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**CMP: INR 331**

**Rating: Buy**

**Target Price: INR 374**

**Stock Info**

BSE	532814
NSE	INDIANB
Bloomberg	INBK IN
Reuters	INBA.BO
Sector	Banks
Face Value (INR)	10
Equity Capital (INR Cr)	1,245
Mkt Cap (INR Cr)	40,725
52w H/L (INR)	338 / 171

**Shareholding Pattern %**

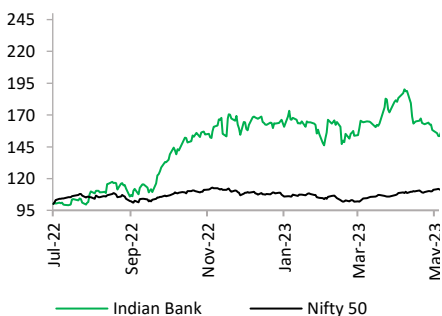
(As on June, 2023)

Promoters	79.9
Public & Others	20.1

**Stock Performance (%)**

	1m	6m	12m
Indian Bank	17.5	10.2	83.9
Nifty 50	2.45	11.4	16.13

**Indian Bank vs Nifty 50**



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Indian Bank has posted profit steady performance during Q1FY24 with profit growth of 41% YoY/18% QoQ to INR 1,709 cr, led by NII growth and sequential decline in OPEX. NII for the quarter increased by 26% YoY/3.6% QoQ to INR 5,704 cr, driven by gross advances growth of 13% YoY and margins expansion. NIM of the bank improved marginally by 2bps QoQ at 3.61% due to 10bps YoY increase in yield on advances. Other income of the bank declined by 14.5% QoQ and increased by 6.5% YoY to INR 1,710 cr. Operating expenses grew at 27% YoY, led by increase in employee expenses. PPOp growth of 16% YoY/3% QoQ to INR 4,135 cr.

**Loan growth improved:** Total gross advances growth of the bank was at 13% YoY/1% QoQ to INR 479,404 cr, driven by RAM segment. Retail, Agri and MSME (RAM) segment of the bank has reported 13% YoY growth. Retail segment portfolio increased by 16% YoY, Agri by 16% YoY and MSME increased by 7% YoY. The corporate book grew by 12% YoY. Deposits growth was at 6% YoY/0.1% QoQ to INR 621,539 cr, led by 4% QoQ decline in CASA deposits. CASA ratio of the bank moderated by 173bps QoQ at 40.3%.

**Asset quality improved sequentially:** GNPA/NNPA ratio improved by 48bps/20bps QoQ at 5.47%/0.7% respectively. Total slippages for the quarter stood at INR 1,753 cr (Slippage ratio at 1.57% vs. 2.43% QoQ). In terms of break-up, INR 1,527 cr slippages was from RAM segment and INR 227 cr was from Corporate segment. Recoveries, upgrades and write-offs was healthy at INR 3,805 cr vs. INR 3,879 cr QoQ. PCR was healthy at 88%. Collection efficiency moderated to 95% in Jun'23. Collection efficiency (CE) QoQ - as per segment : Retail- 94% vs flat, MSME- 94% vs 95%, Agri- 90% vs 92% QoQ and Corporate - 99% vs flat QoQ.

**Valuation and View:** Indian Bank has reported steady quarter with healthy loan growth traction and improving profitability. Management guided for >10% credit growth for FY24, and we expect bank to surpass +10% loan growth mark, given the system credit growth at 12-13% and increasing retail focus. Asset quality of the bank improved sequentially. At CMP of INR 331, We maintain our Buy rating on the stock with a target price of INR 374, based on 0.9x FY25E ABV of INR 468.

**Financial Performance**

(in INR Cr)	FY21A	FY22A	FY23A	FY24E	FY25E
NII	15,666	16,728	20,225	23,773	25,906
NIMs	2.85	2.91	3.41	3.43	3.45
Operating profit	10,967	12,717	15,271	17,645	19,971
Net profit	3,005	3,945	5,281	7,037	7,612
EPS	26.6	31.7	42.4	56.5	61.1
ABV	231.5	279.9	352.7	409.9	467.9
RoA (%)	0.50	0.63	0.77	0.95	0.95
RoE (%)	9.93	9.61	11.52	13.67	12.94
P/BV(x)	1.0	0.9	0.9	0.7	0.7
P/ABV(x)	1.4	1.2	0.9	0.8	0.7

Source: Company, Arihant Research

## Q1FY24- Quarterly Performance (Standalone)

(in INR Cr)

