

Industry : Banking

CMP : Rs.49.10

Price Target : Rs.48

Hold

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Highlights for the quarter

- Business growth of 18.4% y-o-y was in-line with expectations at Rs.272.09bn. Advances rose by 22.5% y-o-y at Rs.112.67bn and deposits by 15.7% at Rs.159.42bn. Vehicular advances posted a growth of 112.6% for the quarter, thereby being the main contributor to business. CASA, on the other hand, remained stable at around 13.7%.
- NII at Rs.628.1mn declined by 15% y-o-y on the back of higher cost of deposits that increased by 97bps y-o-y to 6.8% while yield on advances improved by a mere 39bps to 9.8%. NIMs for the quarter registered a decline of 51bps y-o-y at 1.3%.
- Cost/income ratio has improved from 65.7% in Q3FY06 to 55.2% in Q3FY07 as a result of robust enhancement in fee income and maintaining the operating costs.
- Net profit reported a 20.9% y-o-y reduction and 25.9% q-o-q growth.
- CAR increased to 11.1% as cash collateral on securitisation worth Rs.400mn was received back and Rs.1280mn worth of Tier II bonds were issued in Dec'06. Tier I and Tier II capital stood at 6.3% and 4.8% respectively.
- An account of the Essar Group worth Rs.1200mn was finally realized as an NPA during the quarter taking the gross NPA level to 3.24% as on Dec'06.
- IndusInd has received authorization to add 19 new branches in the current fiscal.

Valuation:

IndusInd has been observing gradual recovery in terms of its business growth primarily driven by vehicular demand. An improvement in NIMs is expected with focus on retail lending. The bank is also in the process of deciding the raising of equity in Q4FY07 and provides comfort in terms of business growth. At the CMP of Rs.49.1, IndusInd is trading at a P/Adj BV of 2.01x FY07E and 1.93x FY08E without considering equity dilution. **We maintain "HOLD" with a fair price of Rs.48 over next 12 months.**

	Current
Recommendation	HOLD
CMP (INR)	49.10
Target Price (INR)	48.00

Key Data

Bloomberg	IIB@IN
Reuters Code	INBK.BO
BSE Code	532187
NSE Code	INDUSINDBANK
Face Value	10.00
Market Cap. (INR bn)	14.26
52 Week High (INR)	64.25
52 Week Low (INR)	27.30

Scrip Scan

Equity Rs.mn	2,905.10
FY07E EPS	1.37
FY08E EPS	3.32
FY07E Adj BV	24.48
FY08E Adj BV	25.42

Shareholding (31.12.06) (%)

Promoters	31.34
FII's	17.39
FIs	2.85
Public	48.42
Grand Total	100.00

Quarterly Performance
(Rs.mn)

	Q3FY07	Q3FY06	Q2FY07	9mFY07	9mFY06
Interest Earned	3,793.2	2,962.0	3,606.0	10,737.4	8,736.5
% change	28.1			22.9	
Other Income	929.8	559.8	684.1	2,177.1	1,804.2
Total Income	4,723.0	3,521.8	4,290.1	12,914.5	10,540.7
Interest Expense	3,165.1	2,222.8	2,948.5	8,881.4	6,373.1
% change	42.4			39.4	
Operating expenses	859.4	854.0	850.7	2,474.2	2,322.4
Total expenses	4,024.5	3,076.8	3,799.2	11,355.6	8,695.5
Profit prior provisioning	698.5	445.0	490.9	1,558.9	1,845.2
Provisions & Contingencies	374.9	357.3	206.0	827.8	711.4
Provision for Taxes	107.3	(186.0)	113.1	262.9	141.6
Net Profit	216.3	273.7	171.8	468.2	992.2
% change	(21.0)			(52.8)	
EPS	0.7	0.9	0.6	1.6	3.4
Equity	2,905.1	2,905.1	2,905.1	2,905.1	2,905.1
NII	628.1	739.2	657.5	1,856.0	2,363.4
% change	(15.0)			(21.5)	
Deposits	159,415.6	137,795.5	159,864.8	159,415.6	137,795.5
% change	15.7			15.7	
Advances	112,674.3	91,961.6	107,236.1	112,674.3	91,961.6
% change	22.5			22.5	
Net NPAs (%)	2.6	2.5	1.7	2.6	2.5

