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IndusInd Bank - Buy

IndusInd Bank was incorporated in April 1994, with a capital base of Rs1,000 million, of which Rs 600 million was raised through private placement from Indian Residents while the balance Rs.400 million was contributed by Non-Resident Indians.

IndusInd Bank is one of the new-generation private-sector banks in India currently having a network of 180 branches, spread over 147 geographical locations in 28 states and union territories across the country. The Bank also has a Representative Office each in Dubai and London.

Management

The management of the company is led by Romesh Sobti - Managing Director & CEO, R Seshasayee is Chairman, while other directors include R Sundararaman, T Anantha Narayanan, T T Ram Mohan, Premchand Godha, Ajay P Hinduja, S C Tripathi and Ashok Kini.

Business Overview

IndusInd Bank holds pan India presence through a network of 180 branches, 410 marketing offices, 378 ATMs, representative offices in Dubai and London and strategic alliances in UAE and Qatar. It is the 2nd largest financier of Commercial Vehicles in the country.

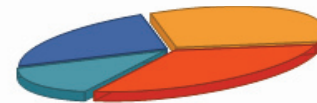
The bank is having a multi-lateral tie-up with other banks providing access to more than 18000 ATMs for its customers. It enjoys clearing Bank status for both major stock exchanges - BSE and NSE - and three major commodity exchanges in the country - MCX, NCDEX, and NMCE. It also offers DP facilities for stock and commodity segments.

The bank offers a wide range of products and services which are designed to cater to the varied needs.

Apart from personal banking its offers wealth management solutions as well. It integrates goal-based financial planning, advanced portfolio management and asset allocation, allowing us to make dependable recommendations and successfully manage valued and trusted relationships. In constructing an investment portfolio, it draws upon a comprehensive range of financial products. Depending on what suits the customers need best,

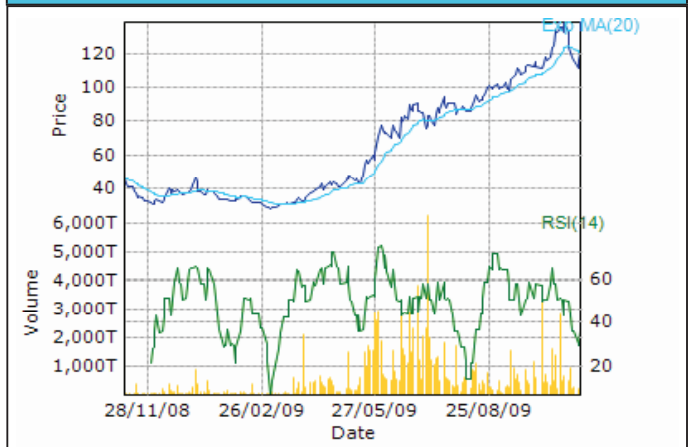
Stock Data		09/11/09
Current Mkt Price (Rs)		134.25
52 Week High		145.45
52 Week Low		26.20
Mkt Cap (Rs. in Million)		55035.34
Return in last one Month (%)		13.96

Share Holding



22.2 Foreign Promotor	32.65 Total Institutions
29.36 Total Non-Institutions	15.78 Depository Receipt

Performance in last one year



Y-o-Y Performance

Particulars	(Rs. in Million)		
	Mar 2009	Mar 2008	Change(%)
Net Sales	23094.74	19202.25	20.27
Other Income	4562.54	2580.13	76.83
Total Expenditure	5470.34	4021.93	36.01
Operating Profit	2274.89	1142.84	99.06
Interest	18504.41	15798.60	17.13
Profits After Tax	1483.39	750.54	97.64
Reserve & Surplus	13.08	10.29	27.09
Reported EPS(Rs)	4.18	2.35	78.11
Core EBITDA Margin (%)	15.95	10.22	56.07



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it can build an asset allocated investment portfolio for you, which could consist of Mutual funds, Equity IPO, Insurance, Bonds, and Gold etc.

The Bank has a full-fledged Correspondent Banking Department and holds correspondent banking relationships with over 232 banks spread across the globe to facilitate cross-border trade and payment related services. The services offered include a wide variety of fee-based corporate products and services like documentary credits, stand by letter of credit, guarantees, remittances, acceptance of collections etc.

Its investment banking products & services includes, Mergers & Acquisitions Advisory, Business Strategy, Valuation & Restructuring, Debt Restructuring & Syndication, Project Finance, Private Equity, Arrangement / Syndication / Placement of FCCB / GDR / ECB and Fund Development (Equity / Real Estate).

Latest result analysis

- Net interest income (NII) of the bank increased by 98% to Rs 208.55 crore from Rs 105.24 crore of September 2008 quarter.
- Net profit increased by huge 131% to Rs 77.82 crore from Rs 33.66 crore.
- Operating profit increased by 132% to Rs 155.32 crore from Rs 67.09 crore in the corresponding previous quarter.
- For the quarter the total non interest income of the bank increased by 49% to Rs 132.35 crore compared to Rs 88.95 crore.
- Core fee income of the bank increased by 44% to Rs 128.88 crore from Rs 89.67 crore.
- Net NPA of the bank stood at 0.98% for the quarter ended September 2009 while it was 2.21% for the quarter ended September 2008.
- Net Interest Margin (NIM) for the current quarter was 2.86% as against 1.68% in the corresponding quarter of the previous year.
- Gross NPA in current Q2 has dropped to Rs 265.11 crore (1.50%) from Rs 424.54 crore (3.00%) in previous year Q2.

