

IndusInd Bank



MARKET CAP:

₹ 1,13,343 Cr

CURRENT MARKET PRICE:

₹ 1,434.25

RESEARCH REPORT AS ON JULY 2024

ABOUT THE COMPANY

- IndusInd bank was the first Private sector bank in India set up in Mumbai & was inaugurated in **April 1994** by then Union Finance Minister Manmohan Singh.
- The bank began its operations on **17 April 1994**, under the chairmanship of S. P. Hinduja.
- It is one of India's leading financial services brand. They are the preferred banking solutions provider and partner for approximately **39 million customers** across the country, including individuals, large corporations, various government entities and PSUs.
- Their banking network spans **2984 branches**/ Banking outlets and **2956 ATMs** spread across India, covering **1,57,000 villages**, and also have representative offices in London, Dubai and Abu Dhabi.
- The Bank offers a wide range of products and services for individuals and corporates, including microfinance, personal loans, personal and commercial vehicle loans, credit cards and SME loans. The Bank operates in India including at the International Financial Service Centres in India.
- The Bank has built expertise in vehicle financing, micro-financing and diamond manufacturer financing.

HISTORY

1994

- Inception: IndusInd Bank was incorporated on April 24, 1994. It commenced operations in June 1994.

1996

- Branch Network Expansion: The bank expanded its branch network, establishing a presence in key metropolitan cities in India.

1998

- Initial Public Offering (IPO): The bank went public and was listed on the Bombay Stock Exchange (BSE) & NSE.
- Technology Adoption: IndusInd Bank adopted core banking solutions to streamline its operations and improve customer service.

2003

- ATM Network: IndusInd Bank significantly expanded its ATM network to provide greater convenience to its customers.

2005

- Merger: The bank acquired Ashok Leyland Finance, a major move to strengthen its retail finance business.

2006

- Strategic Initiatives: IndusInd Bank launched various new products and services to cater to the evolving needs of its customers.

2008

- Leadership Change: Romesh Sobti joined IndusInd Bank as Managing Director and CEO, marking a new era of growth and transformation.

2009

- Rebranding: IndusInd Bank underwent a rebranding exercise to revamp its corporate identity and market positioning.

2010

- International Expansion: The bank opened its first overseas representative office in Dubai.

2013

- Branch Network: IndusInd Bank's branch network crossed the 500 mark, reflecting its extensive reach across the country.

2018

- Acquisition: IndusInd Bank acquired Bharat Financial Inclusion Ltd. (BFIL), enhancing its presence in the microfinance sector.

MEET OUR TEAM



CHAIRMAN

Mr. Sunil Mehta is a graduate from Shri Ram College of Commerce, Delhi University. He is a Fellow Member of the Institute of Chartered Accountants of India and an Alumni of the Wharton School of Management, University of Pennsylvania, USA. Mr. Sunil Mehta has forty years of proven leadership experience in banking, financial services, insurance and investments with leading global and domestic financial institutions namely Citibank, AIG, SBI, PNB and YES Bank amongst others



MANAGING DIRECTOR & CEO

Mr. Sumant Kathpalia is a career banker with years of rich experience in large multi-national banks such as Citibank, Bank of America and ABN AMRO, prior to joining IndusInd Bank. Mr. Kathpalia is a Qualified Chartered Accountant and a Graduate in B Com (Hons.) from Hindu College, Delhi University.



EXECUTIVE DIRECTOR & DEPUTY CEO

Mr. Arun Khurana joined the Bank in November 2011. He is qualified as a Chartered Accountant and has over 29 years of banking experience. He began his banking career with Hong Kong and Shanghai Banking Corporation (HSBC) followed by ABN AMRO Bank which was subsequently acquired by the Royal Bank of Scotland. With RBS India, he was Managing Director & Head of Global Markets



Mr. Zubin Mody completed his graduation from Mumbai University with Honors in Physics and has a Management Degree in Personnel Management & Human Resources from XLRI, Jamshedpur (1993). He joined IndusInd Bank in December 2005 and currently heads the HR Function for the Bank. Prior to this, he was heading the HR function at ICICI Lombard. Before joining ICICI, he worked with FMCG organisations such as Marico Industries Ltd. and Heinz India Pvt. Ltd.

