INVasset Corporate Insights

IndusInd Bank

14th May, 2024

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India's Best Performing and Most Customer Centric PMS

IndusInd Bank Limited: A Pioneer in Indian Banking

Introduction to IndusInd Bank: IndusInd Bank Limited, founded in Mumbai in 1994, holds the distinction of being India's inaugural private sector bank. Its establishment, under the chairmanship of Srichand P Hinduja, aimed primarily at serving the NRI community. Over the years, it has evolved into a comprehensive financial institution, providing an array of banking products and services to both corporate and retail clients across India and International Financial Service Centres.

Innovations and Partnerships: An exemplar of innovation, IndusInd Bank became the first Indian bank to collaborate with NPCI for facilitating cross-border NRI remittances via UPI. Such strategic partnerships underscore the bank's commitment to harnessing technology for delivering seamless financial solutions to its diverse clientele.

Specialized Domains: IndusInd Bank has carved a niche for itself in specialized sectors such as vehicle financing, micro-financing, and diamond manufacturer financing. These domains, constituting 43% of its loan book, have exhibited resilience even amid turbulent economic conditions, outperforming industry benchmarks.

Financial Strength: IndusInd Bank's financial prowess is evident in its robust ratios as of Q1 FY23, including a capital adequacy ratio of 18.14%, net interest margin of 4.21%, and low levels of gross and net NPAs, ensuring stability and sound asset quality.

Customer-Centric Initiatives: The bank's commitment to enhancing customer experience is reflected in its array of initiatives introduced during FY22, ranging from IndusEasyCredit to digital solutions like UPI Pre-Paid Voucher and Single Sign-On for Corporate Channels, aimed at streamlining banking processes and fostering convenience.

Extensive Network: With a sprawling network encompassing 2,286 banking outlets, 2,836 BFIL branches, 817 vehicle finance marketing outlets, and 2,783 ATMs, IndusInd Bank ensures widespread accessibility, catering to diverse demographics across urban, rural, metro, and semi-urban areas.

Diversified Loan Book: IndusInd Bank boasts a well-diversified loan book, with 54% allocated to consumer banking and the remainder to corporate banking. Its corporate loan book spans various sectors, demonstrating prudent risk management and sectoral diversification strategies, thereby mitigating risks associated with overexposure to any particular industry.

Commitment to Financial Inclusion and Empowerment: Anchored in a liabilities-driven growth strategy, IndusInd Bank remains focused on retail deposits and digital distribution to drive sustainable growth. Key priorities include maintaining disbursement momentum, executing its Digital 2.0 strategy, scaling up new initiatives, and enhancing financial metrics to fortify its position in the market, ensuring continued innovation and adaptability in a dynamic banking landscape.

Stock Data	
CMP (14-05-2024)	1,405
52 Week High/Low	1,694/1,200
Face Value	10.00
Market Cap (In Crs)	1,09,336
Enterprise Value (In Crs)	4,38,274
NSE	INDUSINDBANK
BSE	532187
Bloomberg	IIB:IN
Sector	BANKS – Private Sector

Shareholding Pattern (in %)		
	MAR 24	DEC 23
Promoter	16.40	16.45
FII	40.25	42.47
DII	28.09	26.21
Government	0.37	0.36
Public	14.90	14.52

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	-0.75	12.37	20.17
Indusind Bank	-8.62	-5.74	15.46

Key Ratios	
P/E	12.2
P/S	2.39
P/B	2.00
Debt To Equity	7.06
ROE	16.4%
ROCE	8.42%
Dividend Yield	0.97%

Q4 FY 24 Result Update

Q4 FY24 Result Comparison (In Rs Cr)					
	Q4 FY24	Q3 FY24	Q4 FY23	QOQ	YOY
Revenue	12,199	11,572	10,021	5.42%	21.73%
Other Income	2,508	2,396	2,154	4.67%	16.43%
Expenses	4,753	4,618	4,096	2.92%	16.04%
Interest Expense	6,822	6,277	5,351	8.68%	27.49%
Net Profit	2,347	2,301	2,043	2.00%	14.88%
EPS	30.18	29.59	26.34	1.99%	14.58%

Result Highlights

IndusInd Bank's Q4 FY24 Financial Performance: A Robust Growth Trajectory

Overview of IndusInd Bank's Q4 FY24 Results: IndusInd Bank's financial performance for Q4 FY24 showcases notable growth in revenue and net profit compared to the previous: quarters and the same quarter in the previous fiscal year. The bank reported a revenue of ₹12,199 crore, marking a 5.42% increase from Q3 FY24 and a 21.73% increase year-over-year (YOY). This growth is indicative of the bank's expanding operations and its ability to generate higher income from its core activities. Such a robust increase points to the bank's successful adaptation to market conditions and operational strategies.

