

## Indian Bank

Another steady quarter, strong earnings to persist; retaining a Buy

Improved operating performance and moderating provisions led to Indian Bank's strong profitability, with RoA up 5bps q/q to 1.2%. Headline asset quality and PCR improved despite seasonality. Ahead, we expect modest slippages as most of the stress has been recognised. With stress from the legacy book recognised, the focus now shifts to profitability. We expect the bank to deliver a sustainable ~1.2% RoA in the medium term. We retain our positive view, at a higher 12-mth TP of Rs674, 1.2x P/BV on its FY26e book.

**Asset quality continues to improve.** On higher recoveries and write-offs, GNPA/NNPA improved 18bps/4bps q/q. Q1 FY25 slippages were Rs19.6bn (1.5% of loans), more than in the last quarter due to seasonality. The slippage run-rate is expected to improve in coming quarters. The standard restructured book was Rs78.8bn (down 8.4% q/q), ~1.5% of loans. The SMA 30+ (>Rs50m) was stable at Rs24.5bn (0.47% of loans). Ahead, with a low stress pipeline and normal collection efficiency, slippages are expected to hold below 1.5% and overall asset quality to continue to improve.

**RoA to be ~1.2% sustainably.** With a pick-up in loan growth (~16% for FY25) and the modest slippage run-rate, credit costs are likely to be modest. Stable margins, strong fee income and modest opex would help to maintain a good operating performance. Strong operating profits and modest credit costs would lead to robust medium-term profitability. We estimate ~1.2% RoA and ~16% RoE through FY25/26.

**Valuation.** Our TP of Rs674 is based on the two-stage DDM model. This implies a ~1.2x P/BV multiple on its FY26e book. **Risks:** Lumpy slippages from the corporate book; less-than-expected loan growth.

Key financials (YE Mar) (Rs m)	FY22	FY23	FY24	FY25e	FY26e
Net interest income	167,280	202,255	232,733	270,621	315,860
Pre-provisioning profit	127,169	152,706	168,395	196,853	233,830
Provisions	95,127	93,562	58,884	66,730	76,761
PAT	39,448	52,817	80,629	97,332	117,487
EPS (Rs)	31.7	42.4	59.9	72.3	87.2
NIM (%)	2.9	3.3	3.3	3.5	3.6
Cost-Income (%)	46.2	44.2	45.9	44.6	42.6
RoE (%)	9.6	11.5	15.2	15.6	16.4
RoA (%)	0.6	0.8	1.1	1.2	1.2
Advances growth (%)	7.3	15.4	14.6	16.0	16.0
GNPA (%)	8.5	6.0	4.0	3.3	2.6
CAR (%)	16.5	16.5	16.4	16.1	16.2
P / E (x)	18.5	13.8	9.8	8.1	6.7
P / BV (x)	1.7	1.5	1.4	1.2	1.0
P / ABV (x)	1.9	1.6	1.4	1.2	1.1

Source: Company, Anand Rathi Research

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Rating: **Buy**

Target Price (12-mth): Rs.674

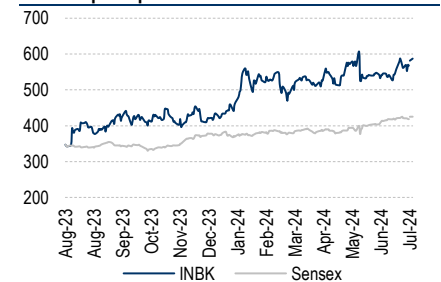
Share Price: Rs.586

Key data	INBK IN / INBA.BO
52-week high / low	Rs.633 / 336
Sensex / Nifty	81,356 / 24,836
3-m average volume	\$15.8m
Market cap	Rs.791bn / \$9,446.2m
Shares outstanding	1m347m