CHIEF HUMAN RESOURCES OFFICER



Mr. Gobind Jain, a veteran in the finance domain, is currently the Chief Financial Officer of IndusInd Bank. Mr. Jain's previous stint was with Kotak Mahindra Bank (KMB). He has been associated with various renowned financial institutions like the ICICI Bank, Bank of America, the Reserve Bank of India and Bank Internasional Indonesia. Mr. Jain is a qualified Chartered Accountant (CA-1992), Chartered Financial Analyst (CFA-1998), Financial Risk Management (FRM- 2014) and CPA Australia (CPA-2021).

CHIEF FINANCIAL OFFICER



An alumnus of IIT Delhi, His stint in the banking industry began with Bank of America. He has also worked with ABN AMRO Bank and Royal Bank of Scotland and an MBA, Mr. Anil Rao started his career with a fast-moving consumer durable company.

CHIEF ADMINISTRATIVE OFFICER

INDUSTRY OVERVIEW

The Indian banking system consists of **12** public sector banks, **21** private sector banks, **44** foreign banks, **12** Small finance banks. As of December 2023, the total number of micro-ATMs in India reached **16,88,558**. Moreover, there are **1,26,205** on-site ATMs and Cash Recycling Machines (CRMs) and **93,671** off-site ATMs and CRMs.

In 2023, total assets in the public and private banking sectors were **US\$ 1686.70 billion** and **US\$ 1016.39 billion**, respectively. In 2023, assets of public sector banks accounted for **58.31%** of the total banking assets (including public, private sector and foreign banks). India is set to become the third-largest domestic banking sector by 2050.

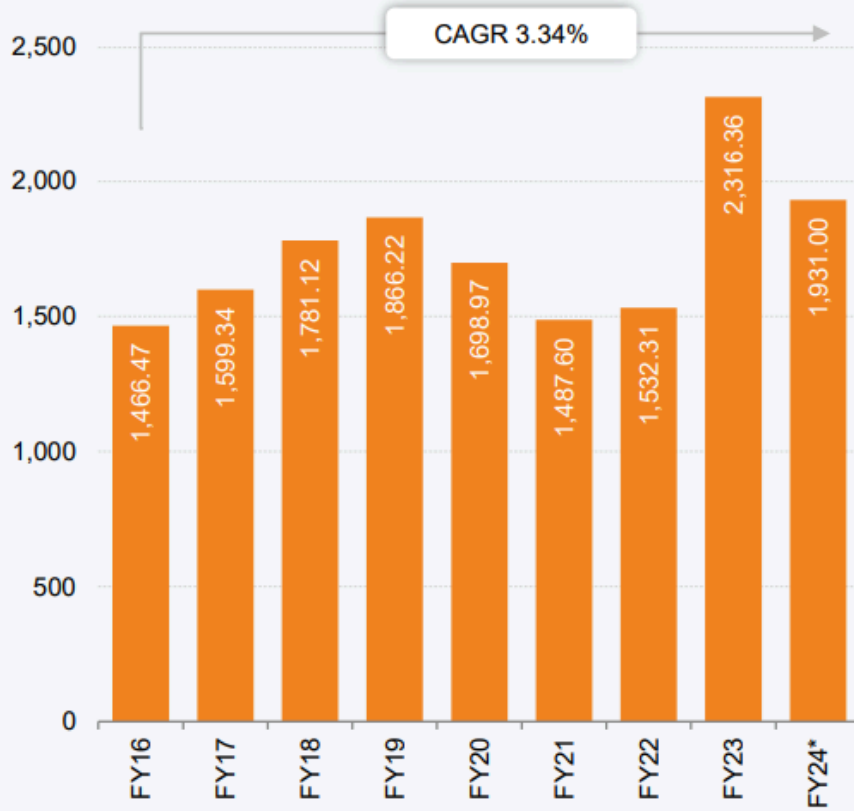
Indian Fintech industry is estimated to be at **US\$ 150 billion by 2025**. India has the 3rd largest FinTech ecosystem globally.