Analysis of Other Income and Expenses: The bank's other income also saw a positive trajectory, rising to ₹2,508 crore in Q4 FY24 from ₹2,396 crore in Q3 FY24, reflecting a 4.67% quarterly increase and a 16.43% YOY increase. Simultaneously, expenses rose to ₹4,753 crore, which is a modest increase of 2.92% from the previous quarter and 16.04% from Q4 FY23. This suggests effective cost management despite the higher scale of operations. The balance between rising income and controlled expenditure underscores the bank's financial health.

Interest Expense and Profitability: Interest expenses for Q4 FY24 stood at ₹6,822 crore, up 8.68% from Q3 FY24 and a significant 27.49% YOY. This increase in interest expense could be attributed to higher borrowing costs or an expansion in lending volumes. Despite these higher costs, the bank managed a net profit of ₹2,347 crore, indicating a resilient profit-making ability in a challenging economic environment. The ability to maintain profitability amidst rising expenses demonstrates strong fiscal discipline.

Net Profit and Earnings Per Share (EPS): The net profit for Q4 FY24 increased by 2.00% from Q3 FY24 and by 14.88% YOY, reaching ₹2,347 crore. The Earnings Per Share (EPS) similarly increased to 30.18, up from 29.59 in Q3 FY24, reflecting a 1.99% quarterly growth and a 14.58% YOY growth. These figures are testament to the bank's robust operational efficiency and its ability to enhance shareholder value. The consistent growth in EPS highlights the bank's ability to generate and return value to its shareholders.

Yearly Financial Growth Comparison: Comparing the yearly data, IndusInd Bank has demonstrated significant resilience and capability in scaling its financial outputs. The double-digit growth in revenue, other income, and net profits illustrates a strong market position and operational prowess. The increase in interest expenses also underscores the bank's aggressive investment in growth opportunities. This growth pattern suggests that the bank is effectively leveraging its assets to maximize income.

Future Outlook and Strategic Implications: Looking forward, IndusInd Bank seems well-positioned to continue its growth trajectory amidst economic fluctuations. The bank's strategic initiatives appear to focus on expanding its asset base, enhancing income from diversified streams, and managing costs effectively. Stakeholders might expect continued profitability and potentially new financial products or services to address evolving market demands. The bank's strategies seem aligned with long-term growth and sustainability, ensuring its competitive edge in the banking sector.

Concall Highlights

Overview of IndusInd Bank's Financial Health: IndusInd Bank stands out as the fifth largest private bank in India, featuring a broad distribution network. It showcases a robust balance sheet with a total of ₹3,43,298 crores in loans and ₹3,84,586 crores in deposits, reflecting a well-diversified loan and deposit mix across various products and geographies. The bank maintains a 56:44 retail to wholesale loan mix and prides itself on a high Net Interest Margin of 4.26%, indicating strong profitability, which is among the highest in the industry. With a Capital Adequacy Ratio of 17.23% and a Provisions Coverage Ratio of 71%, IndusInd Bank demonstrates solid financial health. The digital approach is also notable, with 93% of transactions conducted digitally. Additionally, the bank has significant allocations in vehicle finance and microfinance, which constitute 26% and 11% of the loan book, respectively.

IndusInd Bank's Robust Financial Performance in Q4 Fy24: IndusInd Bank has demonstrated significant growth in its financial metrics for the fourth quarter of the fiscal year 2024. The bank's retail deposits saw an 18% year-on-year increase, which contributed to an improvement in the share of retail deposits to 44.1%. Moreover, the bank experienced robust loan growth, with retail loans expanding by 23%, thereby increasing the share of retail loans to 56%. The digital platform, INDIE, continued to excel, garnering 5 million downloads and facilitating 10 million transactions per month. In terms of asset quality, the bank reported a reduction in gross slippages to 0.44% in Q4 FY24, down from 0.56% in the previous quarter, underscoring effective risk management. Furthermore, profitability metrics remained stable with a Net Interest Margin of 4.26%, and the bank posted a net profit of ₹8,977 crores, up 21% from the previous year, illustrating a strong fiscal discipline and growth trajectory.