Shareholding pattern (%)	Jun'24	Mar'24	Dec'23
Promoters	73.8	73.8	73.8
- of which, Pledged	-	-	-
Free float	26.2	26.2	26.2
- Foreign institutions	5.4	5.3	5.9
- Domestic institutions	16.9	17.0	15.8
- Public	3.9	3.9	4.4

Estimates revision (%)	FY25e	FY26e
Net interest income	0.3	0.5
Pre-provisioning profit	0.8	1.1
PAT	1.2	2.1

### Relative price performance



Source: Bloomberg

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## Quick Glance – Financials and Valuations

**Fig 1 – Income statement (Rs m)**

Year-end: Mar	FY22	FY23	FY24	FY25e	FY26e
Net interest income	167,280	202,255	232,733	270,621	315,860
<i>NII growth (%)</i>	6.8	20.9	15.1	16.3	16.7
Non-interest income	69,154	71,431	78,667	84,961	91,757
Income	236,434	273,685	311,400	355,582	407,618
<i>Income growth (%)</i>	10.9	15.8	13.8	14.2	14.6
Operating expenses	109,265	120,979	143,005	158,729	173,787
PPoP	127,169	152,706	168,395	196,853	233,830
<i>PPoP growth (%)</i>	16.0	20.1	10.3	16.9	18.8
Provisions	95,127	93,562	58,884	66,730	76,761
PBT	32,042	59,144	109,511	130,124	157,069
Tax	-7,406	6,327	28,882	32,791	39,581
PAT	39,448	52,817	80,629	97,332	117,487
<i>PAT growth (%)</i>	31.3	33.9	52.7	20.7	20.7
FDEPS (Rs)	31.7	42.4	59.9	72.3	87.2
DPS (Rs)	6.5	8.6	12.0	10.8	13.1

Source: Company, Anand Rathi Research

**Fig 2 – Balance sheet (Rs m)**

Year-end: Mar	FY22	FY23	FY24	FY25e	FY26e
Share capital	12,454	12,454	13,470	13,470	13,470
Reserves & surplus	424,634	467,273	570,412	653,144	753,009
Deposits	5,936,178	6,211,658	6,880,000	7,740,000	8,784,900
Borrowings	171,443	220,730	231,315	242,881	255,025
Other liabilities	171,971	192,892	230,995	221,000	213,048
<b>Total liabilities</b>	<b>6,716,681</b>	<b>7,105,007</b>	<b>7,926,191</b>	<b>8,870,495</b>	<b>10,019,451</b>
Advances	3,891,861	4,492,967	5,148,891	5,972,713	6,928,347
Investments	1,745,586	1,859,883	2,125,545	2,189,311	2,320,670
Cash & bank balance	799,161	501,326	421,091	458,497	499,409
Fixed & other assets	280,074	250,832	230,664	249,973	271,025
<b>Total assets</b>	<b>6,716,681</b>	<b>7,105,007</b>	<b>7,926,191</b>	<b>8,870,495</b>	<b>10,019,451</b>
No. of shares (m)	1,245	1,245	1,347	1,347	1,347
<i>Deposits growth (%)</i>	10.3	4.6	10.8	12.5	13.5
<i>Advances growth (%)</i>	7.3	15.4	14.6	16.0	16.0

