

INDUSIND BANK LIMITED

Earnings Update – Q3 FY 2007-08

Unaudited Quarterly Results

December 31, 2007

Quarterly Results

The Board of Directors of IndusInd Bank Ltd., one of the fastest growing private sector banks in the country, at their meeting held on January 30, 2008, took on record the unaudited quarterly financial results for the third quarter ended December 31, 2007.

Financial Data & Highlights for the Third Quarter ended December 31, 2007:

Profit & Loss Account

	Rs. Crore				
	Q3 FY2007-08	Q3 FY2006-07	Growth (%)	Q2 FY2007-08	Sequential Growth (%)
Gross Interest Income	501.60	379.32	32%	460.48	9%
Net Interest Income	99.56	62.81	59%	85.73	16%
Profit on sale of investments	12.24	1.04	1077%	5.56	120%
Others	52.29	81.43	-36%	59.43	-12%
Total Income	164.09	145.28	13%	150.72	9%
Operating Costs	99.13	85.94	15%	102.82	-4%
Of which:					
Staff Cost	26.54	25.07	6%	33.98	-22%
Rent, Taxes and Lighting	9.32	7.05	32%	9.73	-4%
Depreciation	10.23	7.72	33%	9.50	8%
Other Costs	-	-	-	-	-
Total Expenditure	99.13	85.94	15%	102.82	-4%
Operating Profit	64.96	59.34	9%	47.90	36%
Other Provisions & Contingencies	28.33	26.98	5%	13.98	103%
Provision for Tax	11.59	10.73	8%	11.58	0%
Net Profit	25.04	21.63	16%	22.34	12%
Paid up Equity Capital	320.00	290.51		320.00	
EPS (Rs.) (not annualised)	0.78	0.75	4%	0.70	11%

The operating profit for the quarter ended December 31, 2007 stood at Rs 64.96 crore as compared to Rs 59.34 crore recorded in the corresponding quarter of the last year, a growth of 9%.

The net profit for Q3 FY08 at Rs 25.04 crore recorded an increase of 16% YoY, and 12 % sequentially as compared to Rs 21.63 crore recorded in Q3 FY07 and Rs 22.34 crore recorded in Q2 FY08.

Balance Sheet

Rs. Crores

	Q3 FY2007-08	Q2 FY2006- 07	Growth (%)	Q2 FY2007-08	Sequential Growth (%)
Capital & Liabilities					
Capital	320.00	290.51	10%	320.00	0%
Reserves & Surplus	1,038.17	622.37	67%	772.35	34%
Deposits	19,569.57	15,941.56	23%	17,640.15	11%
Borrowings	640.42	1,506.66	-57%	1,421.89	-55%
Other Liabilities & Provisions	1,791.20	1,625.43	10%	1,767.29	1%
Total	23,359.36	19,986.53	17%	21,921.68	7%
Assets					
Cash & Bank Balance	1,341.98	1,092.58	23%	1,406.60	-5%
Balance with Bank and Money at Call & Short Notice	881.87	714.19	23%	689.96	28%
Investments	6,441.27	5,481.99	17%	6,285.66	2%
SLR Investments	5,256.52	4,500.35	17%	5,113.08	3%
Non SLR Investments	1,184.75	981.64	21%	1,172.58	1%
Advances	12,933.51	11,267.43	15%	12,073.34	7%
Fixed Assets	*619.56	356.43	74%	377.50	64%
Other Assets	1,141.17	1,073.91	6%	1,088.62	5%
Total	23,359.36	19,986.53	17%	21,921.68	7%
Core Banking (Advances+Deposit)	32,503.08	27,208.99	19%	29,713.49	9%

* Fixed assets include revaluation impact for the Q3 FY0708, hence previous period are not comparable.

