

Q1FY22 Result Update
Buy

Industry	PSU Bank
CMP (Rs)	137
FY23E Target Price (Rs)	183
52 Week H/L (Rs)	157/53
Volumes (BSE+NSE)*	20,89,250
Shares O/S (mn)	1245.4
Market Cap (Rs mn)	170625.4
Free Float (%)	20.1
Bloomberg	INBK IN
Reuters	INBA.BO

*Three Month Daily Average

Share Holding Pattern (30/6/2021)

Particulars	Shares (mn)	Holding (%)
Promoters	994.5	79.9
FIIs	37.3	3.0
DIIs	130.0	10.4
Others	83.6	6.7
Total	1245.4	100.0

Source: BSE

Financial Highlights

(Rs bn)	FY21	FY22E	FY23E
Op. Income	217.5	240.3	270.1
NIM (%)	3.8	3.1	3.1
PAT	30.0	34.1	52.0
PAT Growth (%)	298.8	13.4	52.5
ABV (Rs)	179.2	204.1	228.4
P/ABV (x)	0.8	0.7	0.6
RoAE (%)	9.9	8.4	11.6
RoAA (%)	0.6	0.5	0.7

Stock Price Chart

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Indian Bank reported Q1FY22 net profit of Rs 11.8bn was much higher than our expectation of Rs 4.6bn due to expansion in NIM and higher recovery income. The merger integration has been progressing well and asset quality is also largely under control. With lumpy NCLT resolutions expected in the coming quarters, and an expected transfer of Rs 50.2bn to NARCL, we expect a meaningful decline in NPAs. Valuing Indian Bank at 0.8x its FY23E ABV (same as earlier), we derive our price target of Rs 183 (as against Rs 177 earlier). We maintain a 'Buy' rating on Indian Bank.

Result Highlights

Gross advances grew by 6.2% YoY to Rs 3.9bn due to 9%, 17%, 12% and 33% YoY growth in retail, agriculture, MSME and overseas loans respectively and 3% YoY decline in corporate loans respectively. The bank has given loan growth guidance of 10-12% for FY22E (provided there is no COVID 3.0). This will be driven by growth in the RAM segment.

Deposits grew by 10.4% YoY to Rs 5.4tn. CASA ratio was healthy at 40.9%.

NII grew by 3.1% YoY to Rs 39.9bn. The bank expects NIM of 3% (vs. 2.85% in Q1FY22) in FY22E with better loan growth, increase in C/D ratio, lower cost of funds and lower interest reversals.

Non-interest income grew by 41.4% YoY to Rs 18.8bn mainly due to 1398% and 226% YoY growth in recoveries and forex income respectively.

Operating profit grew by 26.1% YoY to Rs 34.7bn.

GNPA declined to Rs 377.6bn (9.69%) in Q1FY22 as against a GNPA of Rs 384.6bn (9.85%) in Q4FY21, due to higher write-offs. PCR including technical write-offs stood at 82%. Slippage ratio stood higher at 4.8% due to stress in the SME segment. It expects NNPA's to decline to less than 2% vs. 3.47% in Q1FY22.

Standard NBFC exposure stood at Rs 440.3bn forming 11.3% of loan book. BB&below corporate loan book stood at 19% of corporate loans. NCLT exposure stood at Rs 225.1bn with PCR of 99%. The bank has identified 33 NPA accounts worth Rs 50.2bn for transfer to NARCL.

SMA 1 + SMA 2 assets stood at Rs 268.3bn forming 6.9% of advances. Total restructured book is at Rs 118.4bn (3% of loan book).

CAR stood comfortable at 15.92% with CET-1 ratio at 11.57%. During Q1FY22, the bank raised Rs16.5bn equity capital at a price of Rs 142.15.

Q1FY22 Results Summary

Particulars (Rs mn)	Q1FY22	Q1FY21	% YoY Change	Q4FY21	% QoQ Change
Interest on Advances	67,646	71,491	-5.4	60,250	12.3
Income from Investments	27,718	27,749	-0.1	27,890	-0.6
Other Interest	872	1,960	-55.5	900	-3.1
Interest Earned	96,236	101,200	-4.9	89,040	8.1
Interest Expended	56,294	62,457	-9.9	55,700	1.1
Net Interest Income (NII)	39,942	38,743	3.1	33,340	19.8
Other Income	18,766	13,268	41.4	17,440	7.6
Net Income Earned	58,708	52,010	12.9	50,780	15.6
Operating Expenditure	23,990	24,477	-2.0	25,300	-5.2
Pre-Provisioning Profits	34,718	27,533	26.1	25,480	36.3
Provisions and Contingencies	26,145	21,391	22.2	17,520	49.2
Profit Before Tax	8,573	6,142	39.6	7,960	7.7
Provision for Tax	-3,244	2,450	N.A	-9,130	64.5
Net Profit	11,817	3,693	220.0	17,090	-30.9

Balance Sheet Details

Rs mn	Q1FY22	Q1FY21	% YoY Change	Q4FY21	% QoQ Change
Deposits	5,400,820	4,891,086	10.4	5,380,710	0.4
Gross Advances	3,896,250	3,667,870	6.2	3,903,170	-0.2
Investments	1,826,190	1,634,200	11.7	1,795,700	1.7

Key Ratios (As reported)

