

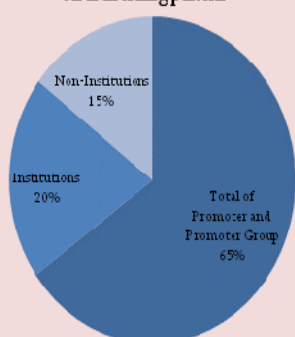
## IDBI Bank – (Q4'11 & FY11 Result Analysis)

**Strong BUY \*\***

### Market Data

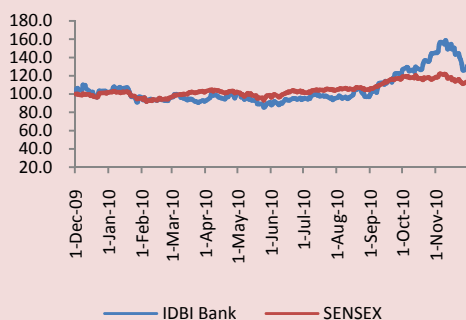
Current Market Price (INR)	149.55
Target Price (INR) (Revised)	183
Upside Potential	~23%
52 Week High / Low (INR)	202/106
Market Capitalization (In INR Mn)	165720

### Shareholding pattern



### STOCK SCAN

BSE Code	500116
NSE Code	IDBI
Bloomberg Ticker	IDBI IN
Reuters Ticker	IDBI.BO
Face Value (INR)	10
Equity Share Capital (INR. Mn.)	7248.1
Average P/E/PBV	8.1/0.94
Beta vs Sensex	1.31
Average Daily Volmes (6 M)	4878660
Dividend Yield (%)	1.65
Stock Return (1 Yr)	59.7



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### Valuation attractive, Business restructuring on course

The **Industrial Development Bank of India Limited (IDBI)** has delivered another good set of numbers. Net interest Income grew by 46% YoY on the back of 14% growth in advances and improvement in net interest margins by 80 bps on a YoY basis. This was mostly in line with our estimates, however below street estimates. PAT grew by 62% YoY on the back of lower provisions on bad loans and strong growth in other income which grew 24% YoY. PAT was above our and consensus estimates.

□ IDBI Bank clearly showed restructuring on its asset base. Its corporate loans book grew by only 2.25% YoY, however retail loan book showed strong growth of 57.5% on a YoY basis. SME book also showed good growth of 34% from a year ago level.

□ On the liability side, the bank continued with its effort to shed bulk deposits and grow its CASA base. CASA base improved by 630 bps to 20.88% in Q4'11. This also helped the bank to reduce its cost of liabilities by 38 bps to 6.31% at the end of FY11.

□ GNPA & NNPA% increased by 23 & 4 bps respectively on a YoY basis. However asset quality improves on a sequential basis. There is an addition of INR 19580 Mn of fresh Gross NPA this quarter. PCR remained healthy at 74.7%.

*We have revised our target price to INR 183 for 1 year time horizon. This price revision is due to 1) lower guided loan growth by the management and 2) pressure on asset quality which can be more visible in Q1-Q2'12. The stock traded at an average valuation (P/ABV) of 0.75x in the last rate hike & inflationary cycle. We believe the restructuring programme which stated 1 year back is certainly on track. This may help the bank to realign its asset & liability, improve net interest margin without compromising on asset quality. If we put 0.75x P/ABV multiple to our expected FY13 ABV of 156, we get the value per share of its stand alone business at INR 117. If we add value of its investment, we get the floor price at INR 136. The risk reward ratio becomes favorable towards long term investment at around 135-140 levels.*