Performance Highlights for the third quarter ended December 31, 2007:

General

- Capital Adequacy Ratio (CAR) as on December 31, 2007 was 12.04 % as against 11.77% as on September 30, 2007
- Book value per share (face value Rs. 10 each) of the Bank as on December 31, 2007 works out to Rs 34.94 as against Rs 31.44 as on December 31, 2006. The adjusted book value works out to Rs 25.14 as against Rs 21.52 earlier
- Networth of the Bank stands at Rs 1,117.39 crore at the end of the Q3 FY08
- Net Interest Margin (NIM) for Q3 FY08 stood at 1.74% as against 1.27% in Q3 FY07 and 1.57% in Q2 FY08
- Other Income for Q3 FY07 stood at Rs 64.53 crore as against Rs 82.47 crore in Q3 FY07 and Rs 64.99 crore in Q2 FY08

Advances

- Vehicle Financing at Rs 7,040 crore was up 16 % YoY from Rs 6,089 crore; sequentially up by 3 % from Q2 FY08
- Retail Advances on the banking side were at Rs 1,933 crore in Q3 FY08 as against Rs 1,664 crore in Q3 FY07 and Rs 1,753 crore in Q2 FY08 registering a growth of 16% YoY and 10 % sequentially
- Corporate Advances stood at Rs 3,961 crore in Q3 FY08 as against Rs 3,514 crore in Q3 FY07 and Rs 3720 crore in Q2 FY08
- Net Advances at Rs 12,934 crore grew 15 % YoY in Q3 FY08; sequentially up by 7 %
- Vehicle Advances constitute 54 % of the Total Loan Book as of Q3 FY08; they constituted 56 % of the total Loan Book at the end of Q3 FY07

Vehicle and Construction Equipment Advances

	Rs. crore				
	Amount Lent in Q3 FY08	Amount Lent in Q3 FY07	YoY Growth (%)	Amount Lent in Q2 FY08	QoQ Growth (%)
Commercial Vehicles	617.52	781.06	-21%	527.75	17%
Personal Products - (1W)	184.08	181.13	2%	176.08	5%
Cars	61.07	101.54	-40%	68.44	-11%
Utility Vehicles	71.71	48.18	49%	43.03	67%
Equipments	181.54	182.05	0%	198.34	-8%

Recoveries, NPAs and Securitisation

- The Bank recovered Rs 8.70 crore of bad debts in Q3 FY08 as against Rs 44.02 crore in Q3 FY07 and Rs 6.50 crore in Q2 FY08.
- Gross NPAs stand at Rs 411.41 crore (3.16%) in Q3 FY08 while Net NPAs stand at Rs 313.27 crore (2.42%). This compares with Rs 367.26 crore (3.24%) of Gross NPAs and Rs 287.87 crore (2.55%) of Net NPAs at the end of Q3 FY07; Gross NPAs stood at Rs 370.10 crore (3.05%) and Net NPAs at Rs 293.33 crores (2.43%) at the end of Q2 FY07

Deposits

- Total Deposits at the end of Q3 FY08 was Rs.19,570 crore, as against Rs. 15,942 crore at the end of Q3 FY07, up 23 % YoY; QoQ up 11 % from Rs 17,640 crores in Q2 FY08
- Current Deposits, at Rs.1,805 crore, grew 32 % YoY from Rs. 1,363 crore in Q3 FY07 and down 10% Q oQ from Rs 1,995 crore in Q2 FY08
- Savings Deposits stood at Rs.1,178 crore, up 44 % YoY from Rs. 817 crore in Q2 FY07; they were up 17 % QoQ from Rs 1,009 crore in Q2 FY08
- Average Cost of Deposits stood at 7.79 % as against 6.83% in Q3 FY07 and 7.77 % in Q2 FY08
- CASA (Current Accounts-Savings Accounts) Ratio has improved to 15.24% against 13.68% in Q3 FY07 and down from 17.03 % in Q2 FY08
- Credit-Deposit (CD) Ratio stood at 66.09 % as against 70.68% in Q3 FY07 and 68.44% in Q2 FY08

Nine-month Results

The Board of Directors of IndusInd Bank Ltd., one of the fastest growing private sector banks in the country, at their meeting held on January 30, 2008, took on record the unaudited financial results for nine months ended December 31, 2007.

