

Indian Bank announces results for Q2 FY21, Operating Profit up by 40% Net profit at Rs. 412 crore

The Board of Directors of Indian Bank approved the Balance Sheet and Profit & Loss for the Q2 FY21, at their meeting held on 22, October 2020 in Chennai.

Highlights

- *Net Interest Income rose by 32% YOY, NIM improved by 39 bps*
- *Non Interest income grew by 29%*
- *Cost to Income Ratio in Q2FY21 declined by 338 bps YoY*
- *Total deposits grew by 7 % on YOY, Loan Book grew by 2%*
- *CASA Ratio at 41%, 99 bps increase*
- *RAM constitutes 55 % of total advances*
- *PCR improved to 84.39% in Q2FY21*

Note: Amalgamation of Allahabad Bank into Indian Bank came in to effect on April 1, 2020. Accordingly, the combined financials as on 30th September 2019 and 31st March 2020 have been arrived at by aggregation of audited numbers of combined figures of two banks.

Profitability : Q2FY21 (30th Sept 2020)

Operating Profit and Net Profit

- The Bank's **Operating Profit** has registered a robust growth of **40%**, touching **Rs. 2995 crore** for the Q2 FY21 as against **Rs. 2135 crore** for Q2FY20. On a QoQ sequential basis it increased by **9%**.
- **The Net Profit** at **Rs. 412 crore** for Q2 FY21 as against net loss of **Rs.1755 crore** for Q2 FY20 mainly on account of increase of Non-Interest income by 29%. On a QoQ sequential basis it increased by **12%**.

Net Interest Income and Net Interest Margin

- **Net Interest Income** (interest income less interest expenditure) rose by **32%** for Q2 FY21 to **Rs. 4144 crore**, from **Rs.3139 crore** for Q2 FY20. On a QoQ sequential basis it increased by **7%**.
- **Net Interest Margin (NIM) (Domestic)** increased by **39** basis points (bps) and touched **3.06%** for Q2FY21 as against **2.67%** for Q2FY20. On a QOQ sequential basis it increased by **23 bps** from **2.83%** to **3.06%**.
- **Net Revenues** (Net interest income plus other income) for Q2 FY21 grew by **31%** and was at **Rs.5755 crore** as against **Rs.4388 crore** for Q2FY20. On a QoQ sequential basis it increased by **11%**.

Non Interest Income

- Non Interest Income for the quarter ended Q2FY21 was **Rs. 1611 crore** and increased by **29%** over Q2FY20 mainly on the back of fee income, forex income, recovery of bad debts and treasury income. On a QoQ sequential basis it increased by **21%**.

Provisions and contingencies

- **Provisions &Contingencies** for Q2 FY21 was at **Rs. 2583 crore** as against **Rs.3890 crore** for the corresponding quarter of previous year. Specific loan loss provisions for Q2FY21 were **Rs 1880 crore**, compared to **Rs 3443 crore** in Q2 FY20. On a QoQ sequential basis Total Provisions increased by **8%**.
- **Operating Expenses** for the quarter ended Q2FY21 was **Rs.2760 crore** as against **Rs. 2253 crore** during Q2FY20. On a sequential basis it increased by **13%** due to provision for wage revision and harmonization of depreciation.
- **Cost-to-Income Ratio** was at **47.97%** for Q2FY21 as against **51.35%** for Q2FY20. The decrease was on account of growth of **31%** in operating revenues and control on overheads.
- **Return on Average Assets (RoA)** at **0.28%** for Q2FY21 was due to increased Net Profits. On a sequential basis it increased by **3 bps**.
- **Return on Equity (RoE)** for Q2 FY21 was **5.88%**. On a sequential basis it increased by **39 bps**.

Assets and Liabilities

- **Total Balance sheet size** grew by **7.75% (Y-o-Y)** and was **Rs.584880 crore** as of Q2FY21 as against **Rs.542807 crore** as of Q2FY20. On a sequential basis it increased by **1.58%**.
- **Total Business** at **Rs.867853 crore** as of Q2FY21, recorded a Y-o-Y growth of **5%** over Q2FY20. On a sequential basis it increased by **1%**.
- **Total Deposits** at **Rs.501956 crore** as of Q2FY21 recorded a Y-o-Y growth of **7%**. On a sequential basis it increased by **3%**.