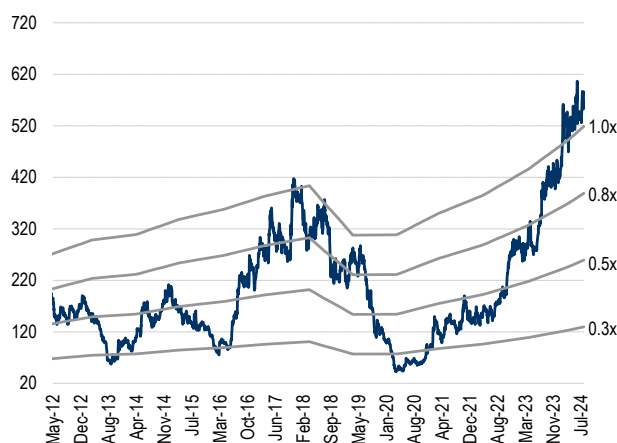
Source: Company, Anand Rathi Research

**Fig 3 – Ratio analysis**

Year-end: Mar	FY22	FY23	FY24	FY25e	FY26e
NIM	2.9	3.3	3.3	3.5	3.6
Other inc. / total inc.	29.2	26.1	25.3	23.9	22.5
Cost-income	46.2	44.2	45.9	44.6	42.6
Provision coverage	74.9	85.7	89.5	88.0	85.0
Dividend payout	20.5	20.3	20.0	15.0	15.0
Credit-deposit	65.6	72.3	74.8	77.2	78.9
Investment-deposit	29.4	29.9	30.9	28.3	26.4
Gross NPA	8.5	6.0	4.0	3.3	2.6
Net NPA	2.3	0.9	0.4	0.4	0.4
BV (Rs)	351.0	385.2	433.5	494.9	569.0
Adj. BV (Rs)	301.2	362.5	421.9	482.7	555.2
CAR (%)	16.5	16.5	16.4	16.1	16.2
- Tier 1	13.2	13.5	14.0	14.0	14.3
RoE	9.6	11.5	15.2	15.6	16.4
RoA	0.6	0.8	1.1	1.2	1.2