Financial Data & Highlights for Nine months ended December 30, 2007:

Profit & Loss Account

	Rs. Crore		
	9M FY2007-08	9M FY2006-07	Growth (%)
Gross Interest Income	1393.92	1073.74	30%
Net Interest Income	242.69	185.60	31%
Profit on sale of investments	18.58	20.60	-10%
Others	174.70	166.71	5%
Total Income	435.97	372.91	17%
Operating Costs	291.06	247.42	18%
Of which:			
Staff Cost	86.96	70.29	24%
Rent, Taxes and Lighting	26.85	22.39	20%
Depreciation	28.29	25.40	11%
Other Costs	-	-	
Total Expenditure	291.06	247.42	18%
Operating Profit	144.91	125.49	15%
Other Provisions & Contingencies	54.09	52.38	3%
Provision for Tax	30.22	26.29	15%
Net Profit	60.60	46.82	29%
Paid up Equity Capital	320.00	290.51	
EPS (Rs.) (not annualised)	1.89	1.61	17%

Operating profit for 9M FY08 works out to Rs 144.91 crore as compared to Rs 125.49 crore recorded in the corresponding period of the previous year

The net profit for 9M FY08 works out to Rs 60.60 crore as compared to Rs 46.82 crore recorded for 9M FY07

Balance Sheet

Rs. crore

	Q3 FY2007-08	Q3 FY2006-07	Growth (%)
Capital & Liabilities			
Capital	320.00	290.51	10%
Reserves & Surplus	1,038.17	622.37	67%
Deposits	19,569.57	15,941.56	23%
Borrowings	640.42	1,506.66	-57%
Other Liabilities & Provisions	1,791.20	1,625.43	10%
Total	23,359.36	19,986.53	17%
Assets			
Cash & Bank Balance	1,341.98	1,092.58	23%
Balance with Bank and Money at Call & Short Notice	881.87	714.19	23%
Investments	6,441.27	5,481.99	17%
SLR Investments	5,256.52	4,500.35	17%
Non SLR Investments	1,184.75	981.64	21%
Advances	12,933.51	11,267.43	15%
Fixed Assets	*619.56	356.43	74%
Other Assets	1,141.17	1,073.91	6%
Total	23,359.36	19,986.53	17%
Core Banking (Advances+Deposit)	32,503.08	27,208.99	19%

* Fixed assets include revaluation impact for the Q3 FY0708, hence previous period are not comparable.

Performance Highlights for nine months ended December 31, 2007:

General

- Capital Adequacy Ratio (CAR) as on December 31, 2007 was 12.04 % as against 11.77 % as on September 30, 2007, of which Tier I accounts 6.80%
- Book value per share (face value Rs. 10 each) of the Bank as on December 31, 2007 works out to Rs34.94 as against Rs 31.44 for December 31, 2006.
- Networth of the Bank stands at Rs. 1,117.39 crore at the end of the 9M FY08
- Net Interest Margin (NIM) for 9M FY08 was 1.49% as against 1.28% for 9M FY07
- Other Income in 9M FY08 was at Rs 193.28 crore as against Rs 187.31 crore in 9M FY07

Advances

- Vehicle Financing at Rs 7040 crore was up 16 % YoY from Rs 6,089 crore in 9M FY07
- Retail Advances on the banking side were at Rs 1,933 crore in 9M FY08 as against Rs 1,664 crore in 9M FY07
- Corporate Advances stood at Rs 3,961 crores for 9M FY08 as against Rs. 3,514 crore in 9M FY07
- Net Advances at Rs.12,934 crore grew by 15 % YoY in 9M FY08.
- Vehicle Advances constitute 54 % of the Total Loan Book at the end of 9M FY08 as compared to 56 % at the end of 9M FY07

Growth in Vehicles and Construction equipment Advances

Rs. Crore

	As on 31st December 2007	YoY Growth (%)
Commercial Vehicles	4348.79	12%
Personal Products - (1W)	735.00	25%
Cars	622.86	-5%
Utility Vehicles	315.99	-53%
Equipments	1017.10	44%

