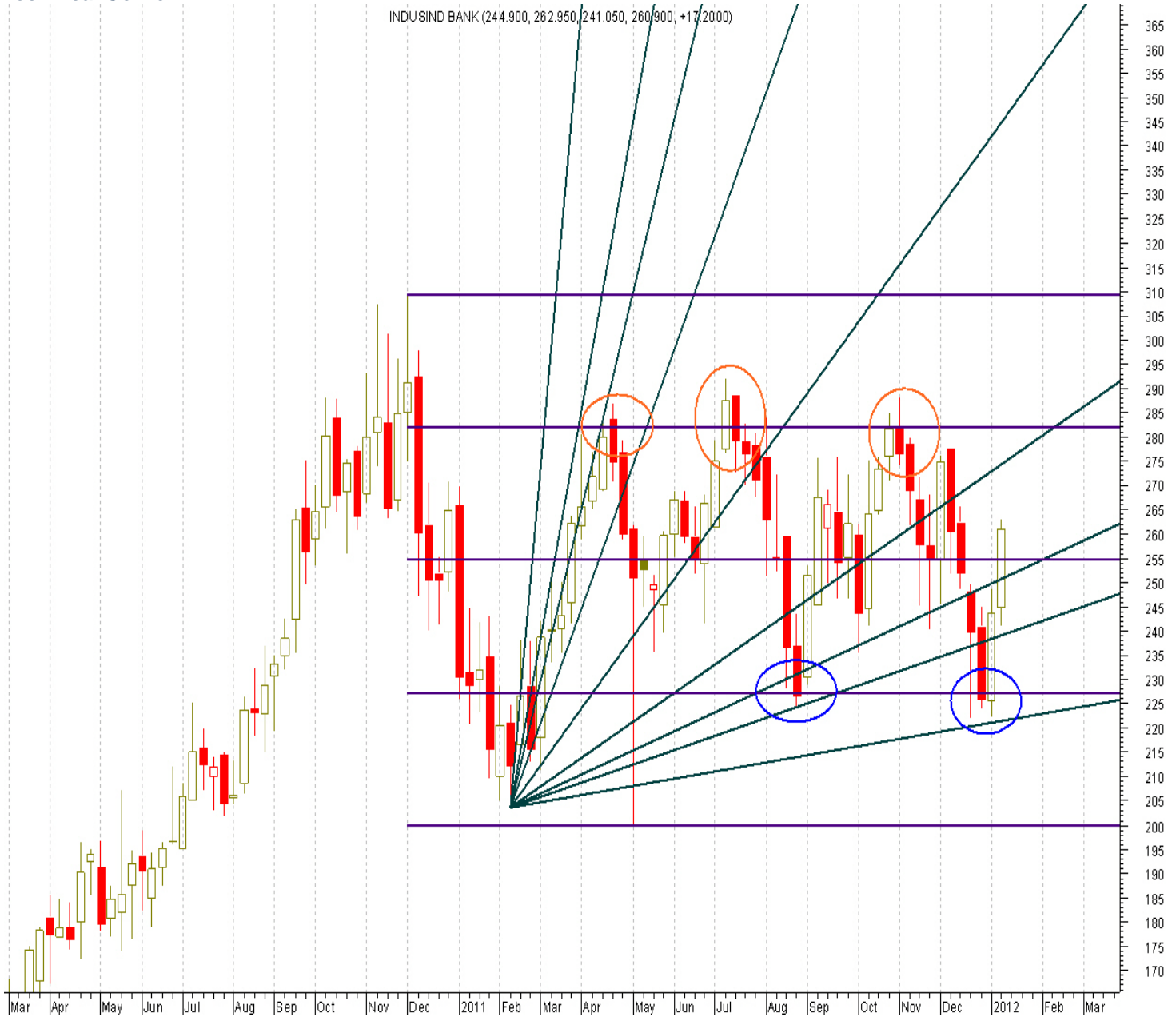
Exhibit 2: Ratio Analysis (Quarterly)

Ratio Analysis (%)	Dec-11	Sep-11	Dec-10	YoY	QoQ
Tier I	10.70	11.43	11.67	-0.97	-0.73
Tier II	2.73	2.89	3.94	-1.21	-0.16
CAR Basel II	13.43	14.32	15.61	-2.18	-0.89
Return on Assets (Annualized)	1.55	1.55	1.54	0.01	0.00
NIM	3.25	3.35	3.61	-0.36	-0.10
Gross NPA	1.02	1.09	1.21	-0.19	-0.07
Net NPA	0.29	0.31	0.36	-0.07	-0.02
Provision Coverage Ratio	72.00	72.00	70.27	1.73	0.00
CASA	26.50	27.70	26.80	-0.30	-1.20
Yield on Advances	13.79	13.81	12.31	1.48	-0.02
Cost of Deposits	8.16	8.16	6.17	1.99	0.00
Cost/Income	49.80	49.43	47.91	1.89	0.37

Source: Company, SIHL Research



Technical Corner



We have observed on weekly chart ; INDUSIND BANK has taken a classical support on the GANN 4 x 1 and 8 x 1 angel i.e 15 degrees & 7.5 degrees respectively. We expect the stock to touch 2 x 1 angel and 1 x 1 angel ie 26.25 degrees and 45 degree respectively in the time to come taking the stock in the trading range of above 290 – 300 which had acted as a stiff resistance in the previous rallies. Investor can buy IndusInd Bank at CMP of Rs.261 with a stop loss of 240 for the first price target of **322** and second target of **358**.

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