IndusInd Bank's Fiscal Performance in Q4 Fy24: IndusInd Bank reported a robust fiscal performance in the fourth quarter of the fiscal year 2024, as evidenced by its comprehensive financial metrics. The bank's total loans rose by 18% year-over-year to ₹3,43,298 crores, with a significant 5% growth quarter-over-quarter. This growth is complemented by a 14% year-over-year increase in deposits, totaling ₹3,84,586 crores. The Current and Savings Account (CASA) balance increased by 8% year-over-year to ₹1,45,666 crores, which indicates a strengthening of low-cost deposit base. The bank's revenue also saw a significant boost, reaching ₹7,885 crores, up 16% from the previous year, contributing to a net profit increase of 15% year-over-year to ₹2,349 crores. Despite slight declines in some key ratios, such as a 2 basis point drop in Net Interest Margin to 4.26%, the bank maintained a healthy Return on Equity at 15.23% and a low Net Non-Performing Asset (NPA) ratio of 0.57%, underscoring its financial resilience and operational efficiency.

Core Competencies of IndusInd Bank: IndusInd Bank's key strengths lie in a diverse array of strategic areas contributing to its robust standing in the financial industry. The bank boasts a diversified loan book with specialized expertise in livelihood loans, ensuring a wide-reaching impact and financial inclusion. Its liability franchise remains robust, supported by strong product groups that facilitate sustained profitability, which is among the highest in the industry. IndusInd Bank also emphasizes stable asset quality with conservative provisioning, mitigating risk effectively. The bank's commitment to digital innovation is evident through its successful execution of the Digital 2.0 strategy, enhancing customer engagement and operational efficiency. Furthermore, the bank prioritizes Environmental, Social, and Governance (ESG) principles, integrating them as core elements of its business philosophy. Lastly, the experienced board and management team provide strategic direction and governance, ensuring the bank's continued success and resilience in a competitive market. These collective strengths underscore IndusInd Bank's capacity to maintain a leading position while adapting to evolving market demands.

IndusInd Bank's Strategic Advantages and Organizational Strengths: IndusInd Bank has successfully carved out a niche in the banking sector by leveraging several strategic strengths that differentiate it from its competitors. Central to its success is a diversified loan book that includes domain expertise in livelihood loans, highlighting its commitment to financial inclusion and sustainable development. The bank maintains a robust liability franchise that supports its solid foundation in various financial segments, backed by strong product groups. Another key feature of IndusInd Bank is its high profitability, consistently ranking among the top in the industry, coupled with a stable asset quality maintained through conservative provisioning.

Operational Excellence and Strategic Leadership at IndusInd Bank: The bank also excels in operational efficiency, thanks to its disproportionately large distribution network that ensures widespread reach and accessibility. Its proactive adoption of technology through the Digital 2.0 strategy further boosts its operational prowess and customer service. Additionally, the bank integrates Environmental, Social, and Governance (ESG) principles into its core business philosophy, reflecting its commitment to responsible banking. Leadership plays a crucial role, with an experienced board and management team steering the bank towards continuous growth and innovation. These combined strengths position IndusInd Bank as a resilient and forward-thinking financial institution.

Comprehensive Analysis of IndusInd Bank's Loan Portfolio for Fy24: IndusInd Bank showcases a well-diversified loan book, adeptly balancing consumer and corporate banking products through strategic financial management. As of March 2024, the bank's total advances reached ₹3,43,298 crores, with a consumer-to-corporate lending ratio evolving favorably over the year, culminating in a 56% contribution from consumer banking by March 2024. This growth reflects an increased focus on consumer products, particularly in vehicle finance, which alone constitutes 26% of consumer banking, underscoring the bank's strong position in the auto finance sector.

The corporate banking segment is equally robust, providing 44% of total advances with large corporates and mid-sized corporates contributing 24% and 15%, respectively. This indicates a keen strategic emphasis on supporting businesses across scales. The bank also maintains a substantial commitment to microfinance, making up 11% of the loan book, which highlights its dedication to smaller, often underserved sectors of the economy. IndusInd Bank's strategic distribution of financial products demonstrates its ability to cater to a broad range of financial needs, ensuring stability and growth in its market presence.

IndusInd Bank's Impact in Microfinance: Fostering Financial Inclusion: IndusInd Bank stands as a pivotal player in the microfinance sector, holding the position of the second-largest microfinance lender in India. The bank serves an impressive 12 million BFIL customers, emphasizing its significant role in bridging the financial inclusion gap. Over the past year, the microfinance loan book of the bank has seen a robust growth of 22% year-over-year, reaching ₹39,192 crores by the end of Q4 FY24. This growth is a testament to the bank's commitment to expanding its reach, as evidenced by its operations spanning 1.57 lakh villages across 23 states.