Ratios (%)	Q1FY22	Q1FY21	Q4FY21
Net Interest Margin	2.85	2.83	2.34
CASA	40.90	41.53	42.30
C/D Ratio	72.14	74.99	72.54
Cost to Income Ratio	40.86	47.06	49.82
Gross NPA	9.69	10.90	9.85
Net NPA	3.47	3.76	3.37
Capital Adequacy Ratio	15.92	13.45	15.71

Income Statement

Y/E March (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
Interest on Advances	139,839	159,330	274,546	303,384	344,364
Income from Investments	50,434	52,788	111,669	124,194	138,375
Interest on Balances with RBI	1,395	1,774	4,255	4,680	5,148
Other Interest	180	157	588	647	712
Interest Earned	191,848	214,050	391,058	432,905	488,599
% Change YoY	12.1	11.6	82.7	10.7	12.9
Interest Expended	121,667	137,986	234,398	259,463	293,442
% Change YoY	12.1	13.4	69.9	10.7	13.1
Net Interest Income (NII)	70,181	76,064	156,659	173,442	195,157
% Change YoY	12.0	8.4	106.0	10.7	12.5
Other Income	18,829	33,125	60,793	66,872	74,896
Net Income Earned	89,010	109,189	217,452	240,314	270,053
% Change YoY	2.7	22.7	99.2	10.5	12.4
Payments to Employees	22,229	24,730	63,782	68,247	75,072
Other Operating Expenses	17,975	19,479	39,713	42,890	48,037
Operating Expenditure	40,204	44,208	103,496	111,137	123,109
Pre-Provisioning Profits	48,806	64,980	113,956	129,176	146,944
% Change YoY	-2.4	33.1	75.4	13.4	13.8
Provisions and Contingencies	45,964	51,253	84,901	83,639	77,495
Profit Before Tax	2,842	13,727	29,056	45,537	69,449
Provision for Tax	-377	6,194	-991	11,462	17,480
Net Profit	3,220	7,534	30,047	34,075	51,969
% Change YoY	-74.4	134.0	298.8	13.4	52.5

Balance Sheet

Y/E March (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
SOURCES OF FUNDS					
Equity Capital	4,803	6,088	11,294	12,454	12,454
Reserves	189,084	214,805	372,826	416,262	457,022
Net Worth	193,887	220,893	384,119	428,717	469,476
Deposits	2,420,759	2,602,259	5,380,711	5,918,782	6,717,818
Borrowings	121,375	208,303	261,746	287,921	322,471
Other Liabilities	64,631	63,227	233,474	256,821	287,639
Total Liabilities	2,800,653	3,094,682	6,260,050	6,892,241	7,797,405
APPLICATION OF FUNDS					
Cash and Balances with RBI	117,019	57,361	275,451	295,939	335,891
Balances with Banks	83,185	81,886	265,148	337,688	403,658
Investments	649,922	812,417	1,765,370	1,915,024	2,125,763
Net Advances	1,812,619	1,978,870	3,640,102	4,004,113	4,564,688
Fixed Assets	39,614	38,957	73,763	75,238	76,743
Other Assets	98,294	125,190	240,216	264,238	290,662
Total Assets	2,800,653	3,094,682	6,260,050	6,892,241	7,797,405

Ratios

Y/E March	FY19	FY20	FY21	FY22E	FY23E
Valuation					
EPS (Rs)	6.7	12.4	26.6	27.4	41.7
Adj BVPS (Rs)	207.7	212.2	179.2	204.1	228.4
PER (x)	20.4	11.1	5.1	5.0	3.3
P/Adj BV (x)	0.7	0.6	0.8	0.7	0.6
Growth (%)					
NII	12.0	8.4	106.0	10.7	12.5
Advances	15.8	9.2	83.9	10.0	14.0
Deposits	16.2	7.5	106.8	10.0	13.5
Net Profit	-74.4	134.0	298.8	13.4	52.5
EPS	-74.4	84.6	115.0	2.8	52.5
Profitability (%)					
Yield on Advances	8.3	8.4	9.8	7.9	8.0
Yield on Investments	7.4	7.2	8.7	6.7	6.8
Cost of Deposits	5.3	5.2	0.0	0.0	0.0
Cost of Funds	4.9	5.0	5.4	4.2	4.3
Interest Spread	3.2	3.1	4.2	3.4	3.5
Net Interest Margin	3.0	2.9	3.8	3.1	3.1
Cost/Income	45.2	40.5	47.6	46.2	45.6
CASA	34.7	34.6	42.3	42.2	42.2
RoAE	1.7	3.6	9.9	8.4	11.6
RoAA	0.1	0.3	0.6	0.5	0.7
Balance Sheet Ratios					
Credit/Deposit	74.9	76.0	67.7	67.7	67.9
Investment/Deposit	26.8	31.2	32.8	32.4	31.6
Productivity Ratios (Rs mn)					
Business per Employee	215.9	244.2	474.6	515.3	578.4
Profit per Employee	0.2	0.4	1.6	1.8	2.7
Business per Branch	1353.3	1585.2	1487.4	1604.0	1788.0
Gross Profit per Branch	15.6	22.5	18.8	20.9	23.3
Capital Adequacy (%)					
Capital to Risk Weighted Assets Ratio	13.2	14.1	15.7	16.0	14.9
Tier I Capital Ratio	11.3	12.1	11.9	12.7	12.0
Asset Quality (%)					
Gross NPA	7.1	6.9	9.9	8.5	7.3
Net NPA	3.7	3.1	3.4	2.9	2.8
Provision Coverage	45.9	53.1	68.1	67.8	64.1

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