Particulars (in INR Mn)	2009	2010	2011E	2011A	2012E	2013E
Total Income	27158.0	45584.0	60492.0	64130.0	71948.0	85068.0
Growth%		67.8%	32.7%	40.7%	12.2%	18.2%
NII	12394.2	22674.0	43248.0	43290.0	52118.0	62263.2
Growth%		82.9%	90.7%	90.9%	20.4%	19.5%
Net Profit	8585.0	10212.0	14792.8	16500.0	23267.5	27301.5
Growth%		19.0%	44.9%	61.6%	41.0%	17.3%
EPS	11.8	14.1	15.0	16.7	23.6	27.7
P/E	12.71	10.64	10.00	8.96	6.36	5.42
NIM%	0.8	1.1	1.75	2.1	1.8	1.93
ROE	9.1%	10.0%	12.7%	14.9%	17.4%	15.6%
NNPA%	0.9	1	1.05	1.06	0.95	0.8
BV	95.70	103.30	118.50	128.20	136.20	177.34
ABV	85.71	93.17	103.45	112.95	118.11	156.25
P/ABV	1.75	1.61	1.45	1.33	1.27	0.96
P/BV	1.57	1.45	1.27	1.17	1.10	0.85

**\*\* As per our Rating Scale**

**Source: Company, Microsec Research**

## Quarterly results

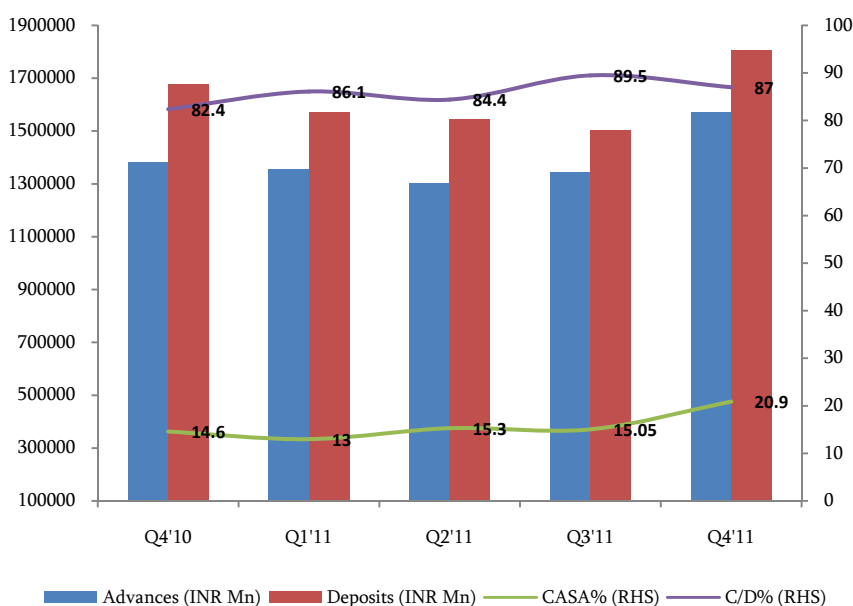
INR Mn	Q4'10	Q1'11	Q2'11	Q3'11	Q4'11	YoY%	QoQ%
Interest Earned	40832.90	42889.80	45772.80	47123.30	<b>50251.10</b>	23.1%	6.6%
Interest Expended	33212.00	34378.00	34092.40	35083.00	<b>39165.80</b>	17.9%	11.6%
Net Interest Income	7620.90	8511.80	11680.40	12040.30	<b>11085.30</b>	45.5%	-7.9%
Other Income	5446.20	4661.80	4921.10	4472.10	<b>6755.40</b>	24.0%	51.1%
Total Income	13067.10	13173.60	16601.50	16512.40	<b>17840.70</b>	36.5%	8.0%
Operating Expenses	6132.80	4862.00	6345.20	5167.10	<b>6172.60</b>	0.6%	19.5%
Operating Profit before Prov. & Cont.	6934.30	8311.60	10256.30	11345.30	<b>11668.10</b>	68.3%	2.8%
Provisions and Contingencies	5419.40	5017.70	4415.30	6519.50	<b>2819.00</b>	-48.0%	-56.8%
PBT	1514.90	3293.90	5841.00	4825.80	<b>8849.10</b>	484.1%	83.4%
Tax	-1669.20	785.00	1550.00	285.00	<b>3686.60</b>	NA	1193.5%
Profit After Tax	3184.10	2508.90	4291.00	4540.80	<b>5162.50</b>	62.1%	13.7%
Capital Adequacy Ratio	11.31	11.86	14.17	14.10	<b>13.64</b>	233.00	-46.00 (bps)
% of Net NPAs	1.02	1.19	1.19	1.20	<b>1.06</b>	4.00	-14.00 (bps)
% of Gross NPAs	1.53	1.94	1.88	2.22	<b>1.76</b>	23.00	-46.00 (bps)