Recoveries, NPAs and Securitisation

- The Bank recovered Rs 28.78 crore of bad debts in 9M FY08 as against Rs 70.79 crore in 9M FY07
- Gross NPAs stand at Rs 411.41 crore (3.16%) at the end of 9M FY08 while Net NPAs stand at Rs 313.27 crore (2.42 %). This compares with Rs 367.26 crore (3.24%) of Gross NPAs and Rs 287.87 crore (2.55%) of Net NPAs at the end of 9M FY07

Deposits

- Total Deposits at the end of 9M FY08 at Rs 19,570 crore was up 23 % YoY
- Current Deposits was up by 32 % YoY to Rs 1,805 crore
- Savings Deposits grew by 44 % YoY to Rs 1,178 crore
- Average Cost of Deposits stood at 7.83 % as against 6.62% at the end of 9M FY07
- CASA (Current Account-Savings Accounts) Ratio has improved to 15.24 % against 13.68% at the end of 9M FY07
- Credit-Deposit (CD) Ratio stood at 66.09 % as against 70.68 % at the end of 9M FY07

Segmental Revenues & Profits:

Rs crore

Particulars	Quarter ended 31.12.2007	Quarter ended 31.12.2006	Period ended 31.12.2007	Period ended 31.12.2006	Year ended 31.03.2007 (Audited)
Segment Revenues					
i) Treasury	111.72	106.63	344.82	332.61	453.17
ii) Other Banking Operations	579.77	437.96	1566.44	1164.95	1612.40
Less: Inter-segment revenue	(125.38)	(82.80)	(324.07)	(236.51)	(321.18)
Total	566.11	461.79	1587.19	1261.05	1744.39
Segment Results					
i) Treasury	(57.50)	(15.40)	(84.33)	(4.59)	(14.19)
ii) Other Banking Operations	130.53	86.29	266.93	162.86	234.84
Total	73.03	70.89	182.60	158.27	220.65
Unallocated Expenses	8.07	11.55	37.69	32.78	49.07
Operating Profit before Provisions & Contingencies	64.96	59.34	144.91	125.49	171.58
Provisions & Contingencies					
i) Treasury	(0.69)	1.28	(5.27)	1.32	2.31
ii) Other Banking Operations	29.02	25.70	59.36	51.06	61.89
iii) Income Tax and Others	11.59	10.73	30.22	26.29	39.16
Total	39.92	37.71	84.31	78.67	103.36
Net Profit	25.04	21.63	60.60	46.82	68.22
Other Information					
Segment Assets:					
i) Treasury	8029.94	6602.14	8029.94	6602.14	7756.20
ii) Other Banking Operations	14389.43	12488.61	14389.43	12488.61	12386.56
iii) Unallocated Assets	911.82	895.78	911.82	895.78	784.38
Total Assets	23331.19	19986.53	23331.19	19986.53	20927.14
Segment Liabilities					
i) Treasury	588.90	2180.50	588.90	2180.50	616.57
ii) Other Banking Operations	21049.91	16541.81	21049.91	16541.81	18937.93
iii) Unallocated Liabilities	1692.38	1264.22	1692.38	1264.22	1372.64
Total Liabilities	23331.19	19986.53	23331.19	19986.53	20927.14

Break-up of Assets and Liabilities:

Assets

Rs crores

	As on December 31,2007	As on December 31, 2006	Growth (%)	As on September 30,2007	Sequential Growth (%)
Advances					
Corporate Lending	3,961	3,514	13%	3,720	6%
Vehicle Finance Division Lending					
Commercial Vehicle Loans	4,349	3,871	12%	4,187	4%
· Utility Vehicle Loans	316	252	25%	288	10%
· Car Loans	623	655	-5%	643	-3%
· 2/3-Wheeler Loans	735	607	21%	703	5%
· Equipment Financing	1,017	704	44%	1,005	1%
Total (VFD)	7,040	6,089	16%	6,826	3%
Retail Division Lending					
· Personal Loans	60	81	-26%	65	-8%
· Home Loans	181	145	25%	180	1%
· Other Retail Loans to traders	1,692	1438	18%	1,508	12%
Total (Retail)	1,933	1664	16%	1,753	10%
Total Advances before IBPC	12,934	11,267	15%	12,298	5%
Less: IBPC	-	-		225	
Total Advances after IBPC	12,934	11,267	15%	12,073	7%
Investments	6,441	5,482	17%	6,286	2%
Total Advances & Investments	19,375	16,749	16%	18,359	6%