Profit & Loss			
(Rs. in Million)			
Particulars	Mar 2009	Mar 2008	Change(%)
Net Sales	23094.74	19202.25	20.27
Total Income	27657.28	21782.39	26.97
Total Expenditure	5470.34	4021.93	36.01
Operating Profit	2274.89	1142.84	99.06
Profits After Tax	1483.39	750.54	97.64

Balance Sheet			
(Rs. in Million)			
Particulars	Mar 2009	Mar 2008	Change(%)
Share Capital	3551.92	3200.00	11.00
Reserve & Surplus	13080.51	10292.07	27.09
Total Liabilities	276146.83	232618.82	18.71
Investments	80834.06	66296.96	21.93
Current Liabilities	0.00	0.00	0.00
Net Current Assets	0.00	0.00	0.00
Total Assests	276146.83	232618.82	18.71

Key Ratios		
Particulars	Mar 2009	Mar 2008
Reported EPS (Rs)	4.18	2.35
Core EBITDA Margin (%)	15.95	10.22
EBIT Margin (%)	89.97	88.23
ROA (%)	0.54	0.32
ROE (%)	10.39	6.77
ROCE (%)	7.52	7.28
Price/Book (x)	0.8	2.27
Net Sales Growth (%)	20.27	27.99
EBIT Growth (%)	0	0
PAT Growth (%)	97.64	10.02
Total Debt/Mcap (%)	1.62	0.44

Industry Scenario

The Indian banking sector has played a commendable role in fuelling and sustaining growth in the economy. In the recent past a large part of the banking sector's growth has been on the back of financing consumption, as reflected in the growth of retail banking. Over the post reform period of 1991 through 2008, total assets of banking industry have grown at a compounded annual rate of growth of 11.5%. The induction of new private and foreign sector banks and private equity in public sector banks has brought professional dynamism and



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vibrancy to the industry. High rate of economic growth since 2004 place the banking industry on an exponential growth path.

However, the recent slowdown in economy coupled with the drought like conditions in large part of the country has threatened the sector regarding shrinking profits and rising non-performing assets (NPAs). The purpose of this note is to visualise how the poor monsoon will impact asset quality of the banks.

After declining for years, NPAs of Indian banks showed some uptick in the last fiscal, primarily due to the sharp slowdown in global economy and its resulting impact on India.

From a longer term perspective, there are no systematic risks with Indian banking industry. Despite slight uptick in NPAs, absolute level remains fairly low. This, coupled with high capital adequacy ratio would ensure that asset quality of banks does not deteriorate beyond tolerable levels.

Latest developments

CRISIL has reaffirmed its P1+ rating of IndusInd Bank's fixed deposits and certificates of deposit programme. The rating continues to reflect the bank's established presence in the commercial vehicle (CV) financing business and the significant improvement in its asset quality. The rating also factors in the bank's modest resource and earnings profile, and average capitalisation levels.

IndusInd Bank, one of the new generation private sector banks in the country, has successfully concluded its first Qualified Institutional Placement (QIP) offering of \$ 100 million. The issue received very strong response from investors on opening on August 11, 2009 and was swiftly over-subscribed.

IndusInd Bank has won the mandate from the Haj Committee of India to cater to the business of Import and Distribution of Saudi Riyal currency notes for all government sponsored Haj pilgrims going to Saudi Arabia this year. This is the first time that IndusInd Bank had bid for this mandate and was successful in getting this mandate. There were other leading Indian banks as well who had bid for this mandate.

The bank in the passing quarter entered into a Memorandum of Understanding (MOU) with Hyundai Motor India Ltd (HMIL), the second largest

car manufacturer in the country, for facilitating car loan financing for its interested customers. The bank has also entered into a strategic tie up with Maruti Suzuki for financing Maruti vehicles on an all India basis.

Recommendation Factors

Introduction of dedicated product portfolio to provide cash management, trade and financing, supply chain financing, global remittances, commodity financing, and electronic banking services to clients across business groups.

Received RBI authorization for 30 new branches, 50 offsite ATMs (14 opened) and 6 mobile ATMs. The bank is having expertise in Commercial and Small Business Sectors; it is the major player in cross border remittances.

The bank is having a strong enterprise risk management framework and a robust technology platform.

IndusInd Bank is targeting a loan growth of 25 to 30 % in 2009-10. The bank also expects to maintain net interest margin at 2.86 percent in the October-December quarter.

NII and PAT of the bank are expected to grow at a CAGR of 36% & 73% over FY08 to FY11E.

Vehicle finance, which accounts for a large chunk of the lender's retail portfolio, has started picking up after a long stagnant phase. The bank has tied up with Hyundai Motor India, the second largest car manufacturer in the country, for facilitating car loan financing for its interested customers, it has also entered into a strategic tie up with maruti Suzuki for financing its vehicles on an all India basis and as a result the disbursements have now picked up to Rs 480 crore a month, from a low of Rs 230-240 crore in December last year.

NIM, a key indicator of the bank's income from a core operations increased to 2.86% from 1.68% of corresponding previous quarter, as the cost of deposits has fallen and CASA (low cost deposits) has gone up. The amount of loan growth is also likely to be on the bank's expected line as the corporate confidence will surely boost credit demand in the country. The scrip is currently trading at Rs 134 and at a P/E multiple of 20.73. We would recommend a buy in the stock with a price target of Rs 174



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