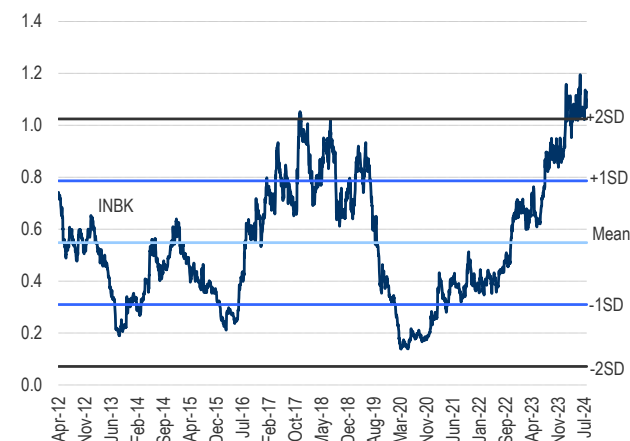
Source: Company, Anand Rathi Research

**Fig 4 – Price-to-book band**



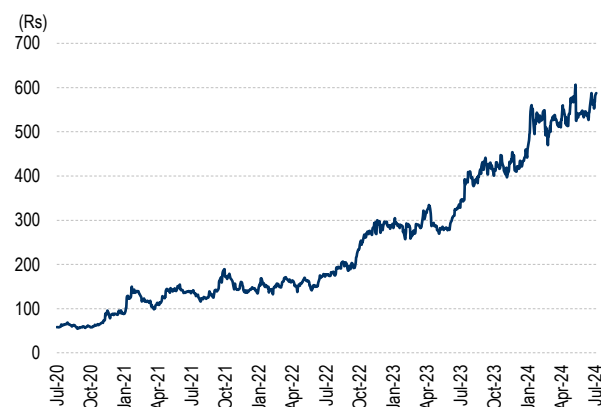
Source: Bloomberg

**Fig 5 – One-year-forward price-to-book value**



Source: Company, Anand Rathi Research

**Fig 6 – Price movement**



Source: Bloomberg

## Key Highlights

### Quarterly snapshot

**Fig 7 – Income statement**

(Rs m)	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25
Interest income	122,444	130,494	137,433	141,976	146,245	150,392
Interest expense	67,361	73,459	80,031	83,834	86,091	88,611
<b>NII</b>	<b>55,083</b>	<b>57,035</b>	<b>57,402</b>	<b>58,142</b>	<b>60,154</b>	<b>61,781</b>
Y/Y growth	29.5	25.8	22.5	5.7	9.2	8.3
Non-interest income	19,939	17,096	19,930	19,016	22,625	19,055
<b>Total income</b>	<b>75,022</b>	<b>74,131</b>	<b>77,332</b>	<b>77,158</b>	<b>82,779</b>	<b>80,836</b>
Y/Y growth	28.7	20.8	18.8	6.9	10.3	9.0
Operating expenses	34,866	33,484	34,304	36,186	39,730	35,820
Of which, staff cost	22,199	21,886	21,769	23,358	26,333	23,011
<b>PPoP</b>	<b>40,156</b>	<b>40,647</b>	<b>43,027</b>	<b>40,972</b>	<b>43,050</b>	<b>45,016</b>
Y/Y growth	46.7	14.0	18.6	0.9	7.2	10.7
Total provisions	25,630	17,406	15,507	13,494	12,478	12,584
<b>PBT</b>	<b>14,526</b>	<b>23,240</b>	<b>27,521</b>	<b>27,478</b>	<b>30,572</b>	<b>32,432</b>
Tax	53	6,852	7,643	6,285	8,102	8,398
<b>PAT</b>	<b>14,473</b>	<b>16,388</b>	<b>19,878</b>	<b>21,194</b>	<b>22,470</b>	<b>24,034</b>
Y/Y growth	47.0	35.1	62.2	51.8	55.3	46.7

Source: Company, Anand Rathi Research

**Fig 8 – Balance sheet**

(Rs m)	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25
Equity capital	12,454	12,450	12,454	12,454	13,470	13,470
Reserves & Surplus	467,273	484,190	504,164	525,358	570,412	594,560
Deposits	6,211,658	6,215,390	6,408,027	6,541,540	6,880,000	6,811,830
Borrowings	220,730	199,970	249,228	-	231,315	327,730
Other liabilities	192,892	193,650	213,794	-	230,995	218,070
<b>Equity and Liabilities</b>	<b>7,105,007</b>	<b>7,105,650</b>	<b>7,387,667</b>	<b>-</b>	<b>7,926,191</b>	<b>7,965,660</b>
Deposits y/y growth (%)	4.6	6.4	8.8	9.6	10.8	9.6
Deposits q/q growth (%)	4.0	0.1	3.1	2.1	5.2	-1.0
<b>Assets</b>						
Cash	501,326	393,810	407,723	-	421,091	385,880
Advances	4,492,967	4,563,750	4,706,266	-	5,148,891	5,208,470
Investments	1,859,883	1,887,890	2,016,726	-	2,125,545	2,115,170
Other assets	250,832	260,200	256,952	-	230,664	256,140
<b>Total Assets</b>	<b>7,105,007</b>	<b>7,105,650</b>	<b>7,387,667</b>	<b>-</b>	<b>7,926,191</b>	<b>7,965,660</b>
Advances y/y growth (%)	15.4	-	14.2	-	14.6	14.1
Advances q/q growth (%)	-	1.6	-	-	-	1.2

Source: Company, Anand Rathi Research

**Fig 9 – Asset quality movement**

(Rs m)	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25
<b>Opening balance</b>	<b>294,839</b>	<b>281,795</b>	<b>262,269</b>	<b>244,875</b>	<b>227,865</b>	<b>211,063</b>
Slippages	25,660	18,520	19,820	16,670	12,680	19,560
Recovery	19,010	16,660	14,150	11,430	8,980	12,900
Write-offs	19,690	21,390	23,060	22,250	20,510	14,700
<b>Closing balance</b>	<b>281,795</b>	<b>262,269</b>	<b>244,875</b>	<b>227,865</b>	<b>211,063</b>	<b>203,022</b>
GNPA (%)	6.0	5.5	5.0	4.5	4.0	3.8
Gross slippage ratio (%)	0.9	0.7	0.6	0.5	0.4	0.4