The Indian digital consumer lending market is projected to surpass US\$ 720 billion by 2030, representing nearly 55% of the total US\$ 1.3 trillion digital lending market opportunity in the country. **India's digital lending market witnessed a growth of CAGR 39.5% over a span of 10 years.**

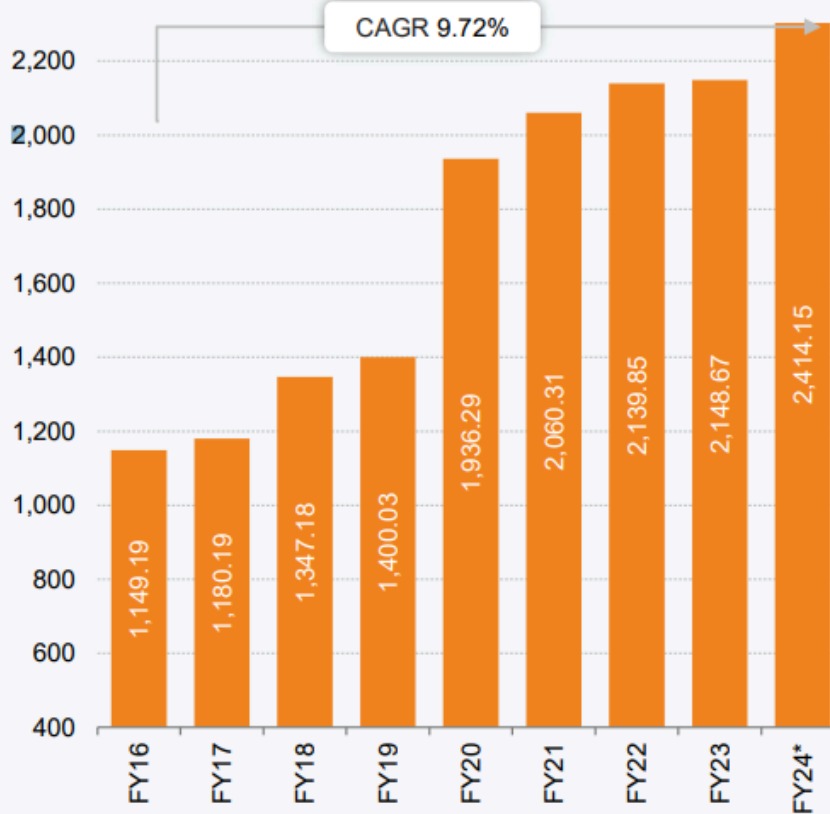
The Indian banking industry has been on an upward trajectory aided by strong economic growth, rising disposable incomes, increasing consumerism and easier access to credit.

Access to the banking system has also gotten better over time as a result of the continuous endeavors by the Government to boost banking technology and facilitate growth in underbanked and nonmetropolitan areas.

Growth in Bank Credit (US\$ billion)



Growth in Deposits (US\$ billion)



Public Sector Bank



Private Sector Bank



Public Sector Banks (PSBs): These are banks where the majority stake is held by the government. Examples include State Bank of India (SBI), Punjab National Bank (PNB), and Bank of Baroda.

Private Sector Banks: These banks are owned by private entities. Examples include HDFC Bank, ICICI Bank, and Axis Bank.

SUBSIDIARIES

has several subsidiaries that extend its reach and capabilities in various financial services. As of the latest updates, here are some of its key subsidiaries:

IndusInd Financial Inclusion Limited (IFIL):

- Focuses on providing microfinance services.
- Aims to promote financial inclusion by offering credit to underserved segments.
- Operates in rural and semi-urban areas.
- Enhances the bank's reach in micro-lending and community banking.

IndusInd Marketing and Financial Services Private Limited (IMFSPL):

- Engages in marketing and financial consultancy services.
- Supports the bank's marketing strategies and customer acquisition.
- Provides financial advisory services to clients.
- Helps in expanding the bank's market presence and customer base.

