

**Key Highlights**

**IndusInd Q3 numbers beets Market expectation**

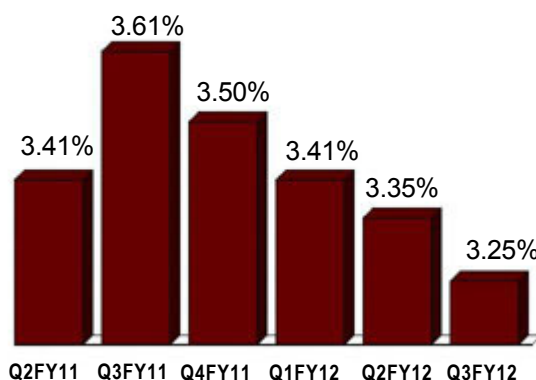
- ◆ Net interest income increased 15.7% to Rs 421 crore from Rs 363 crore year on year. The net profit has jumped 33.86% to Rs 205.96 crore in the third quarter against Rs 153.86 crore year-on-year and grew 6.67% Q on Q.
- ◆ The bank's asset quality also improved with net NPAs falling to 0.29 per cent against 0.38 per cent (year-on-year). Gross NPAs stood at 1.02 per cent against 1.21 per cent (yoy).
- ◆ Other income rose to Rs 265 crore against Rs 239 crore (yoy) while operating expenses rose to Rs 340 crore against Rs 325 crore (yoy). Provisioning declined to Rs 42 crore against 47 crore (yoy)
- ◆ Deregulation of savings account rate has helped for the growth in retail segment by way of increasing the number of retail clients. New customer base has increased by 10% and savings deposits volumes grew by 22% in the quarter.
- ◆ Net Interest Margin down 10 bps to 3.25

Research Analyst: Shajan K S  
[research@dbfsindia.com](mailto:research@dbfsindia.com)  
 Helpline: +914843060126

**Stock Data**

Price	262.95
Price objective	306
Data Established	10-01-12
Volatility and Risk	Medium
52- Week High	292
52-week Low	181
Shares out standing (mn)	466.73
Market Cap (mn)	Rs117,546.50
Average Daily Volume	757,510
Bloomberg	IIB:IN
Reuters	INBK.NS
Beta	1.16
NIFTY	4849
Exchange rate	52.10
Fiscal Year End	March