Source: Company, Anand Rathi Research

**Fig 10 – Break-up of advances**

(%)	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25
<b>Corporate &amp; Commercial</b>	<b>36.2</b>	<b>36.3</b>	<b>35.1</b>	<b>34.8</b>	<b>35.3</b>	<b>35.1</b>
<b>MSME</b>	<b>16.8</b>	<b>16.4</b>	<b>16.3</b>	<b>16.3</b>	<b>15.8</b>	<b>15.5</b>
<b>Retail</b>	<b>19.2</b>	<b>19.4</b>	<b>19.4</b>	<b>19.5</b>	<b>19.6</b>	<b>19.7</b>
Housing	12.6	12.7	12.7	12.6	12.4	12.8
Vehicle	1.1	1.2	1.3	1.4	1.5	1.6
Personal	1.6	1.7	1.8	1.7	1.6	1.5
Others	3.8	3.9	3.7	3.7	4.1	3.8
<b>Agriculture</b>	<b>21.5</b>	<b>21.8</b>	<b>22.4</b>	<b>22.4</b>	<b>22.7</b>	<b>23.0</b>
<b>Total domestic advances</b>	<b>93.7</b>	<b>94.0</b>	<b>93.2</b>	<b>93.0</b>	<b>93.3</b>	<b>93.2</b>
<b>Overseas advances</b>	<b>6.3</b>	<b>6.0</b>	<b>6.8</b>	<b>7.0</b>	<b>6.7</b>	<b>6.8</b>
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Company, Anand Rathi Research

**Fig 11 – Collection efficiency across portfolios**

(%)	Dec'22	Mar'23	Jun'23	Sep'23	Dec'23	Mar'24	Jun'24
Retail	94	94	94	94	94	95	96
Agri	91	92	90	90	91	92	91
MSME	95	95	94	94	93	94	92
Corporate	99	99	99	99	99	99	99

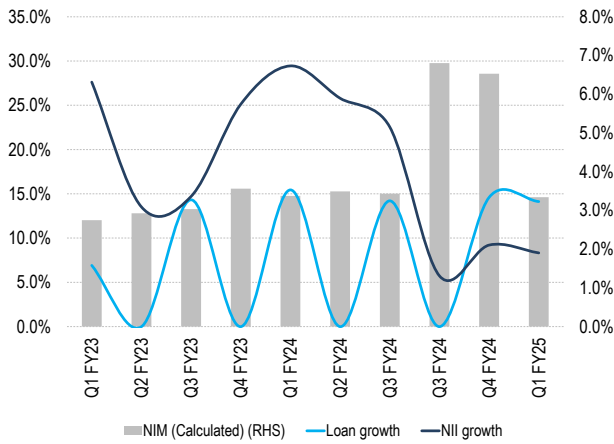
Source: Company, Anand Rathi Research

**Fig 12 – NCLT accounts**

NCLT list	No. of Accounts	Exposure (Rs m)	Provision (Rs m)	PCR (%)
RBI List-1	6	12,250	12,250	100
RBI List-2	10	28,530	28,530	100
Accounts filed by the bank	28	13,260	13,260	100
Accounts filed by other banks	212	1,66,510	1,66,510	100
<b>Total</b>	<b>256</b>	<b>2,20,550</b>	<b>2,20,550</b>	<b>100</b>