IndusInd International Holdings Limited (IIHL):

- Based in Mauritius, involved in investment and financial services.
- Facilitates the bank's international business and investment strategies.
- Manages overseas investments and partnerships.
- Enhances the bank's global footprint and financial network.

IndusInd Bank Limited Asset Management Company:

- Engaged in asset management and investment advisory services.
- Manages mutual funds and investment portfolios.

- Offers wealth management services to clients.
- Supports the bank's wealth management and investment product offerings.

IndusInd Bank Limited Securities Limited:

- Provides securities trading and investment services.
- Offers brokerage services for equity, commodities, and derivatives.
- Supports retail and institutional clients in trading activities.
- Enhances the bank's presence in capital markets and investment services.

These subsidiaries help IndusInd Bank diversify its services and reach different segments of the financial market.

OPERATIONS

IndusInd Bank operates across a diverse range of banking and financial services, catering to various customer segments. Here's an overview of its primary operations:

1. Retail Banking

- **Savings and Current Accounts:** Offering a variety of accounts tailored to different customer needs.
- **Loans:** Includes home loans, personal loans, vehicle loans, and credit cards.
- **Deposits:** Fixed deposits, recurring deposits, and other term deposit products.
- **Wealth Management:** Investment advisory services, mutual funds, insurance products, and portfolio management.

2. Corporate Banking

- **Working Capital Finance:** Providing loans and credit facilities to businesses for their daily operations.
- **Term Loans:** Long-term financing for capital expenditures and business expansion.
- **Trade Finance:** Services like letters of credit, bank guarantees, and trade credit for facilitating domestic and international trade.
- **Cash Management Services:** Solutions for efficient handling of receivables and payables.

3. SME Banking

- **Loans and Advances:** Tailored products for small and medium enterprises, including working capital loans and term loans.
- **Transaction Banking:** Services to manage business transactions efficiently.
- **Advisory Services:** Financial and business advisory services to help SMEs grow and expand.

4. Treasury Operations

- **Forex Services:** Providing foreign exchange and derivative products for hedging and trading.
- **Investment Banking:** Handling investments in government and corporate bonds, and other securities.
- **Risk Management:** Managing the bank's interest rate risk, liquidity risk, and currency risk.

5. Digital Banking

- **Online and Mobile Banking:** Comprehensive internet and mobile banking platforms offering a wide range of services, including fund transfers, bill payments, and account management.
- **Payment Solutions:** Services like UPI, e-wallets, and payment gateways for seamless digital transactions.

6. Inclusive Banking

- **Financial Inclusion:** Extending banking services to underserved and rural areas through microfinance, self-help groups, and other community banking initiatives.
- **Corporate Social Responsibility (CSR):** Engaging in various social initiatives and programs to contribute to community development.

7. NRI Banking

- **NRI Accounts:** Specialized savings, current, and deposit accounts for Non-Resident Indians.
- **Remittance Services:** Facilitating easy and secure money transfers to and from India.
- **Investment Services:** Providing investment options tailored for NRI clients.

MAJOR CLIENTS

IndusInd Bank caters to a wide range of clients, including individuals, small and medium enterprises (SMEs), large corporations, and government entities. Here's a breakdown of their major client segments:

- **Large Corporates and Multinational Companies:** IndusInd Bank is a preferred banking partner for many of India's well-known industrial houses. They provide a comprehensive suite of financial solutions, including working capital, term loans, and structured finance facilities.
- **Public Sector Undertakings (PSUs):** The bank caters to the specific needs of government-owned companies, offering specialized solutions for their banking requirements, including foreign exchange, trade finance, project finance, and risk management.
- **Small and Medium Enterprises (SMEs):** IndusInd Bank offers a variety of loan products and services tailored to the needs of SMEs, helping them grow their businesses.
- **Individuals:** The bank provides a wide range of products and services for individuals, including savings accounts, current accounts, personal loans, credit cards, and wealth management solutions.