IndusInd Bank employs a tech-driven approach to risk management which ensures efficient oversight at the district and branch levels, further enhancing its operational integrity in remote areas. Furthermore, the bank supports over 700,000 merchant loan clients, specifically catering to the needs of the MSME sector. The average loan outstanding per borrower has also risen to ₹43,755, marking a 4% increase year-over-year, which underscores the bank's proactive approach in supporting small and micro enterprises, vital for economic development and community empowerment.

Analysis of IndusInd Bank's Non-Performing Assets for Q4 Fy24: In Q4 FY24, IndusInd Bank experienced significant movements in its Non-Performing Assets (NPAs). The opening balance for consumer NPAs stood at 4,159 crores, with corporate NPAs at 2,218 crores, totaling 6,377 crores. The quarter saw a considerable increase in fresh NPAs, especially in the consumer segment, where fresh additions were 1,266 crores compared to 162 crores in the corporate sector. This resulted in a gross NPA of 4,379 crores for consumer loans and 2,314 crores for corporate loans by the end of the quarter.

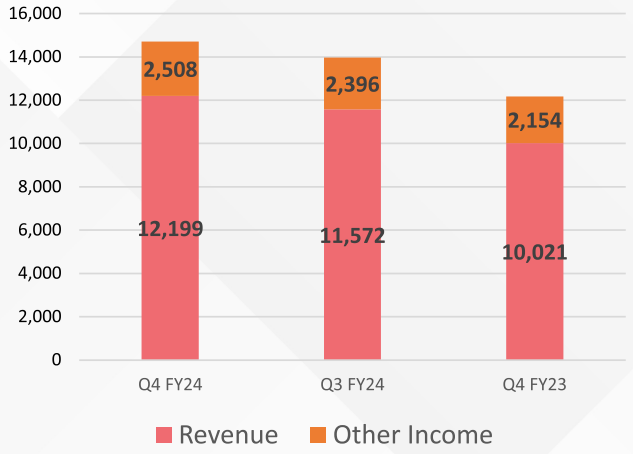
Despite these additions, the bank managed substantial deductions through write-offs and recoveries, particularly in the consumer segment, where 1,046 crores were deducted, including 473 crores in write-offs. This proactive management resulted in a net NPA decrease, with the total net NPA reducing to 1,968 crores. The bank's Provision Coverage Ratio (PCR) stood at 71%, indicating a robust framework for covering potential losses. The figures reflect a well-managed approach to risk and asset quality, with specific emphasis on monitoring and mitigating consumer credit risks.

IndusInd Bank's Shareholding Structure and Credit Profile: IndusInd Bank demonstrates a diversified shareholding pattern, with the majority stake held by Foreign Institutional Investors (FIIs) at 37.06%. This is followed by Mutual Funds, Banks, and Insurance Companies, collectively owning 24.30%. Promoters hold a significant share at 15.10%, ensuring stable governance and strategic direction. Other notable stakeholders include private corporates, individuals, NRIs, directors, and others, enhancing the bank's credibility and broad-based support. Additionally, the bank has accessed international markets through a 7.92% Global Depository Receipt (GDR) issue.

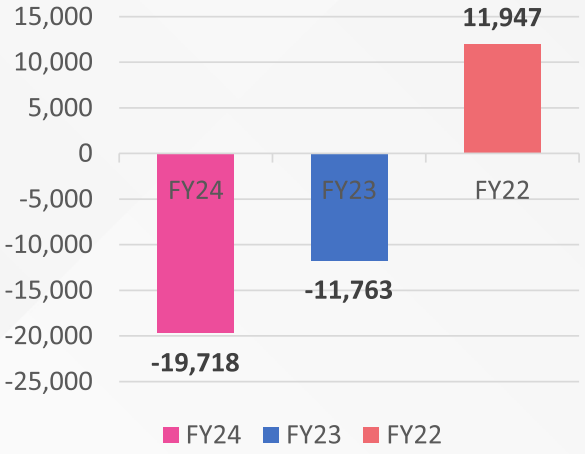
The bank's robust creditworthiness is reflected in its domestic and international credit ratings. Domestically, it enjoys high ratings such as CRISIL AA+ for its infrastructure bonds and Tier 2 bonds programs, and CARE A1+ for its certificate of deposit program. Internationally, Moody's has rated the bank's Senior Unsecured MTN program at Ba1. These ratings underscore the bank's strong financial health, risk management practices, and the trust it garners from global investors, positioning IndusInd Bank as a reliable and secure entity in the financial sector.