- **Domestic CASA deposits** recorded a Y-o-Y growth of **9%** and share of CASA was **41%** of total domestic deposits as on Q2FY21 as against **40%** as on Q2FY20. Growth in CASA was primarily driven by a Y-o-Y increase of **12%** in Current account deposits and Y-o-Y growth of **9%** in Savings account deposits.
- **Advances at Rs.365896 crore** as of Q2FY21 grew by **2%** over Q2FY20 (**Rs.359391 crore**) driven primarily by growth in **Retail (2%), Agriculture (7%), MSME (5%)** and supplemented by **Overseas advances (6%). Corporate Loans portfolio contracted by 2%.**
- **Priority Sector portfolio** increased to **Rs.138244 crore** as of Q2FY21 from **Rs.133573 crore** as of Q2FY20. Priority sector advances as a percentage of ANBC stood at **43.88%** as against the regulatory requirement of **40%**.

Capital Adequacy

- The Bank's total Capital Adequacy Ratio (CRAR) as per Basel III guidelines was healthy at **13.64%** as at Q2FY21 vs **13.45%** as of Q1 as against regulatory requirement of **10.875%**.
- Tier-I CRAR was at **10.74%** as on Q2FY21 Vs **10.30%** as on Q1FY21 on sequential basis.

Asset Quality

- **Gross non-performing assets** were at **9.89%** of Gross advances as on Q2FY21 brought down by **275bps** from **12.64%** as on Q2FY20. On a sequential basis it decreased by 101 bps.
- **Net non-performing assets** came down to **2.96%** as on Q2FY21 from **4.59%** of Net advances as on Q2FY20 with a reduction of **163 bps**. On a sequential basis it decreased by 80 bps.
- **Recovery of Bad debts improved** by 38% during Q2 FY21 over Q2 FY20.

MD and CEO's quote

Commenting on the results, MD & CEO, Ms.Padmaja Chunduru said "This has been a quarter of strong growth in all key parameters. The Bank has recorded 40% growth in Operating profit and earned Net Profit of Rs.412 crores during the quarter. CASA is at a healthy 41%, NIM at 3.06% has seen 23 bps growth over last quarter. GNPA and NNPA have improved to 9.89% and 2.96 %. RAM grew by 5% and now is at 55% of advances.

The consolidation of the amalgamation (Allahabad Bank merged into IB with effect from 01.04.20), is progressing very satisfactorily with more than 100 offices merged or rationalised so far. Centralisation of loan processing and IT integration is on track. That the Bank could make such gains in consolidation turning in good earnings and ensuring no disruption to customers during such challenging times, is because of the commitment and hard work put in by our team.

The Bank has continued its digital journey with launch of an All-in-one Application "Ind OASIS". Also the Bank has initiated a Business Mentoring program in vernacular 'MSME Prerana' for its MSME entrepreneurs. The Bank has also recently tied up with IIT Madras Incubation cell for financing start-ups under its "Ind Spring Board' Scheme."

Key Summary of Q2FY21 results

In Rs Cr	Q2FY20	Q1FY21	Q2FY21	YoY%	QoQ%
Earnings & Profit					
Interest Income	9420	10120	10057	7	-1
Interest Expenses	6281	6246	5913	-6	-5
Net Interest Income	3139	3874	4144	32	7
NIM % Domestic	2.67	2.83	3.06	-	-
Non Interest Income	1249	1328	1611	29	21
Operating Profit	2135	2753	2995	40	9
Loan loss provisions	3443	1830	1880	-45	3
Profit after Tax	-1755	369	412	-	12

In Rs Cr	Sep'19	Mar'20	Jun'20	Sep'20	YoY%	QoQ%
Balance Sheet						
Gross Advances	359391	368664	366787	365896	2	0
Domestic Corporate	151029	168899	167977	160336	6	-5
Domestic RAM	187638	191356	189892	196290	5	3
Deposits	469797	488835	489109	501956	7	3
Domestic CASA	189844	199488	203106	207706	9	2
Domestic Term Deposits	272692	282417	278623	286765	5	3
CASA ratio %	40	41	42	41	-	-
Gross NPA	45449	41998	39965	36198	-20	-9
Net NPA	15116	14273	12755	10053	-33	-21
Slippages during the quarter	4794	3841	523	249	-95	-52

Ratios %	Q2FY20	Q1FY21	Q2FY21	YoY bps	QoQ bps
Asset Quality					
GNPA	12.64	10.90	9.89	-275	-101
NNPA	4.59	3.76	2.96	-163	-80
PCR (with AUC)	75.53	80.52	84.39	886	387
PCR (without AUC)	66.74	68.09	72.23	549	414

	Q1FY21	Q2FY21	QoQ bps
Capital Ratios			
CET -I	10.30	10.57	27
Tier -1	10.47	10.74	27
CAR	13.45	13.64	19