SWOT ANALYSIS

Strengths of Indusind Bank

- **A Strong Brand:** The biggest factor which determines a brand's recognition is its brand presence. Operating since 1994, Indusind's customer recognition and brand value is their biggest strength to be a leader in the particular field. Diversified Business: Indusind works in many sectors such as Commercial Banking, Financial Marketing, Retail Banking, Corporate Finance, etc.
- **Strong Marketing Strategies:** Indusind comes up with many ad campaigns to spread awareness about the threats in print media and many news channels. Its digital presence among many social media handles such as Facebook, Instagram, Twitter & YouTube with the involvement of digital marketing also helps a particular brand to grow.
- **Privacy Safety:** One of the biggest factors depending upon the customer to choose a particular bank is their data safety. Indusind always takes care of their customers' safety.
- **High-End Technology:** To ensure the seamless working of its banking services, Indusind always relies on advanced technology.

Weaknesses of Indusind Bank

- **Use of Digital in Rural Area:** The use of the digital mode of banking and other finance-related works is not known by many in rural peoples

- **Lagging Behind Many Banks In Capital Structure:** Though Indusind is one of the largest banks in the country, its competitors are moving forward than Indusind in terms of capital structure.
- **Few No. of Branches as Compared with the Leading Banks:** Many of the leading competitors of Indusind are expanding rapidly to capture more of the market cap but in terms of expansion, Indusind is working slowly.

Opportunities for Indusind Bank

- **Expansion Into Rural Areas:** Indusind Bank can expand to rural areas to capture more markets. Expanding in the rural areas will also help them to bank the unbanked and underbanked.
- **Aggressive Marketing:** One of the biggest opportunities for each brand nowadays is their marketing techniques.
- **Global Presence:** Many of Indusind's competitors are expanding globally. To increase their customers globally, it's the best chance for Indusind to expand their market reach.

Threats to Indusind Bank

- **Change in Laws and Regulations:** When the government changes laws and regulations, it might have an impact on the bank's business operations.
- **Global Competitors:** There are many global giants in the banking and finance sectors and it poses a threat to Indusind bank to be competitive in the banking industry.

- **Security Threats:** If a bank encounters any security difficulties such as cyber-attacks which can cause substantial financial losses for the customers as well as banks. In such circumstances, regaining customers' confidence becomes challenging.
- **Economic Crisis:** As a result of the economic crisis, clients are not saving money in banks, reducing bank liquidity and making it difficult to operate efficiently.



SWOT Analysis of IndusInd Bank



STRENGTHS

- Privacy Safety
- A Strong Brand
- Diversified Business
- High-End Technology
- Strong Marketing Strategies



WEAKNESSES

- Slow Expansion
- Use of Digital in Rural Area
- Lagging in Capital Structure



OPPORTUNITIES

- Global Presence
- Aggressive Marketing
- Expansion Into Rural Areas



THREATS

- Economic Crisis
- Security Threats
- Global Competitors
- Change in Laws & Regulations

KEY RATIOS

Market Cap	₹ 1,11,689 Cr.	Current Price	₹ 1,434	High / Low	₹ 1,694 / 1,345
Stock P/E	12.5	Book Value	₹ 704	Dividend Yield	1.15 %
ROCE	8.42 %	ROE	16.4 %	Face Value	₹ 10.0
Sales	₹ 45,748 Cr.	Sales Qtr	₹ 12,199 Cr.	Qtr Profit Var	15.0 %
EPS	₹ 115	Promoter holding	15.8 %	Profit after tax	₹ 8,950 Cr.
PAT Qtr	₹ 2,347 Cr.	Price to Earning	12.5	Return on assets	1.95 %
Change in Prom Hold	-0.03 %	Qtr Sales Var	21.7 %	Price to book value	2.04
Debt to equity	7.06	Debt	₹ 3,85,449 Cr.	Pledged percentage	45.5 %

