

Again my recent interest in security is the stock of a growing and ably managed Bank. Rarely is an investor offered the opportunity to participate in the growth of a decently managed and expanding bank on the undervalued basis which appears possible in the case of the IndusInd Bank. The two main operations is banking service and investment banking services, had a combined revenue of 30,000cr (\$3.4b) in FY 24' which consist of 20,000cr (\$2.32b) as NII (Which is nothing but the spread of Interest income from Loans & Bonds and interest paid to depositors) 9395cr (\$1.09b) from other income to bank like commissions, brokerage etc. Net profit for the year stood at 8949cr (\$1.04b). As of December, the Bank had a net worth of 65,102cr (\$7.57b) AUM of 5,49,499cr(\$63.89b). Bank had AUM of 76,663cr(\$8.91b) in FY 14'.

Currently the bank has 2,984 branches. In FY 14' 602 branches were present. stock is quoted at less than 7X earnings and at a discount of approximately 54% from September 17 with a P/B of 0.74. Indusind bank is very different from its peers. Close to 25% loan book consists of vehicle financing(safe and niche bet). 10% of the book consists of micro financing (loans to unbanked people) still in India unregulated creditors have a major share. After taking over the bank from Romesh Sobti FY 21', Sumant Kathpalia has managed the bank well.

Enough of Good news let's look at the bad news, Recently MFI loans are under stress and lenders are reporting NPA. Mismatch of assets worth 2000 cr which has caused the share price to tumble, Added to it the RBI was not happy with current CEO steering of bank. Employee attrition rate 37%(2023-24), 51%(2022-23), Pressure from managers are also high. Even if we assume the 36000cr(\$4.18b) loan book 30% was to go bad. the bank will take up losses for 2-3 years. The probability of this happening is very minimal.

The promoters of the bank are ready to infuse cash, raising their stake from 16% but the Regulator is not ready with it. The Net profit CAGR over 10 years is 15%. ROE is fluctuating between 8.8% during hard times to 16%. With a ROA of 1.5 - 1.8%

Indian Financial Space is Double barrel gun, more unbanked people will be getting services from private bankers, As a banking pie will also expand when India grows. Does the future look clean ? No, absolutely not. There will be panics, frauds, Incentive caused mis-selling, misallocations. Role of an investor is to look at the big picture. Differentiate Signal and noises and ignore the noise. I have been following this company since December 2024. One can expect to get above average returns by staying in course.