

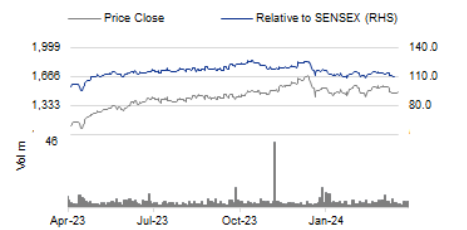
India

**HOLD** (no change)

Consensus ratings*:	Buy 44 Hold 4 Sell 1
Current price:	Rs1,496
Target price:	Rs1,650
Previous target:	Rs1,750
Up/downside:	10%
InCred Research / Consensus:	-12.1%
Reuters:	INBK.NS
Bloomberg:	IIB IN
Market cap:	US\$13,975m
	Rs1,164,445m
Average daily turnover:	US\$67.0m
	Rs5585.2m
Current shares o/s:	732.0m
Free float:	46.0%
*Source: Bloomberg	

**Key changes in this note**

- IIB witnessed sequentially lower slippage but the provisioning remained low due to utilization of contingent provision worth Rs3bn.



Source: Bloomberg

<b>Price performance</b>	1M	3M	12M
Absolute (%)	(1.5)	(1.1)	31.5
Relative (%)	(4.0)	(5.9)	6.7

<b>Major shareholders</b>	% held
Indusind Int holdings	16.5
LIC	5.4
BoFA	4.5

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# IndusInd Bank

## Deposit and asset quality remain a laggard

- IIB reported an in-line 4QFY24 PAT of Rs23.5bn amid sequentially flat margins (rising unsecured loan mix) & lower provision (by using contingent provision).
- IIB witnessed lower slippage sequentially, but we prefer to stay cautious in the coming quarters amid the rising share of non-vehicle loans and MFI lending.
- Retain HOLD rating with a lower TP of Rs1,650 or ~1.6X FY26F BV, which factors in all IIB's achievements & there is absence of favourable risk-reward.

### Deposit growth continues to lag; LDR remains stretched

IndusInd Bank (IIB) reported 4QFY24 advances at Rs3.43tr (+18.4% yoy, +5% qoq) with a major momentum in non-vehicle retail and small corporate loans as well as the MFI book witnessing a favourable trend. The bank continues to remain a laggard in deposit augmentation amid stiff competition. However, extended LDR at ~90% leaves limited room for further sluggishness in deposit growth.

### NIM managed amid weak deposit growth & rising unsecured loans

IIB reported a sequentially flat NIM at 4.26%, despite the consistent surge in cost of funds due to lower augmentation of deposits as well as rising share of unsecured loans (non-vehicle and MFIs) which is aiding yields. However, we expect limited room for a sluggish deposit growth trend amid the already stretched LDR (~90%) which may exert pressure on NIM in the coming quarters.

### We remain watchful on rising MFI loans, slow vehicle loan demand

MFI loans grew ~9.6% qoq and 21.7% yoy to 11.4% of total loans. The microfinance or MFI industry is selectively facing region-specific stress and although IIB has steered clear of these regions, we remain watchful on this segment. Within vehicle loans, cyclicality affects overall vehicle loan growth, including medium and heavy commercial vehicle or MHCV loans and construction equipment loans, while light commercial vehicle, tractor and passenger vehicle loans remained sluggish.

### Largely stable quality trend; prefer to stay cautious

The asset quality trend was largely stable with low slippage at ~44bp vs. ~56bp qoq. However, considering the recent surge in unsecured loans (including MFI lending) and overall tightening of liquidity, we prefer to remain cautious on the overall asset quality trend of the bank.

### Outlook & valuation

We are factoring in ~11.6% CAGR in PAT over FY24-27F amid declining margins and increasing credit costs. We see limited upside from the current levels. We maintain HOLD rating on the stock with a lower target price Rs1,650 or ~1.6X FY26F BV, which factors in all the bank's achievements & there is absence of a favourable risk-reward ratio. Better-than-expected growth/margins is an upside risk. Surge in credit costs is a downside risk.

### Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Net Interest Income (Rsm)	175,921	206,159	236,752	282,490	337,536
Total Non-Interest Income (Rsm)	81,664	93,879	107,168	124,013	144,348
Operating Revenue (Rsm)	257,585	300,038	343,920	406,504	481,884
Total Provision Charges (Rsm)	(44,868)	(37,987)	(48,007)	(61,425)	(77,842)
Net Profit (Rsm)	73,897	89,498	93,657	107,226	124,391
Core EPS (Rs)	95.25	115.19	120.64	138.12	160.23
Core EPS Growth	57%	13%	13%	14%	15%
FD Core P/E (x)	15.71	12.99	12.40	10.83	9.34
DPS (Rs)	14.00	16.50	22.00	28.00	32.00
Dividend Yield	0.94%	1.10%	1.47%	1.87%	2.14%
BVPS (Rs)	703.2	807.2	904.7	1,014.6	1,142.6
P/BV (x)	2.13	1.85	1.65	1.47	1.31
ROE	14.4%	15.2%	14.1%	14.4%	14.8%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Quarterly earnings summary

Particulars (Rs m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	YoY (%)	QoQ (%)
Net Interest Income	41,253	43,021	44,953	46,695	48,671	50,767	52,956	53,765	15.1%	1.5%
<i>NIM (calculated)</i>	5.2%	5.2%	5.2%	5.2%	5.1%	5.0%	5.1%	4.9%		
Other Operating Income	19,287	20,108	20,763	21,505	22,098	22,818	23,959	25,004	16.3%	4.4%
Operating Expenses	26,603	27,932	28,913	30,672	32,468	34,776	36,893	38,498	25.5%	4.4%
<b>Operating Profit</b>	<b>33,937</b>	<b>35,197</b>	<b>36,804</b>	<b>37,528</b>	<b>38,301</b>	<b>38,809</b>	<b>40,023</b>	<b>40,270</b>	<b>7.3%</b>	<b>0.6%</b>
Provisions	12,510	11,411	10,647	10,301	9,916	9,738	9,342	8,991	-12.7%	-3.8%
Exceptional Items	-	-	-	-	-	-	-	-		
<b>PBT</b>	<b>21,427</b>	<b>23,786</b>	<b>26,157</b>	<b>27,227</b>	<b>28,385</b>	<b>29,071</b>	<b>30,681</b>	<b>31,279</b>	<b>14.9%</b>	<b>2.0%</b>
Tax	-5,394	-5,919	-6,565	-6,822	-7,149	-7,256	-7,701	-7,812	14.5%	1.4%
<i>Tax rate (%)</i>	25.2%	24.9%	25.1%	25.1%	25.2%	25.0%	25.1%	25.0%	-0.3%	-0.5%
<b>PAT</b>	<b>16,033</b>	<b>17,867</b>	<b>19,592</b>	<b>20,405</b>	<b>21,236</b>	<b>21,815</b>	<b>22,979</b>	<b>23,468</b>	<b>15.0%</b>	<b>2.1%</b>
<b>Advances (Rs bn)</b>	24,79,600	26,01,288	27,27,540	28,99,237	30,13,170	31,54,541	32,70,570	34,32,983	<b>18.4%</b>	<b>5.0%</b>
<b>Deposits (Rs bn)</b>	30,30,780	31,59,205	32,52,780	33,64,381	34,70,470	35,97,865	36,87,930	38,47,929	<b>14.4%</b>	<b>4.3%</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Our revised earnings estimates