Liabilities

Rs. Crore

	As on December 31,2007	As on December 31, 2006	Growth (%)	As on September 30,2007	Sequential Growth (%)
Deposits	19,570	15,942	23%	17640	11%
Of which:					
Demand Deposit	2,983	2,181	37%	3004	-1%
Time Deposit	16,587	13,761	21%	14,636	13%
Borrowings	640	1,507	-58%	1422	-55%

Lending to Sensitive Sectors

Rs. Crore

	As on December 31, 2007	As on December 31, 2006	Growth (%)	As on September 30,2007	Sequential Growth (%)
Capital Markets	75.04	58.59	28%	80.52	-7%
Real Estate	480.25	426.16	13%	457.40	5%

Break-up of Deposits & Investments:

Categorisation of Deposits:

Rs. Crore

	As on December 31, 2007	As on December 31, 2006	Growth (%)	As on September 30, 2007	Sequential Growth (%)
Up to - 14 Days	1,365.63	1,557.59	-12%	1,605.49	-15%
14 Days - 28 Days	368.39	726.76	-49%	533.01	-31%
28 Days - 3 Months	2,681.15	2,317.23	16%	2,306.50	16%
3 Months - 6 Months	1,481.07	1,122.59	32%	1,468.50	1%
6 Months - 12 Months	1,897.07	2,110.75	-10%	1,975.70	-4%
12 Months - 3 Years	6,438.84	4,097.84	57%	5,428.75	19%
3 Years - 5 Years	2,735.02	2,056.21	33%	2,224.80	23%
Over - 5 Years	2,602.40	1,952.59	33%	2,108.65	23%
TOTAL	19,569.57	15,941.56	23%	17,651.40	11%

Categorisation of Investments:
Rs. Crore

	As on December 31, 2007	As on December 31, 2006	Growt h (%)	As on Septembe r 30, 2007	Sequential Growth (%)
Held to Maturity (HTM)					
· G-Secs	4,493.29	3,470.56	29%	4,503.21	-
· T-Bills	-	-		-	
· Other Approved	1.55	2.55	-39%	1.55	-
· Debt Instruments	-	-		-	-
· Equity Shares	5.85	-	-	5.85	-
· Mutual Fund Units	-	-		-	-
· Other Investments (RIDF)	1,003.81	761.73	32%	975.62	3%
	5,504.50	4,234.84	30%	5,486.23	-
Held for Trading (HFT)		-			
· G-Secs	-	-		24.34	-
Available for Sale (AFS)					
· G-Secs	-	-	-	50.29	-100%
· T-Bills	792.26	1,014.08	-22%	561.42	41%
· Other Approved	3.79	-	-	-	-
· Debt Instruments	107.72	212.08	-49%	128.89	-16%
· Equity Shares	33.00	20.99	57%	33.49	-1%
	936.77	1,247.15	-25%	774.09	21%
SLR Investments	5,263.24	5,248.92	-	5,113.08	3%
Non SLR Investments	1,178.03	233.07	405%	1,171.58	1%
Total Investments	6,441.27	5,481.99	17%	6,284.66	2%
Modified Duration(AFS)	0.58	0.82		1.38	
Modified Duration(HTM)	4.24	5.33		5.03	

Analytical Ratios:

	Quarter Ended December 31, 2007	Quarter Ended December 31, 2006	Growth (%)	Quarter Ended September 30, 2007	Sequential Growth (%)
Networth after minority interest (Rs crore)	1,117.39	912.88	22%	1,070.01	4%
Book Value per Share (Rs)	34.94	31.44	11%	34.13	2%
Adjusted Book Value per Share (Rs.) Net of NPAs	25.14	21.52	17%	24.96	1%
EPS (Rs)	0.78	1.61	-51%	0.70	12%
Gross NPAs (Rs crore)	411.41	367.26	12%	370.10	11%
Gross NPAs (%)	3.16%	3.24%	-2%	3.05%	4%
Net NPAs (Rs crore)	313.27	287.87	9%	293.33	7%
Net NPAs (%)	2.42%	2.55%	-5%	2.43%	0%
Provision Cover (%)	23.85%	21.62%	10%	20.74%	15%
Annualised Return on Assets (%)	0.37%	0.32%	15%	0.33	-99%
Annualised Return on Networth (%)	5.95%	6.84%	-13%	2.47	-98%
Net Interest Margins (NIM) (%)	1.49%	1.28%	16%	1.35%	10%
Capital Adequacy Ratio (CAR) (%)	12.04%	11.10%	8%	11.77%	2%
Interest Cost/ Total Income (%)	72.53%	68.77%	5%	73.37%	-1%
Credit / Deposit (%)	66.09%	70.68%	-6%	68.44%	-3%
Average Cost of Deposits	7.83%	6.62%	18%	7.85%	0%
Current Accounts (Rs crore)	1,804.72	1,363.30	32%	1,995.21	-10%
Savings Accounts (Rs crore)	1,177.60	816.97	44%	1,009.17	17%
CASA Ratio (%)	15.24%	13.68%	11%	17.03%	-11%
Network					
Branches	179	147	22%	172	4%
Extension Counters	-	-	-	-	-
Offsite ATMs	169	87	94%	159	6%
Vehicle Finance Division Offices	26	26	-	26	-
Total Network	374	260	44%	357	5%
Geographical Locations	147	118	25%	141	4%
State/ Union Territories covered	28	24	17%	27	4%
State Capitals covered	25	21	19%	23	9%

Foreign Locations (Representative offices)	2	2	-	2	-
Customers	1895226	1535244	23%	1829938	4%
Total Employees	2787	2558	9%	2780	0%

Business Update

People & Infrastructure:

- IndusInd Bank's employee strength stands at 2787 at the end of Q3 FY08 as compared to 2558 at the end of Q3 FY07 and 2780 at the end of Q2 FY08
- The Bank has 179 branches and 169 offsite ATMs as of December 31, 2007
- The branches are spread across 147 geographical locations in India at the end of December 31, 2007
- The number of customers has moved from 15,35,244 at the end of December 31, 2006, to 18,95,226 at the end of December 31, 2007

Key Initiatives taken during the Quarter:

- Tied-up with Cholamandalam MS, General Insurance Co. Ltd., for Bancassurance

Management Outlook for the Banking Sector:

IndusInd Bank's outlook for the Banking Sector continues to remain 'stable-to-positive' in the ensuing quarters.

We base our outlook in the backdrop of the following factors:

Global cues:

- US economy is already on way to a sharp slowdown following the sub-prime crisis led by the housing/mortgage sector. More and more banks are going in for multi billion dollar write-offs and the Fed responded with a sharp 0.75% cut on 18th January 2008 to bring down the Fed rate to 3.5%. The move is expected to lessen the impact of sub-prime problems on the financial sector and help the economy avoid recession.
- The current concerns remain on tight credit conditions and a broad asset sell off, and Fed in a statement said that it would take all measures to save the economy from going into recession. This can be taken as a pointer towards further rate cuts. Economists are now looking at the Fed rates dropping to 2% by end of the year.
- Elsewhere, The Pound Sterling continued to tumble across the board on slowing economy and expectations of lower interest rates. With UK economy slowing down and UK house prices falling sharply, the economists now expect the Bank of England to cut rates in the near term. Concerns about sub-prime effect on UK banks also remain.
- European Central Bank (ECB) on the other hand continued to hold on to inflation concerns and refrained from cutting the rates. This benefited the Euro, which held on to its gains against most of the major currencies. ECB is expected to leave the rates steady in the first half of the year.
- Japanese economy seems to be faltering again as most of the economic data point towards a slowdown. Hence, Bank of Japan is expected to keep rates steady at 0.5%. The earlier talk of further rate hikes now seem to be in cold storage for some time now.
- Only China, because of its strong growth is now showing signs of inflation and Bank of China resorted to further hikes in CRR this month to absorb excess liquidity in the system. Further, China has started allowing the Yuan to appreciate at a gentle pace and this would hopefully help USA to reduce the trade gap with China going forward.
- Crude prices have pierced the USD100 pbl level before easing back to USD 88 pbl on concerns over US economic slowdown. If the US economy slows down at a fast pace then we may see the crude prices dropping below USD 80 pbl very soon. Gold prices however remained high on safe haven status and are trading above USD 900.
- Overall, bearish sentiments in the global markets will induce a negative sentiment in the Indian economy and the financial markets.