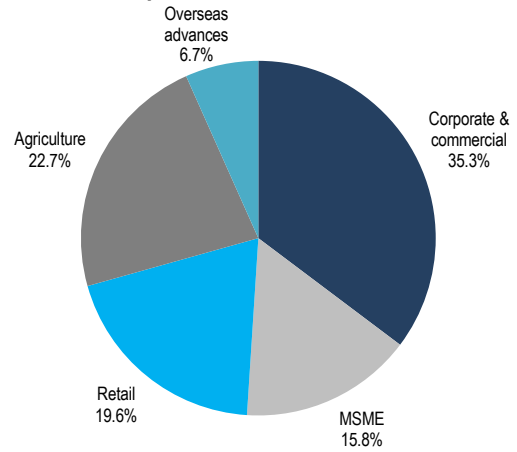
Source: Company, Anand Rathi Research

**Fig 13 – Credit growth vs. NIM (%)**



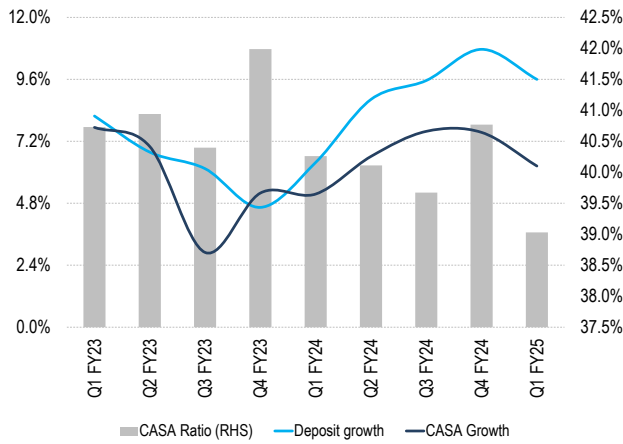
Source: Company, Anand Rathi Research

**Fig 14 – Loan break-up**



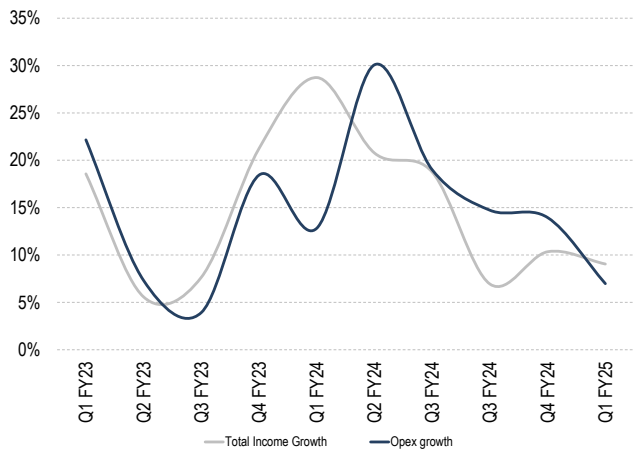
Source: Company, Anand Rathi Research

**Fig 15 – CASA ratio vs. Deposits growth**



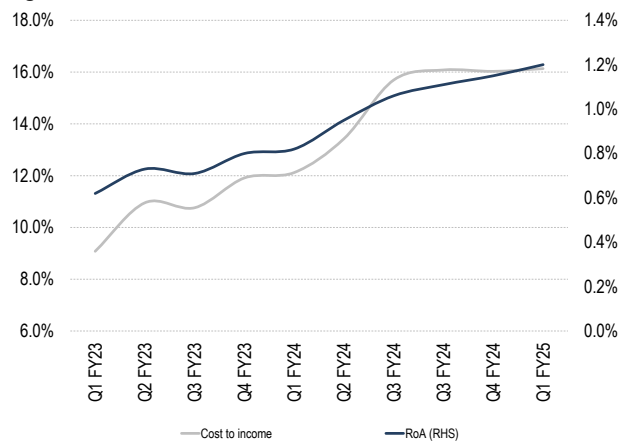
Source: Company, Anand Rathi Research

**Fig 16 – Income vs. Opex growth**



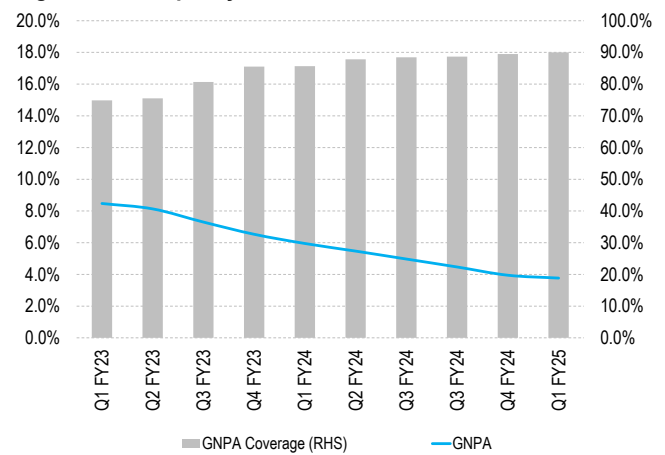
Source: Company, Anand Rathi Research

**Fig 17 – Cost to income vs. RoA**



Source: Company, Anand Rathi Research

**Fig 18 – Asset quality**



Source: Company, Anand Rathi Research

## Valuation

- Our target price of Rs674 is based on the two-stage DDM model. This implies a ~1.2x P/BV multiple on its FY26e book.