Integrating ESG Principles into IndusInd Bank's Operations: IndusInd Bank has effectively integrated Environmental, Social, and Governance (ESG) considerations into its business operations. A board-level ESG Committee oversees the integration of ESG risks with credit risk assessments, ensuring responsible financing. The bank aims for carbon neutrality by 2032 and has developed ESG-linked products such as Green Deposits and Sustainability Linked Bonds. Their initiative, Indus Solar, promotes solar rooftop loans, showcasing their commitment to environmental sustainability. Socially, the bank champions inclusive banking through initiatives like Indus WE, which supports women entrepreneurs, alongside active CSR efforts. These comprehensive measures have established IndusInd Bank as a leader in ESG practices within India's banking sector.

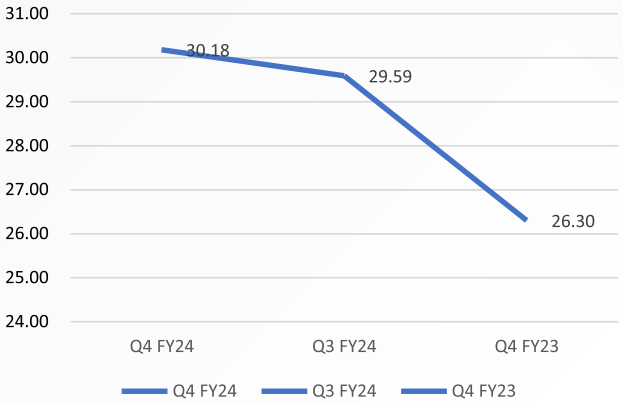
Revenue & Other Income (In Cr)



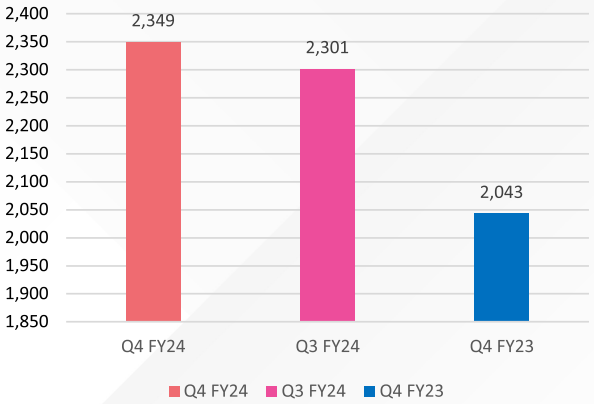
Cashflow (In Cr)



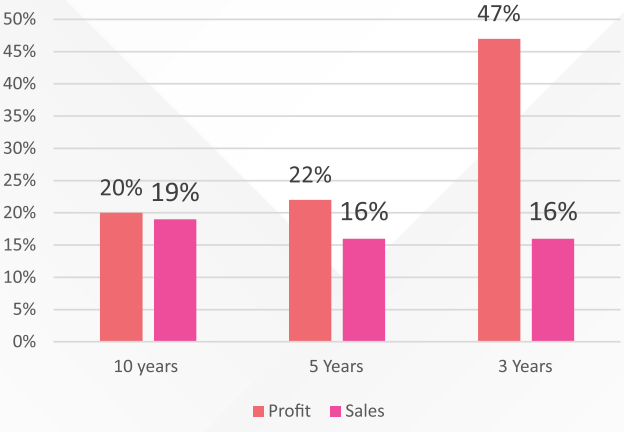
EPS



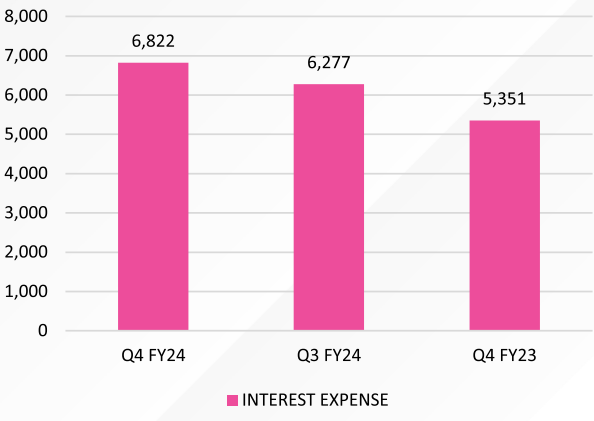
PAT (In Cr)