BALANCE SHEET

	Mar 2013	Mar 2014	Mar 2015	Mar 2016	Mar 2017	Mar 2018
Equity Capital	523	526	529	595	598	600
Reserves	7,107	8,517	10,115	17,101	20,048	23,241
Borrowings +	63,576	75,264	94,752	117,996	149,026	189,928
Other Liabilities +	2,100	2,719	6,390	7,205	8,976	7,856
Total Liabilities	73,307	87,026	111,787	142,897	178,648	221,626
Fixed Assets +	741	991	1,120	1,218	1,307	1,313
CWIP	16	25	38	37	28	25
Investments	19,654	21,563	22,878	34,054	36,702	50,077
Other Assets +	52,896	64,447	87,751	107,587	140,611	170,211
Total Assets	73,307	87,026	111,787	142,897	178,648	221,626

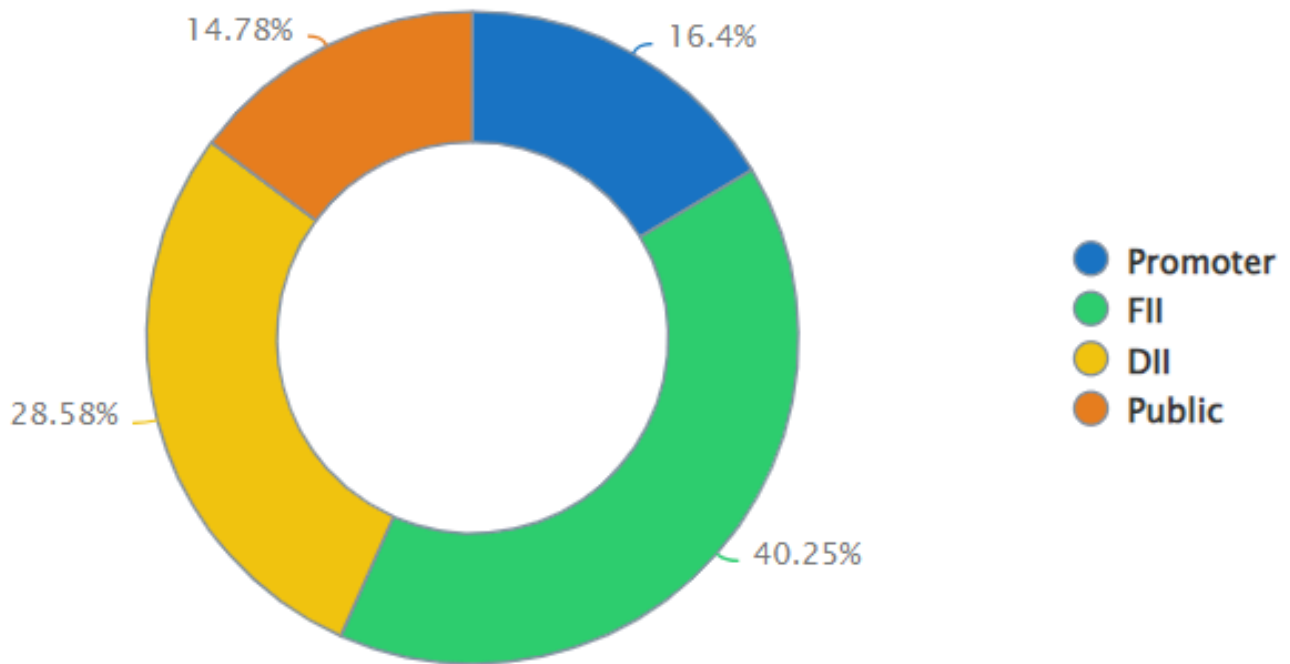
	Mar 2019	Mar 2020	Mar 2021	Mar 2022	Mar 2023
Equity Capital	603	694	773	775	776
Reserves	26,083	34,013	42,592	46,923	53,846
Borrowings +	242,189	262,793	307,528	341,005	385,449
Other Liabilities +	8,944	9,558	12,080	13,273	17,733
Total Liabilities	277,819	307,058	362,973	401,975	457,804
Fixed Assets +	1,688	1,742	1,734	1,754	1,857
CWIP	22	78	75	95	135
Investments	59,266	59,980	69,695	70,971	83,116
Other Assets +	216,843	245,257	291,469	329,155	372,695
Total Assets	277,819	307,058	362,973	401,975	457,804