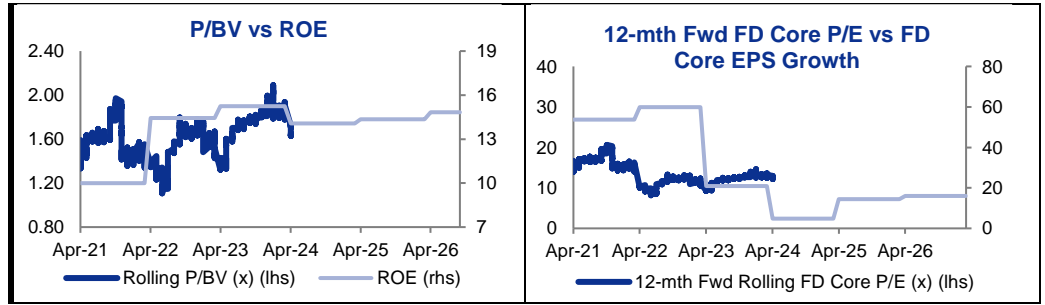
Y/E Mar (Rs m)	FY25F			FY26F			FY27F		
	Earlier	Revised	% change	Earlier	Revised	% change	Earlier	Revised	% change
Net Interest income	2,48,307	2,36,752	-4.7%	2,91,636	2,82,490	-3.1%	NA	3,37,536	NA
Non-Interest Income	1,04,423	1,07,168	2.6%	1,22,978	1,24,013	0.8%	NA	1,44,348	NA
PPOP	1,84,515	1,72,883	-6.3%	2,19,675	2,04,393	-7.0%	NA	2,43,696	NA
PAT	1,00,144	93,657	-6.5%	1,18,057	1,07,226	-9.2%	NA	1,24,391	NA
EPS (Rs)	128.7	120.4	-6.5%	151.7	137.8	-9.1%	NA	159.9	NA
BV (Rs)	904.1	904.7	0.1%	1,025.1	1,014.6	-1.0%	NA	1,142.6	NA

SOURCE: INCRED RESEARCH, COMPANY REPORTS

### 4QFY24 earnings conference-call highlights

- The bank is witnessing some slowdown in credit card flows and guided that slippage in the same will stabilize going ahead.
- The yield on the MFI book stood at 21%.
- The employee attrition rate is down to ~35% in FY24 from ~50% in FY22.
- Technology-related costs stood at 9.5% of total costs.
- Additional Tier-1 bonds matured during the quarter, which had an impact of ~40bp. The same was partially offset by higher lending to A-rated large corporates.
- Home loan book grew 30% qoq, although it remained a small contributor to total loans at ~1% of total loans.
- The gems and jewellery segment is witnessing a slowdown in demand, although the asset quality has remained intact.
- Certificate of Deposits contributed ~3% to total deposits.

BY THE NUMBERS



Profit & Loss

(Rsm)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Net Interest Income	175,921	206,159	236,752	282,490	337,536
<b>Total Non-Interest Income</b>	<b>81,664</b>	<b>93,879</b>	<b>107,168</b>	<b>124,013</b>	<b>144,348</b>
Operating Revenue	257,585	300,038	343,920	406,504	481,884
<b>Total Non-Interest Expenses</b>	<b>(114,120)</b>	<b>(142,635)</b>	<b>(171,038)</b>	<b>(202,111)</b>	<b>(238,188)</b>
Pre-provision Operating Profit	143,465	157,403	172,883	204,393	243,696
<b>Total Provision Charges</b>	<b>(44,868)</b>	<b>(37,987)</b>	<b>(48,007)</b>	<b>(61,425)</b>	<b>(77,842)</b>
Operating Profit After Provisions	98,596	119,415	124,876	142,968	165,854
<b>Pretax Income/(Loss) from Assoc.</b>					
Operating EBIT (incl Associates)	98,596	119,415	124,876	142,968	165,854
<b>Non-Operating Income/(Expense)</b>					
Profit Before Tax (pre-EI)	98,596	119,415	124,876	142,968	165,854
<b>Exceptional Items</b>					
Pre-tax Profit	98,596	119,415	124,876	142,968	165,854
Taxation	(24,699)	(29,918)	(31,219)	(35,742)	(41,464)
Consolidation Adjustments & Others					
<b>Exceptional Income - post-tax</b>					
Profit After Tax	73,897	89,498	93,657	107,226	124,391
Minority Interests					
Pref. & Special Div					
<b>FX And Other Adj.</b>					
Net Profit	73,897	89,498	93,657	107,226	124,391
Recurring Net Profit					