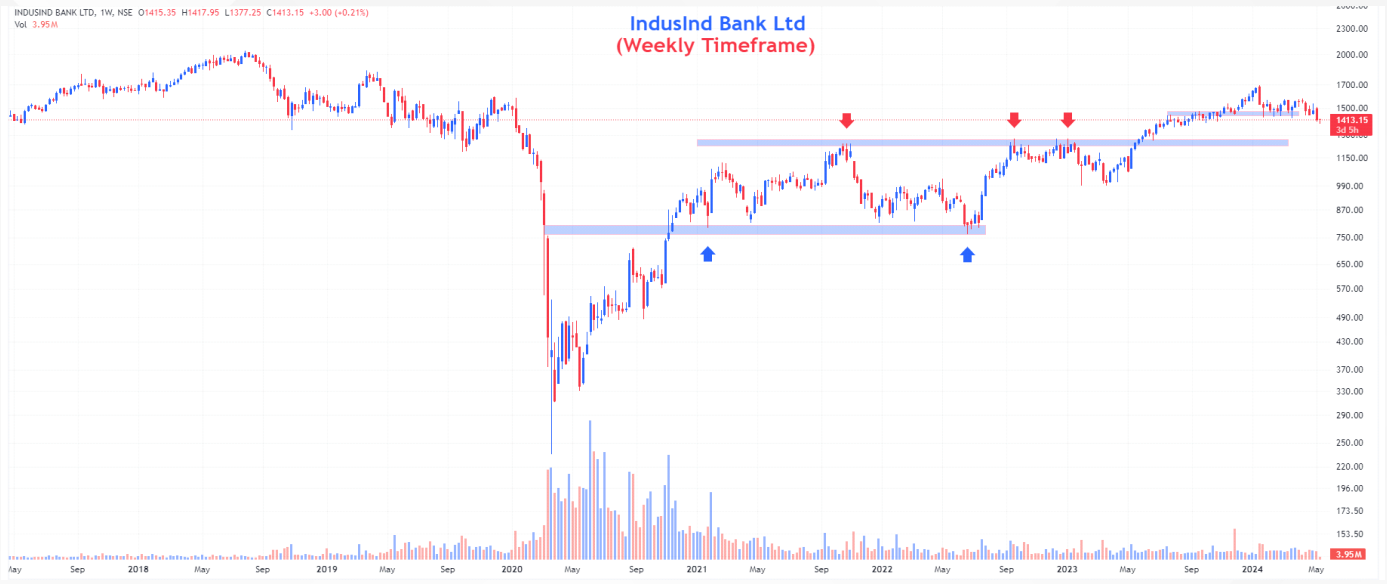
Compounded Growth (In %)



Interest expense (In Cr)



Technical Outlook



The weekly chart of IndusInd Bank showcases a resilient upward trajectory over the long term, marked by significant recoveries and sustained bullish trends. The chart reveals several key resistance and support levels that have played crucial roles in shaping the bank's stock performance. Notably, after a sharp drop around early 2020, the stock demonstrated a robust recovery, climbing back into a steady upward trend channel. This rebound is a strong indicator of investor confidence and the bank's solid fundamentals. Throughout the chart, resistance levels at around 1500-1700 have seen multiple retests, with each attempt to break higher meeting significant sell-offs, as denoted by the red arrows. These levels have acted as strong psychological barriers for the stock. Similarly, the support levels, particularly around the 1150 mark as indicated by the blue arrows, have consistently provided a bounce-back point, preventing further downtrends and stabilizing the price after declines.

The moving averages for IndusInd Bank indicate a general upward trend, with both Simple Moving Averages (SMAs) and Exponential Moving Averages (EMAs) increasing across all timeframes. This suggests strong bullish sentiment, as recent prices exceed those from longer periods.

The RSI levels for IndusInd Bank suggest a bearish trend, with both daily (37.26) and weekly (41.93) readings below 50. This indicates that the stock might be under some selling pressure, reflecting potential weakness in its current market position.

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	1,422.2	1,424.0
10	1,460.1	1,445.5
20	1,475.6	1,451.6
50	1,501.8	1,493.5
100	1,527.8	1,498.0
200	1,485.2	1,457.6

Pivot Levels : FIBONACCI		
R1 1,422.5	Pivot 1,399.85	S1 1,382.0
R2 1,440.4		S2 1,359.4
R3 1,463.0		S3 1,341.5

	Daily	Weekly
Relative Strength Index (RSI)	37.26	41.93

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