

June 12<sup>th</sup>, 2020

Dear Esteemed Shareholder,

On behalf of the Directors of IHL, I hope you and your family are staying well and safe during these unprecedented times.

Black swan event of COVID-19 has impacted businesses globally. Having altered certain business fundamentals permanently, it is going to have a profound influence on the world economy. Direct impact on production, disruption in supply chain and financial impact on firms and financial markets are the three major areas affected by COVID-19.

Indian economy is also impacted significantly by the pandemic. Even though the restrictions are now being relaxed gradually, lockdown and its aftereffects will continue to hamper India's growth engine. As per Government's recent release, India's economy in Q4 FY20 has slowed down to 3.1 percent while GDP growth numbers for the full year 2019-20 have stood at 4.2 percent. Economists have projected a contraction of as much as 45 percent in Q1FY21. As per the estimates from SBI Research, the economy will contract by 6.8 percent in FY21 after a 'smart recovery' in the second quarter and "much better" growth numbers in the third and fourth quarters.

Amidst the grim circumstances brought upon by COVID-19, Indusind bank has delivered good results for Q4 and FY20 which are above the market expectations. The superior results have helped in boosting the investor confidence.

(Rs/Cr)	FY 2020	FY 2019	YoY (%)
Total Income	19,011	14,493	31%
NII	12,059	8,846	36%
PAT	4,458	3,301	35%
Loan Book	206,783	186,394	11%
NIM	4.14%	3.80%	
NPA	0.91%	1.21%	
PCR	63.34%	43.04%	

(NII- Net Interest Income, PAT – Profit After Tax, NIM – Net Interest Margin, NPA – Non-Performing Assets, PCR – Provision Coverage Ratio)

Mr. Sumant Kathpalia, a seasoned banker was appointed MD & CEO of Indusind Bank in March 2020. Sumant has rich experience of working in large multi-national banks such as Citibank, Bank of America and ABN AMRO prior to joining IndusInd Bank. For past 12 year he has been a key member of the top-level executive committee looking at bank wide financial management, investor relations and evaluation of inorganic growth opportunities.

**Indusind International Holdings Limited**

1A Ground Floor, North Building, Beau Plan Business Park, Pamplemousses 21001, Mauritius

T: +230 2458000 / 2459000 W : [www.indusindinternational.com](http://www.indusindinternational.com)

Key highlights from a recently concluded the analyst meet are as follows:

- **Moratorium:** Bank has offered 3-month instalment moratorium to all its retail customers. However, over 95% of Vehicle Finance customers paid their March instalments and a good traction on April instalments is noticed. On Microfinance, 99% of weekly instalments have been paid until lockdown.
- **COVID-19 Provision:** Adhering to RBI's requirement for COVID related additional provisions for NPA, bank has taken Rs 230 Mn provisions in Q1 FY21 and an additional floating provision of Rs 2600 Mn, thus making a total provision of Rs 2830 Mn for COVID-19. This provision is mainly to cover any additional credit cost from the vehicle finance and microfinance portfolios.
- **Deposit:** Bank's retail deposits continue to grow and overall deposits seems to be stable. Bank has ramped up its digital sourcing of retail deposits and has opened approximately 3,000 FDs per day of which 30% are New-to-Bank customers. This will be further ramped up once the lockdown is eased.
- **Asset Quality:** Bank has now fully provided for the large infra group at both holdco and SPV exposures translating to 65bps of loans for the year.

Reserve Bank of India (RBI), has asked scheduled commercial and cooperative banks to not pay further dividend for FY20 till September 30, 2020. Indusind Bank will assess the situation once the new directives for dividend payments get released and will act in best interest of its shareholders

Over last one year, all the leading banks from public and private sector have witnessed a massive decline in their share price. Indusind Bank too witnessed a steep fall in its share price over past few months especially during the month of March 2020. After the YES bank Fiasco, various hedge funds and punters had tried to suppress the IBL share price for their vested interests by spreading rumours. They however forgot about the strong support which the Bank enjoys from its NRI promoters (IIHL & IL) which in turn are supported by HNI shareholders who have stood by the bank for past 25 years.

Reports from leading analysts (Standard Chartered, CLSA, Citi, Kotak, Axis Capital, Motilal Oswal etc) holds optimistic view for the bank and suggest a BUY rating with a target price in the range of Rs 450 to Rs 720. As of today, 12<sup>th</sup> day of June 2020, Indusind Bank shares closed (at BSE) at a price of Rs 528, up from the price of Rs 351 on 31st March 2020. Reports suggest a stronger performance from the bank especially in the second half of FY21 when the impact of lockdown subsides.

During the last quarter (Q4 FY20) there was considerable slowdown in economic activity following the outbreak of COVID 19. However, given the Bank's long operating history, it has seen several business cycles and has always demonstrated an ability to manage portfolios effectively and emerge stronger. The Bank is now pushing forward into FY 21 with strong belief in the banking markets especially the rural India which will be one of the big pillars of sustainable growth in the near future.



Your company Indusind International Holding Ltd (IIHL) registered a net profit of USD 5.6 million for FY 20 as against a net profit of USD 10.2 million for previous year. The book value of the company for FY 20 is USD 20.8 per share as compared to USD 73.7 for previous year. Speculations which impacted the share price of Indusind Bank during last year also had a proportional effect on the performance of IIHL; weakening of the rupee against the US dollar also added to the ebbing. On a positive note, IIHL has started regaining its momentum; book value of the company as of today's closing at BSE has jumped up to approximately USD 24.5.


I am happy to share that company's other investment in Indusind Media and Hinduja Leyland Finance continues to remain stable. The merger of IMCL with the its parent media company is in process; the merged entity christened as NXT DIGITAL is expected to get listed by September 2020.

Your company holds an optimistic view on its performance for FY21. IIHL is always on an active lookout for interesting growth avenues and shall use the present depressing time as an unparalleled opportunity for expansion and acquire ongoing profitable undertakings about which we shall keep you advised. Diligence is also underway to evaluate listing of your company by September 2021.

Further, let me assure you that you should not be worried about the book value, as the Bank is poised to bring it back to its original glory and strengthen it further from there. It goes without saying that we would need your continued unstinted support to achieve this feat as quickly as possible.

With all the best wishes.

Yours sincerely

  
.....  
**Ashok P Hinduja**  
Chairman

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