Balance Sheet Employment

(Rsm)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Gross Loans/Cust Deposits					
Avg Loans/Avg Deposits	83.9%	87.8%	89.7%	90.3%	90.6%
Avg Liquid Assets/Avg Assets	76.0%	74.7%	74.2%	75.2%	76.3%
<b>Avg Liquid Assets/Avg IEAs</b>	<b>123.6%</b>	<b>114.7%</b>	<b>109.7%</b>	<b>108.4%</b>	<b>107.7%</b>
Net Cust Loans/Assets					
<b>Net Cust Loans/Broad Deposits</b>					
Equity & Provns/Gross Cust Loans					
Asset Risk Weighting					
<b>Provision Charge/Avg Cust Loans</b>					
<b>Provision Charge/Avg Assets</b>					
Total Write Offs/Average Assets					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS...cont'd**

<b>Balance Sheet</b>					
<b>(Rsm)</b>	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>	<b>Mar-27F</b>
<b>Total Gross Loans</b>	<b>2,899,244</b>	<b>3,432,983</b>	<b>4,030,627</b>	<b>4,780,820</b>	<b>5,701,398</b>
Liquid Assets & Invst. (Current)					
Other Int. Earning Assets					
Total Gross Int. Earning Assets	2,899,244	3,432,983	4,030,627	4,780,820	5,701,398
<b>Total Provisions/Loan Loss Reserve</b>					
Total Net Interest Earning Assets	2,899,244	3,432,983	4,030,627	4,780,820	5,701,398
Intangible Assets					
<b>Other Non-Interest Earning Assets</b>	<b>262,604</b>	<b>261,108</b>	<b>275,974</b>	<b>294,198</b>	<b>314,277</b>
<b>Total Non-Interest Earning Assets</b>	<b>282,530</b>	<b>283,086</b>	<b>299,683</b>	<b>319,952</b>	<b>342,300</b>
Cash And Marketable Securities	565,112	368,016	357,775	384,066	419,936
<b>Long-term Investments</b>	<b>831,162</b>	<b>1,065,267</b>	<b>1,197,387</b>	<b>1,339,941</b>	<b>1,503,740</b>
Total Assets	4,578,048	5,149,352	5,885,473	6,824,779	7,967,374
Customer Interest-Bearing Liabilities					
Bank Deposits					
Interest Bearing Liabilities: Others	490,112	476,114	483,256	492,516	503,988
Total Interest-Bearing Liabilities	3,854,494	4,324,044	4,957,088	5,779,556	6,786,710
Banks Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	177,330	197,337	224,550	255,893	291,767
Total Liabilities	4,031,824	4,521,381	5,181,638	6,035,450	7,078,477
Shareholders Equity	546,217	627,971	703,835	789,330	888,896
<b>Minority Interests</b>					
Total Equity	546,217	627,971	703,835	789,330	888,896

<b>Key Ratios</b>					
	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>	<b>Mar-27F</b>
Total Income Growth	17.3%	17.2%	14.8%	19.3%	19.5%
Operating Profit Growth	12.3%	9.7%	9.8%	18.2%	19.2%
Pretax Profit Growth	61%	21%	5%	14%	16%
Net Interest To Total Income	68.3%	68.7%	68.8%	69.5%	70.0%
Cost Of Funds	5.17%	6.15%	6.25%	5.94%	5.63%
Return On Interest Earning Assets	13.8%	14.4%	14.1%	13.6%	13.2%
Net Interest Spread	8.58%	8.30%	7.87%	7.71%	7.56%
Net Interest Margin (Avg Deposits)	5.58%	5.72%	5.69%	5.79%	5.83%
Net Interest Margin (Avg RWA)					
Provisions to Pre Prov. Operating Profit	31%	24%	28%	30%	32%
Interest Return On Average Assets	4.09%	4.24%	4.29%	4.45%	4.56%
Effective Tax Rate	25.1%	25.1%	25.0%	25.0%	25.0%
Net Dividend Payout Ratio					
Return On Average Assets	1.72%	1.84%	1.70%	1.69%	1.68%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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