**Net Interest Margin**

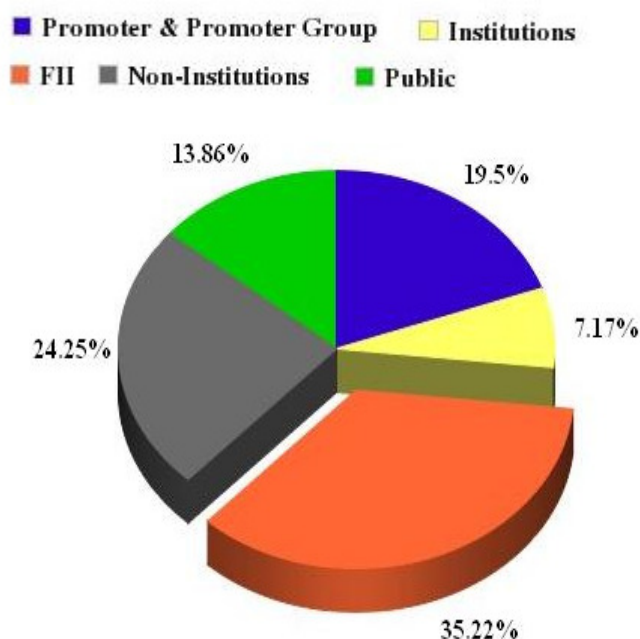


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## Q2 Analysis

Rs(Cr)	2011Q3	2012Q2	2012Q3	Q on Q	Y on Y
Interest Earned	914.91	1323.86	1389.74	4.98%	51.90%
Interest/discount on advances/bills	723.08	1037.1	1082.69	4.40%	49.73%
Income on investments	187.43	267.22	293.58	9.86%	56.63%
Interest on balances RBI& other Banks	4.33	4.45	3.45	-22.47%	-20.32%
Others	0.07	15.09	10.02	-33.60%	14214%
Other Income	195.95	239.21	265.12	10.83%	35.30%
<b>Total Income</b>	<b>1110.86</b>	<b>1563.07</b>	<b>1654.86</b>	<b>5.87%</b>	<b>48.97%</b>
Interest Expended	551.91	904.67	959.09	6.02%	73.78%
Operating Expenses	267.77	325.42	346.53	6.49%	29.41%
Employees cost	97.95	115.22	126.12	9.46%	28.76%
Other operating expenses	169.82	210.2	220.41	4.86%	29.79%
<b>Total Expenditure</b>	<b>819.68</b>	<b>1230.09</b>	<b>1305.62</b>	<b>6.14%</b>	<b>59.28%</b>
<b>Operating Profit</b>	<b>291.18</b>	<b>332.98</b>	<b>349.24</b>	<b>4.88%</b>	<b>19.94%</b>
Provisions and Contingencies	56.19	46.97	42.83	-8.81%	-23.78%
Profit before tax	234.99	286.01	306.41	7.13%	30.39%
Tax Expense	81.13	92.92	100.45	8.10%	23.81%
<b>Net profit</b>	<b>153.86</b>	<b>193.09</b>	<b>205.96</b>	<b>6.67%</b>	<b>33.86%</b>

## Shareholding pattern(%)

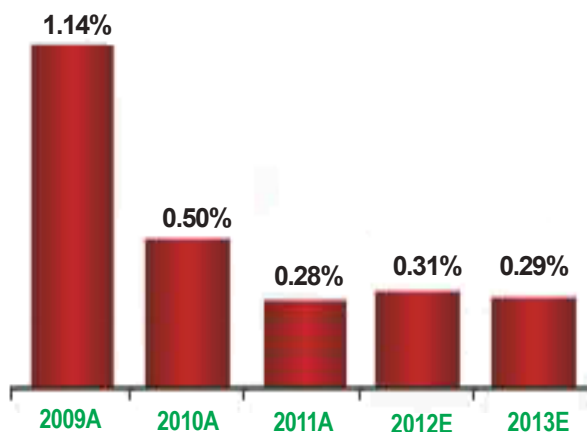


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## Movement of NPL forecast

Rs (Cr)	2009A	2010A	2011A	2012E	2013E
(i) Net NPA to Net Advances	1.14%	0.50%	0.28%	0.31%	0.29%
(ii) Movement of NPAs (Gross)					
(a) Opening balance	392.31	255.02	255.47	265.86	328.38
(b) Additions	219.00	221.60	190.38	204.16	199.44
Sub total (A)	611.31	476.62	445.85	470.02	527.82
(i) Upgradations	66.31	81.65	30.71	17.83	8.33
(ii) Recoveries	144.90	69.99	38.55	27.07	22.68
(iii) Write-offs	145.08	69.51	110.73	96.74	93.31
Sub-total (B)	356.29	221.15	179.99	141.63	124.32
Gross NPAs (A-B)	255.02	255.47	265.86	328.38	403.50
(iii) Movement of Net NPAs					
(a) Opening Balance	291.02	179.13	101.83	72.82	105.34
(b) Additions during the year	81.04	48.66	17.97	47.08	37.67
(c) Reductions during the year	192.93	125.96	46.98	14.56	11.65
(d) Closing balance	179.13	101.83	72.82	105.34	131.35
(iv) Movement of provisions for NPAs					
(a) Opening balance	101.29	75.89	153.64	193.04	223.05
(b) Additions during the year	137.96	172.94	172.41	176.32	188.61
(c) Write off/write back of excess provisions	163.36	95.19	133.01	146.31	139.51
(d) Closing balance	75.89	153.64	193.04	223.05	272.15

## NPA (%)



During the October-December quarter, IndusInd bank managed to maintain its asset quality. Its net non-performing asset (NPA) ratio stood at 0.29% and gross NPA is at 1.02%. It is expected to maintain its asset quality at current level in this fiscal.

## Investment Thesis

In our research report dated 21<sup>st</sup> December 2011, we had recommended a BUY at Rs 234 with a target of Rs 306. After the announcement of Q3 result we are maintaining a positive out look on IndusInd Bank and recommend a HOLD on the stock with target price unchanged.

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