PROFIT & LOSS

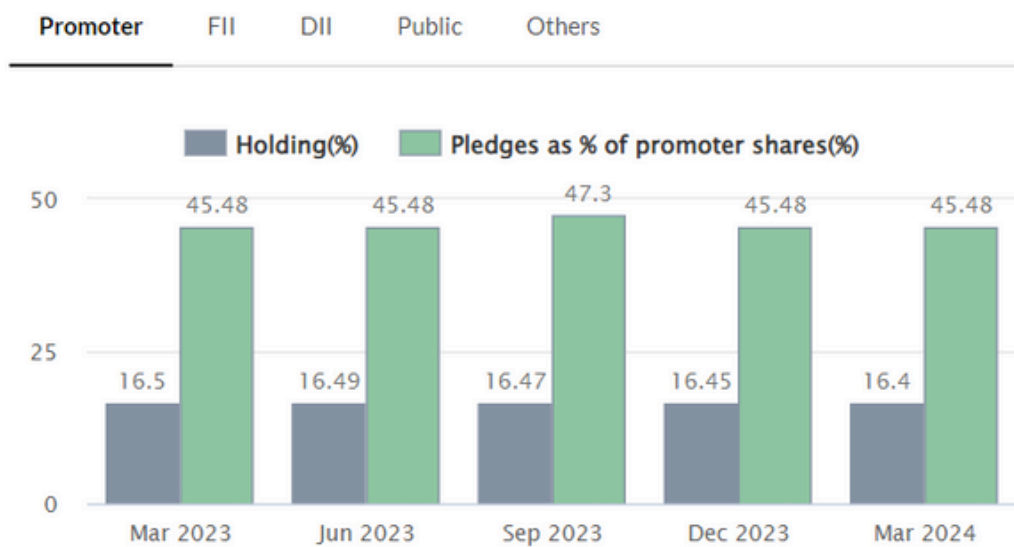
	Mar 2013	Mar 2014	Mar 2015	Mar 2016	Mar 2017	Mar 2018
Revenue	6,983	8,254	9,692	11,872	14,406	17,281
Interest	4,750	5,363	6,272	7,355	8,343	9,783
Expenses +	1,947	2,555	3,133	4,188	5,684	6,555
Financing Profit	286	335	288	329	379	942
Financing Margin %	4%	4%	3%	3%	3%	5%
Other Income +	1,363	1,891	2,548	3,297	4,171	4,750
Depreciation	73	98	127	157	191	212
Profit before tax	1,576	2,128	2,709	3,469	4,360	5,481
Tax %	33%	34%	34%	34%	34%	34%
Net Profit +	1,061	1,408	1,794	2,286	2,868	3,606
EPS in Rs	20.30	26.80	33.88	38.43	47.95	60.08
Dividend Payout %	15%	13%	12%	12%	13%	12%

	Mar 2019	Mar 2020	Mar 2021	Mar 2022	Mar 2023	Mar 2024
Revenue	22,261	28,783	29,000	30,822	36,368	45,748
Interest	13,415	16,724	15,472	15,822	18,776	25,132
Expenses +	9,283	12,611	15,997	15,840	15,525	18,062
Financing Profit	-437	-553	-2,469	-839	2,067	2,554
Financing Margin %	-2%	-2%	-9%	-3%	6%	6%
Other Income +	5,647	6,951	6,559	7,334	8,166	9,388
Depreciation	229	278	305	321	373	0
Profit before tax	4,981	6,121	3,784	6,174	9,860	11,942
Tax %	34%	28%	25%	25%	25%	25%
Net Profit +	3,301	4,418	2,836	4,611	7,390	8,950
EPS in Rs	54.77	63.70	36.68	59.52	95.24	114.99
Dividend Payout %	14%	0%	14%	14%	15%	14%