Domestic cues:

- The Indian economy continues to clock impressive numbers as a result of Government's fiscal measures as also the taming effect caused by RBI's monetary measures from time to time.
- However, worries remain on decelerating export growth on account of stronger Rupee, deteriorating current account deficit and overwhelming capital inflows.
- Headline WPI Inflation is currently at 3.80% is running well below the central bank's comfort level of 4.5%. However, the global rise in oil prices have not been passed on to the inflation numbers.

- Loan growth and real economic activity have moderated to RBI comfort. Higher fuel prices, strong domestic demand together with anticipated slowdown in exports owing to Rupee appreciation and US economic slowdown will likely widen the trade deficit.
- RBI will likely continue with ‘adequate liquidity’ policy and is in no need to be as aggressive as before to manage money market liquidity.
- With the Fed having cut rates by 0.75%, the pressure is on RBI for interest rate moderation. We expect RBI to withdraw its hawkish stance in the monetary policy. The market anticipates a 0.25% cut in the repo rate. The only concern for RBI would be the inflation concerns arising out of high oil prices.
- The sub prime global impact and the resultant probability of US recession have impacted the capital markets globally. The FII sales coupled with the high leverage position in the domestic market led to liquidity crunch in domestic equity market. The Sensex crashed by 5000 points in a couple of days. In the long-term the market looks bullish considering the anticipated domestic growth expectations and likely to trade in the 15000-20000 range in the short term and to await further clues from US market for the break out of the said range.
- The main concern for RBI is Exchange Rate management of Rupee in order to protect India’s export competitiveness. RBI continues its active intervention in the Dollar-Rupee market as the other main concerns viz. Inflation and Credit Growth are at acceptable levels at present. Given the reduced FII flows in the Stock market, managing liquidity should not be an issue for RBI and to allow Rupee trade in the 39.30-39.80 range in the short term.
- Overall, in domestic market, we anticipate a stable to softer interest rate regime in the year 2008 with 10 Y bench mark yield to trade within 7.25-7.50%. The present scenario will rule out further CRR hike but would call for a reduction in Repo and Reverse Repo rate.

Impact on banking sector:

- The anticipated softer interest rate regime will boost the financial sector and fuel growth in the banking sector.
- The PLR of the banks will soften in the coming months as also indicated by the Finance Ministry on lower deposit and lending rates by banks.
- The softer interest rates will help improving the growth resulting in increase in the NII of the banks.
- The continued expansion in Telecom & Retail segments have thrown huge opportunities for banks to contribute to the growth of these segments. With boom conditions expected to continue in these segments, banks with good geographical presence and robust technological platform will be in a position to encash the opportunities.
- SME Business/Commercial Banking and Micro finance segments continue to offer the bright prospects for banking sector in the next 3-4 quarters.
- Most banks have already exhibited the ability to move away from traditional ‘financial intermediation’ model to ‘provider of financial supermarket service’ thereby considerably de-risking their balance sheet from rate market cycles.
- Technology will continue to be the key-driver of all products and services in banking space.
- Overall, banking sector is expected to post good financial numbers backed up improvement in Net Interest Income, better non-interest income and trading profits from Fixed Income and Equity markets.