Source: Company, Microsec Research

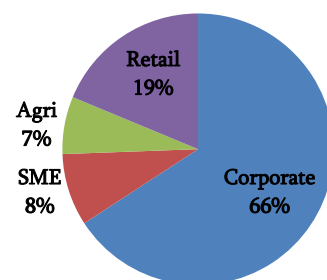
## Actual VS Expectations

INR Mn		Q4'11E	Q4'11A	Q4'10	Q3'11	YoY%	QoQ%	Variance Over Expected
IDBI Bank	NII	11141	11090	7601	12040	45.9%	-7.9%	-0.46%
	Total Income	15304.8	17840.7	13072.5	16512.3	36.5%	8.0%	16.57%
	Net Profit	3991	5160	3184.1	4540.7	62.1%	13.6%	29.29%
	NIM%	2.07	2.1	1.4	2.2	70 bps	-10 bps	3 bps
	NNPA%	1.22	1.06	1.02	1.2	4 bps	-14 bps	-16 bps
		Q4'11E	Variance over consensus					
Consensus	NII	12200	-9.10%					
	PAT	4558	13.21%					

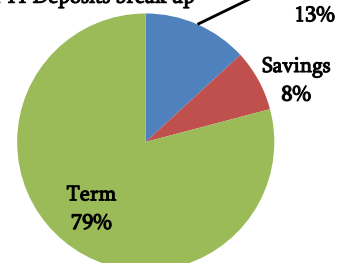
Source: Company, Microsec Research



### Q4'11 Advances Break up



### Q4'11 Deposits break up



Source: Company, Microsec Research

## Valuation & Recommendation

At CMP, the stock is trading at 1x of its FY13E ABV. We value the standalone business at 1.05x of its FY13E Adjusted Book Value (ABV) at INR 164 while we ascribe per share value of 19.56 for its investments thus arriving at a SOTP based target price of 183 per share. We are maintaining our recommendation on this stock with a time horizon of 12 months.

A new management team, re-structuring of the asset profile, improving CASA and improving asset quality are expected to help the bank in improving its financial going forward.

IDBI - Valuation of unlisted investments	% stake	Valuation (INR Mn)	Value of IDBI's stake	No of shares of IDBI	Value per share
Asset Reconstruction Corporation (ARCIL)	19.2	12000	2304	984	2.34
Credit Analysis & Rating (CARE)	25.8	15000	3870	984	3.93
Clearing Corporation of India (CCIL)	6.5	5413	351.845	984	0.36
National Securities Depository (NSDL)	30	7020	2106	984	2.14
National Stock Exchange (NSE)	5	135000	6750	984	6.86
Securities Trading Corporation (STCI)	6.6	10000	660	984	0.67
Small Industries Development Bank of India (SIDBI)	19.2	8500	1632	984	1.66
Stock Holding Corporation (SHCIL)	19	7500	1425	984	1.45
United Stock Exchange of India Limited	1.2	12000	144	984	0.15
				<b>Total</b>	<b>INR 19.56</b>

Source: Microsec Research, Google



Source: Microsec Research,

**\*\* Rating Scale**

Recommendation	Expected absolute returns (%) over 12 months
Strong BUY	More than 20%
BUY	Between 10% and 20%
Hold	Between 0% and 10%
Underperform	Negative return up to -10%
Sell	Less than -10%

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