SHAREHOLDING PATTERN



Trend



FINANCIALS

- As of March 2024 , company promoters held **16.4%** stake in Indusind Bank which is very less, with **45.48%** shares having been pledged.
- Over the last one year, Indusind share price has moved up from Rs.**1357.1** to Rs.**1434.25** registering a gain of Rs. **77.15** which is around **3.59%**.
- EBITDA stands at Rs. **11,942** Cr in March 2024 which is up by **21.1%** from Rs. **9860** Cr in March 2023.
- Net profit has increased from Rs.**7390**Cr in March 2023 to Rs.**8950** Cr in March 2024 which is a gain of approximately **21.1%** . In the past 10 years net profit has seen a gain of **535.65%**. This was due to a number of factors including-
 - 1.Growth in Loan Portfolio
 - 2.Improved Asset Quality
 - 3.Increase in Fee-based Income
- Debt to equity ratio is **7.06** which shows ability of a company's shareholder equity to pay its debt obligations in a tough time. The debt-to-equity ratio of 7.06 is quite high. It indicates the bank is using more debt relative to equity, which can be risky if the bank faces financial distress or if there is a downturn in the economy.
- Return on capital employed is **8.42%** which is above the industry median. It indicates that the company is able to generate favourable amount of returns on the investment done in business activities for this sector.
- Interest income declined in FY 20-21 due to the strike of pandemic which was Rs.**15,472** Cr but after that the bank geared up and there is an increase of **9,660** Cr in just three years i.e. till FY 23-24 which is approximately an increase of **60.16%**.

- Fixed assets has increased from Rs.741 Cr to Rs.1857 Cr from 2013 to 2023 in the past **10 years** which is a growth of approximately **150.6%** but the growth is **9.1%** only in the last **5 years** which is not that significant.
- Poor cash generated from core business - **Declining Cash Flow** from Operations for last 2 years
- The company has a significant increasing negative net cash flow which is Rs.**-19,718 Cr** and the promoters has **45.48%** shares pledged. Negative cash flow combined with a high percentage of pledged shares is a serious concern, indicating potential liquidity issues, financial instability, and increased risk of losing control over the company
- As on December 31, 2023, the Gross NPA ratio was **1.92%** and the Net NPA ratio was **0.57%**. This represented an improvement from the previous year, where the Gross NPA was **2.27%** and Net NPA was **0.64%**. It signifies that the company is focusing to improve the asset quality.
- EPS has increased from Rs. **95.24** to Rs **114.99** which is an increase of **20.7%** and from the past 5 years by **80.51%**. There has been a continuous increase of EPS, there was a decline in FY 20-21 because of covid-19 but the company quickly recovered from it. It shows the profitability of company is increasing continuously.

PEER COMPARISON

Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
HDFC Bank	1648.10	19.57	1253894.64	1.18	18012.87	39.92	79433.61	67.06	9.50
ICICI Bank	1233.40	19.61	867843.48	0.81	12200.05	18.46	42606.72	23.72	8.37
Axis Bank	1287.05	15.07	397765.47	0.08	7630.07	53.87	30230.58	22.74	7.06
Kotak Mah. Bank	1852.70	20.22	368307.74	0.08	5337.20	16.88	15156.18	26.50	8.75
IndusInd Bank	1434.25	12.48	111688.63	1.15	2346.84	15.01	12198.53	21.73	8.42
IDBI Bank	84.82	15.91	91201.88	1.77	1672.00	36.83	6994.70	22.08	6.23
Yes Bank	26.64	64.95	83478.20	0.00	467.29	126.61	7457.81	19.93	6.29
Median: 29 Co.	202.77	12.48	12344.26	0.57	321.68	15.01	2200.56	23.72	7.57

- Indusind bank has a ROCE% of **8.42** as compared which is **3rd highest** among its peers and is also greater than the industry average which is **7.57**.
- It has a **p/e** ratio of **12.48** which is the lowest among the industry.
- It has the highest **dividend yield** percentage of **1.15** as compared to its peers.
- **Qtr profit Var%** is **15.01** which is the lowest among its peers.

CONCLUSION

This bank is a high risk share even the profit and eps is rising there is a big percentage of shares being pledged and declining operating cashflow so there is no certainty that the bank will fulfill its debt obligation by selling the shares.

I would recommend you to buy HDFC as it is more financially healthy and is showing a very steady growth over the years.