Management Outlook for IndusInd Bank:

The focus for IndusInd Bank will revolve around the following:

- The softening of deposit rates will have a significant positive impact on the cost of funds for IBL and result in better Net Interest Income from its high yielding loan portfolio.
- The Bank is poised to take advantage of prevailing higher yields on advances even while reaping the falling rates on deposits. This will significantly boost the Net Interest Income (NII) of IBL.
 - While booking high yielding loans in the Book, the churning of existing low yielding loans at higher yields will further improve the Yield on advances and the NIM of the bank.
 - The continued thrust towards aggressive build up of CASA through a much larger branch network and the enlarged “reach” that the Bank would get through the proposed Business Correspondent model would help reduction in cost of deposits
 - The granulation of time deposits and ramp up of demand deposits should help “contain” the cost of deposits in the short-term and achieve a significant improvement in the medium term
 - The significant growth achieved in non-interest income will continue to remain buoyant through the aggressive positioning in Third Party distribution space in the retail segment, thrust in non-credit products/services to Corporate Segment and capability of the revamped Investment Banking division to capture cross-border capital market flows, through debt and equity. The Bank is also gearing up its Risk Management Outsourcing services to help management of multi-currency Balance sheet of its customers.

Above actions are expected to result in improved financial numbers – better NIM, improved Return on Assets, higher EPS and optimum utilization of capacity/Capital – to attract investors’ interest in the stock.

Shareholding Pattern (as on December 31, 2007):

Total Equity	Rs 320 crore
Total Shareholders	1,07,910

	Category	No. of shares held	% of shareholding
A.	Promoters holding		
1	Promoters		
	a Indian Promoters		
	b Foreign Promoters	90999984	28.45
2	Persons acting in Concert		
	Sub Total	90999984	28.45
B.	Non-Promoters Holding		
3	Institutional Investors		
	a Mutual Funds and UTI	3880674	1.21
	b Financial Institutions/ Banks	44382	0.01
	c Insurance Companies	3215182	1.01
	d Foreign Institutional Investors	65074487	20.35
	Sub Total	72214725	22.58
4	Others		
	a Bodies Corporate	54236408	16.96
	b Individuals	52543256	16.43
	c Clearing Member	3230980	1.01
	d Non- Executive Directors	680	0.00
	e Non- Executive Director (Non-resident & Foreign national)	255802	0.08
	f Overseas Corporate Bodies	6856943	2.14
	g Non Resident Indians	9978858	3.12
	Sub Total	127102927	39.74
C.	Shares held by Custodians and against which depository receipts have been issued.	29490300	9.22
	GRAND TOTAL	319807936	100.00

About IndusInd Bank

IndusInd Bank Ltd. is one of the leading new-generation private-sector banks in India which commenced its operations in 1994. The Bank currently has a network of 179 branches, spread over 147 geographical locations in 28 states and union territories across the country. The Bank also has a representative office each in Dubai and London. The Business turnover touched Rs.32,503.07 crores as on December 31, 2007 as against Rs. 27,208.99 crores in the corresponding period of the previous year, recording a growth of 19.46%.

The Bank is driven by state-of-the-art technology since its inception. It has multi-lateral tie-up with other banks providing access to more than 17000 ATMs for its customers. It enjoys clearing bank status for both major stock exchanges - BSE and NSE - and three major commodity exchanges in the country – MCX, NCDEX, and NMCE. It also offers DP facilities for stock and commodity segments.

IndusInd Bank has been awarded the highest A1+ rating for its Certificates of Deposits by ICRA and the highest P1+ rating for its FDs by CRISIL, which has also assigned the highest safety ratings to the Bank's Pass through Certificates for securitized assets.

Safe Harbour

This document contains certain forward-looking statements based on current expectations of the IndusInd Bank management. Actual results may vary significantly from the forward-looking statements contained in this document due to various risks and uncertainties. These risks and uncertainties include the effect of economic and political conditions in India and outside India, volatility in interest rates and in the securities market, new regulations and Government policies that may impact the businesses of IndusInd Bank as well as its ability to implement the strategy. IndusInd Bank does not undertake to update these statements.

This document does not constitute an offer or recommendation to buy or sell any securities of IndusInd Bank or any of its associate companies. This document also does not constitute an offer or recommendation to buy or sell any financial products offered by IndusInd Bank.

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