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NET UP 26% led by 24% jump in credit, 20% rise in fee income in Q1

IndusInd Bank Faces a Tougher Ride in Q2, CV Loans in Focus

Devangi Gandhi & Joel Rebello

Mumbai: While the June quarter earnings of IndusInd Bank has been in line with the Street expectations with more than 26% growth in net profit, the loan growth for the private lender may moderate for the September quarter amidst cautious management commentary on the commercial vehicle (CV) loan book.

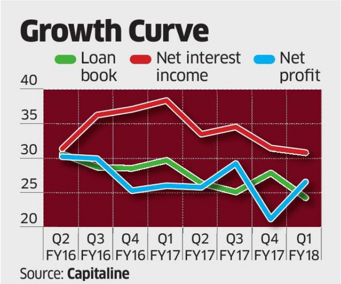
Given this backdrop, the IndusInd stock which on Tuesday touched a record high and is currently trading at 4 times its FY18 book value, may not find enough power to continue its upward march.

For the three months to June 2017, the loan book of the private lender grew at 24.3% yoy, its slowest growth in at least last seven quarters, while net interest income expanded by 30.8% from last year. While the consumer finance book grew by 22%, the vehicle finance book increased by 15%, and the commercial vehicle segment, that accounts for a third of its retail book, grew 12.5%.

The management indicated that due to BS4 implementation and run-up to GST enactment, the disbursement in the CV segment during April and May were slower and recovered only in June. They expect CV business to report a healthy growth from September onwards after the impact of GST compliance and monsoon wanes.

"We have seen 35% growth in our non-vehicle loan book but vehicle loans have been subdued. We expect a pick-up in vehicle loans in the second half of the fiscal as the mining sector picks up and demand for commercial vehicles rises," said Romesh Sobti, managing director of IndusInd Bank.

The bank, however, reported a strong 26% growth in its corporate loan book with the demand for working capital loans staying strong even as large corporate advances grew at more moderate 21% compared with that of mid-sized (32%) and small-sized companies (28%). As the bank's incremental loans went towards higher-rated companies resulting into lower risk weightages, IndusInd reported a jump in its capital adequacy ratio to 16.82% in Q1FY18 compared with 15.42% a year earlier.



Source: **Capitaline**

Profit was in line with our estimates. The major takeaway is that the provision-coverage ratio is still high at 60%, which is encouraging. The slight NPA increase was also because of slippages from the restructured portfolio. Bank's loan book may continue to grow above industry average

ASUTOSH MISHRA
Analyst, Reliance Securities

I am concerned about NPAs inching up slowly. If the pressure is coming from retail and SME loans side, it would be a worrying trend. The stock looks fully priced. So, new investors should not buy at current levels and existing investors should look at partially booking profits

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