- This is one of the best-managed public-sector banks and we are sanguine regarding management's ability to deliver on its targets.

**Fig 19 – Change in estimates**

(Rs m)	FY25e			FY26e		
	New	Old	Chg (%)	New	Old	Chg (%)
Net interest income	2,70,621	2,69,867	0.3	3,15,860	3,14,158	0.5
Pre-provisioning profit	1,96,853	1,95,259	0.8	2,33,830	2,31,183	1.1
PAT	97,332	96,140	1.2	1,17,487	1,15,025	2.1

Source: Anand Rathi Research

### Risks

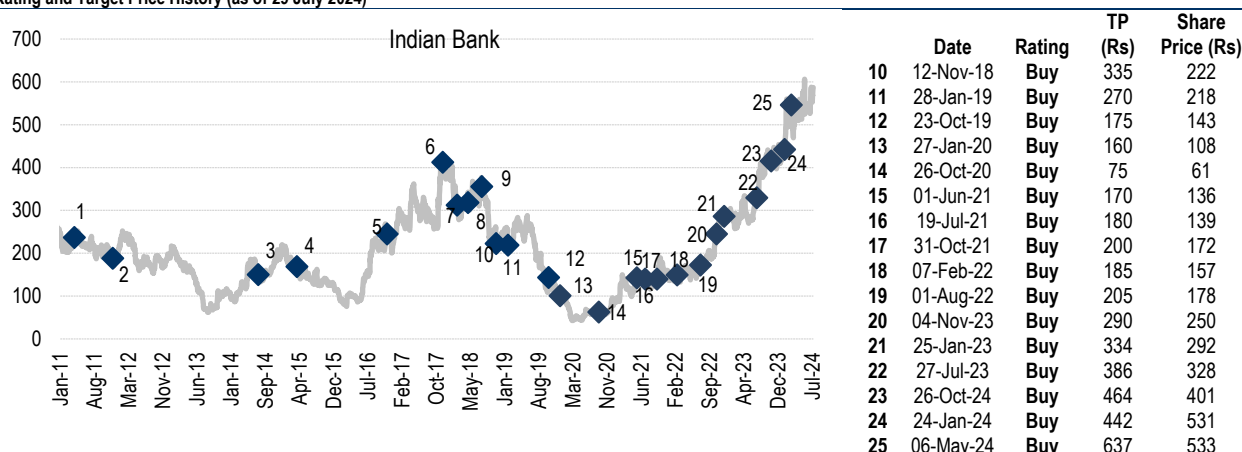
- Higher slippages (especially from the corporate portfolio) could lead to volatility in asset quality.
- Less-than-expected loan growth could disrupt our estimates.

## Appendix

### Analyst Certification

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	Buy	Hold	Sell
Large Caps (Top 100 companies)	>15%	0-15%	<0%
Mid Caps (101st-250th company)	>20%	0-20%	<0%
Small Caps (251st company onwards)	>25%	0-25%	<0%

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