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What IndusInd Bank's results mean for the banking system

By [Joel Rebello](#), ET Bureau | Updated: Jul 12, 2016, 03:50 AM IST

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MUMBAI: [IndusInd Bank](#) reported a 26% rise in net profit for the quarter ended June 30, led by strong demand for both commercial and personal loans. The private bank, the first among the main lenders to announce its Q1 results, said net profit increased to Rs 661 crore or Rs 10.64 per share compared to Rs 525 crore or Rs 9.74 per share a year. [ET](#) lists five key takeaways from the results:

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Loan demand picks up [IndusInd's](#) total advances were up 30% driven by demand from individuals but also working capital loan demand from companies, especially in cement, roads and renewable energy sectors. Working capital loan demand is now at full tilt indicating that companies are doing better than they were a year ago.

Asset quality concerns not over [IndusInd's](#) asset quality is relatively stable compared to its larger peers. However its gross non-performing assets (NPAs) still inched up to 0.91% of total advances from 0.79% a year earlier as a couple of restructured accounts slipped into NPA territory. This uptick in NPAs for a bank like [IndusInd](#) shows that the NPA problems for the banking sector as a whole remain.

Commercial vehicle market on an upswing Commercial vehicle (CV) loans, which make up 15% of [IndusInd's](#) consumer loan book, grew 16% in Q1, higher than the 14% growth seen in the market. After a two-year lull, rising demand for CV loans point to the return of positive sentiment in the [economy](#).

Interest rates trend lower [IndusInd's](#) net interest margin or the difference between the yield the bank earned on loans improved to 3.97% from 3.68% a year earlier mainly because the bank's cost of funds dropped with liquidity in the banking system improving dramatically. The banking system is now flush with funds, which means interest rates are likely to be benign in the immediate future.

Banks will lock in deposits at low cost [IndusInd's](#) current and savings account ratio dropped to 34.43% from 34.68% a year earlier, the bank pushed to get [fixed deposits](#) at a cheaper rate. With liquidity relatively easy and rates lower, banks will now lock in fixed deposits of a longer tenure to bring down their cost of funds.

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