Quarterly Result Update (INR in Cr)	Q1FY24	Q1FY23	Q4FY23	YoY	QoQ
Interest Income	13,049	10,154	12,244	28.5%	6.6%
Interest Expended	7,346	5,620	6,737	30.7%	9.0%
<b>Net Interest Income</b>	<b>5,704</b>	4,534	5,508	<b>25.8%</b>	<b>3.6%</b>
Other Income	1,710	1,605	1,994	6.5%	-14.3%
<b>Operating Income</b>	<b>7,413</b>	6,139	7,502	<b>20.8%</b>	<b>-1.2%</b>
Employee Expenses	2,119	1,539	2,220	37.6%	-4.6%
Other Operating Expenses	1,160	1,035	1,267	12.1%	-8.4%
<b>Total Expenses</b>	<b>3,278</b>	2,574	3,487	<b>27.4%</b>	<b>-6.0%</b>
<b>PPOP</b>	<b>4,135</b>	3,564	4,015	<b>16.0%</b>	<b>3.0%</b>
Provisions	1,741	2,219	2,563	-21.6%	-32.1%
<b>PBT</b>	<b>2,394</b>	1,345	1,452	<b>77.9%</b>	<b>64.9%</b>
Tax Expenses	685	132	5	NA	NA
<b>Net Income</b>	<b>1,709</b>	1,213	1,447	<b>40.8%</b>	<b>18.1%</b>

Source: Company, Arianth Research

### Concall highlights

- **Credit growth outlook:** Management has guided for a credit growth of 10% - 12% in FY24. The growth will be mainly from Retail, Agri and MSME segment. They are currently growing at 13%.
- **Credit cost guidance:** Credit cost came at 0.82% which declined 14 bps QoQ. Bank has guided for credit cost to reduce further in coming quarters.
- **NIM outlook:** NIM during Q1FY24 improved marginally by 2bps QoQ at 3.61% driven by improvement in yield.
- **On asset quality:** GNPA/NNPA of the bank declining consistently on quarter on quarter basis. Management has given a guidance of asset quality below 5%. GNPA/ NNPA during the quarter came at 5.47% / 0.7%.
- **Collection efficiency (CE):** Overall, collection efficiency of the bank was at 95% during last 2 quarters. CE remained stable QoQ while it improved by 100bps YoY.
- **Recovery:** Bank expects recovery of INR 8,000 cr during FY24, of which INR 2000 cr recovered during Q1. Slippages for the quarter was at INR 1,753 cr
- **Restructuring:** Outstanding standard restructuring book of the bank was at INR 10,486 cr as on Jun'23 where collection efficiency is at 89%.
- Bank is comfortable on the capital level. Its capital adequacy ratio as on Jun'23 stood at 16.5%.

Profit & Loss Statement (in INR Cr)	FY21	FY22	FY23	FY24E	FY25E
Interest Income	39,106	38,856	44,942	52,283	57,153
Interest Expense	23,440	22,128	24,717	28,510	31,248
<b>Net Interest Income</b>	<b>15,666</b>	<b>16,728</b>	<b>20,225</b>	<b>23,773</b>	<b>25,906</b>
YoY change (%)	106	7	21	18	9
Non Interest Income	5,650	6,915	7,143	7,857	8,643
Total Net Income	21,316	23,643	27,369	31,630	34,549
Total Operating Expenses	10,350	10,927	12,098	13,986	14,577
<b>Pre Provision profit</b>	<b>10,967</b>	<b>12,717</b>	<b>15,271</b>	<b>17,645</b>	<b>19,971</b>
YoY change (%)	69	16	20	16	13
Provisions	8,061	9,513	9,356	8,237	9,795
Profit Before Tax	2,906	3,204	5,914	9,407	10,177
YoY change (%)	112	10	85	59	8
Taxes	-99	-741	633	2,371	2,564
<b>Net profit</b>	<b>3,005</b>	<b>3,945</b>	<b>5,281</b>	<b>7,037</b>	<b>7,612</b>
YoY change (%)	298.8	31.3	33.9	33.2	8.2

Balance Sheet (in INR Cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Cash & Balances with RBI	27,545	24,054	32,693	22,928	25,221
Inter bank borrowing	26,515	55,862	17,440	19,008	20,909
Investments	1,76,537	1,74,559	1,85,988	2,00,867	2,16,937
Loan and Advances	3,64,010	3,89,186	4,49,297	4,94,226	5,43,649
Other Assets	24,022	20,324	17,624	19,387	21,325
<b>Total Assets</b>	<b>6,26,005</b>	<b>6,71,668</b>	<b>7,10,501</b>	<b>7,64,577</b>	<b>8,37,017</b>
Deposits	5,38,071	5,93,618	6,21,166	6,77,022	7,44,725
Borrowings	26,175	17,144	22,073	23,989	20,705
Other Liability	23,347	17,197	19,289	8,555	8,966
Equity	1,129	1,245	1,245	1,245	1,245
Reserves	37,283	42,463	46,727	53,764	61,376
<b>Total Liabilities</b>	<b>6,26,005</b>	<b>6,71,668</b>	<b>7,10,501</b>	<b>7,64,577</b>	<b>8,37,017</b>

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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