Income Statement

	(Rs.mn)			
	FY05	FY06	FY07E	FY08E
Interest Earned	11,344.0	11,882.9	14,430.6	16,784.9
% Ch. YoY	15.0	4.8	21.4	16.3
Interest expended	7,188.9	8,731.9	11,977.0	13,455.9
% Ch. YoY	7.4	21.5	37.2	12.3
% to Interest Earned	63.4	73.5	83.0	80.2
NII	4,155.1	3,151.0	2,453.6	3,329.0
% Ch. YoY	31.1	(24.2)	(22.1)	35.7
Other Income	2,507.4	2,261.0	2,477.3	2,807.7
% Ch. YoY	(27.3)	(9.8)	9.6	13.3
Total	6,662.5	5,412.0	4,930.9	6,136.6
Operating Expenses	2,650.2	3,166.3	3,384.8	3,880.0
% Ch. YoY	22.1	19.5	6.9	14.6
Operating Profit before Provisions	4,012.3	2,245.7	1,546.1	2,256.6
% Ch. YoY	(9.8)	(44.0)	(31.2)	46.0
% to Total Income	29.0	15.9	9.1	11.5
Provision for NPAs	1,293.5	1,653.8	976.9	809.2
Provision for Tax	617.3	223.7	191.3	486.3
Provisions & Contingencies	1,910.8	1,877.5	1,168.2	1,295.5
% Ch. YoY	4.6	(1.7)	(37.8)	10.9
Net Profit for the year	2,101.5	368.2	378.0	961.1
% Ch. YoY	(19.8)	(82.5)	2.6	154.3

Balance Sheet

	(Rs.mn)			
	FY05	FY06	FY07E	FY08E
CAPITAL AND LIABILITIES				
Equity Capital	2,905.1	2,905.1	2,905.1	2,905.1
Reserves and Surplus	5,387.3	5,755.5	5,636.6	5,935.1
Networth	8,292.4	8,660.6	8,541.7	8,840.2
Demand Deposits	8,934.4	12,013.8	15,017.3	18,020.7
Saving Deposits	5,086.2	7,292.4	9,844.7	12,798.2
Term & Other Deposits	117,122.1	130,756.8	147,755.2	165,485.8
Deposits	131,142.7	150,063.0	172,617.2	196,304.7
Borrowings	6,106.2	5,349.5	7,519.5	7,403.7
Other Liabilities & Provisions	10,678.7	12,152.1	13,412.3	14,356.8
	156,220.0	176,225.2	202,090.6	226,905.3
ASSETS				
Cash & Balances with RBI	6,360.9	6,040.9	8,630.9	9,815.2
Balances with Banks & money at Call & Short Notice	5,185.1	8,764.2	9,077.7	10,274.7
Investments	40,691.7	54,099.0	56,804.0	61,348.3
Advances	89,997.5	93,104.6	111,725.5	128,484.3
Fixed Assets	3,245.0	3,395.9	3,950.0	4,128.0
Other Assets	10,739.8	10,820.6	11,902.6	12,854.8
	156,220.0	176,225.2	202,090.6	226,905.3

Ratios

	FY05	FY06	FY07E	FY08E
Valuation				
EPS (Rs.)	7.2	1.3	1.3	3.3
BVPS (Rs)	28.5	29.8	29.4	30.4
Adj BVPS (Rs.)	20.1	23.1	24.4	25.4
PER (x)	6.8	38.7	37.7	14.8
PEG (x)	(2.5)	(0.6)	18.5	0.3
P/Adj BV (x)	2.4	2.1	2.0	1.9
Dividend Yield (%)	3.7	-	3.1	4.1
Growth (%)				
NII	31.1	(24.2)	(22.1)	35.7
Advances	15.2	3.5	20.0	15.0
Deposits	17.1	14.4	15.0	13.7
Investments	2.5	32.9	5.0	8.0
Borrowings	(73.6)	(12.4)	40.6	(1.5)
Operating Profit	(9.8)	(44.0)	(31.2)	46.0
Net Profit	(19.8)	(82.5)	2.6	154.3
EPS	(19.8)	(82.5)	2.6	154.3
Total Funds	16.3	10.0	16.9	14.2
Profitability				
Operating Profit Margin (%)	29.0	15.9	9.1	11.5
Net Profit Margin (%)	15.2	2.6	2.2	4.9
Cost/Income (%)	39.8	58.5	68.6	63.2
Tax/PBT (%)	22.7	37.8	33.6	33.6
RoE (%)	25.3	4.3	4.4	10.9
RoA (%)	1.3	0.2	0.2	0.4
Other Parameters				
Net NPA/Net Advances (%)	2.7	2.1	1.3	1.1
Business per employee (Rs mn)	240.6	166.3	177.7	180.4
Profit per employee (Rs mn)	2.3	0.3	0.2	0.5
Credit-Deposit(%)	68.6	62.0	64.7	65.5
Investment / Deposit (%)	31.0	36.1	32.9	31.3
Gross Non-Performing Assets (Rs.mn)	3,205.3	2,688.3	2,388.3	2,588.3
Net Non Performing Assets (Rs.mn)	2,442.7	1,949.7	1,449.7	1,449.7
Basic Data				
Sh. Price	49.1	49.1	49.1	49.1
Market Capitalisation (Rs.mn)	14,264.0	14,264.0	14,264.0	14,264.0

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