

Shubh Nivesh



Sturdy performance to aid valuation.....

About the stock: Indian Bank is one of the largest and among the better performing PSU banks in India with a total business of over ₹ 12 lakh crore.

- Pan-India presence with strong branch network of 5847 domestic branches
- Diversified loan mix with RAM (retail/agri/MSME) forming ~62% to book

Investment Rationale:

- **Optimistic growth outlook; RAM segment to aid margins:** Addressing challenges amid tight liquidity market, focus on maintaining CASA at ~40%, increasing proportion of RAM (retail, Agri, and MSME) and higher CD ratio (at 77.5%) is expected to enable relatively steady margins at 3.4-3.5% in FY25E. While growth in retail category amid improved digital customer experience, is seen to aid yields, disbursements in corporate loans (amid focus on new business opportunities including data center, city gas distribution and commercial real estate) is seen to aid business growth. Management is targeting advance growth at 12-13% in FY25E.
- **Digital transformation, moderation in slippages to aid RoA:** Continued focus on moderation of slippages and under-writing has resulted in delivery of relatively superior asset quality with NNPA at 0.4% and restructured asset at 1.7% of advances. Going ahead, further moderation in slippages (expected to remain below 2%), healthy provision coverage at ~96% (as of March 2024) and recovery from written off assets is seen to result in decline in GNPA and keep credit cost lower. Investment in technology infrastructure is expected to enhance customer experience as well as improve operational efficiency. Thus, stable margins, healthy fee income and modest opex is seen to aid sustenance of operating performance. Strong operating numbers coupled with modest credit costs would lead to robust medium-term profitability. Expect gradual improvement in RoA to 1.1-1.2% in FY25-26E.

Rating and Target Price

- Indian Bank has delivered superior performance on both business growth and asset quality. While business growth remained steady, asset quality has been superior on relative basis with lower NNPA and better PCR.
- Growth with selective approach and focus on sustained margins & asset quality is seen to gradually drive improvement in RoA at 1.2-1.3% in FY25-26E. Given relatively stable performance with growth at 12-14% and RoA at 1.1-1.2%, we assign a target of ₹700, valuing the stock at ~1.25x FY26E BV. Recommend a **BUY**.



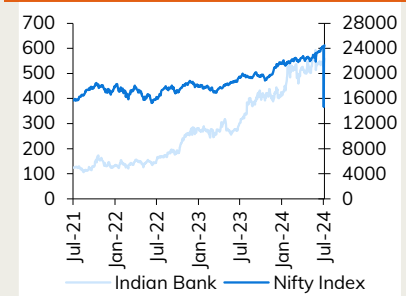
Particulars

Particulars	Amount
Market Capitalisation	₹ 75262 crore
52 week H/L	633 / 321
Net worth	₹ 58388 Crore
Face Value	10.0
DII Holding (%)	16.9
FII Holding (%)	5.4

Shareholding pattern

	Sep-23	Dec-23	Mar-24	Jun-24
Promote	79.9	73.8	73.8	73.8
FII	4.3	5.9	5.3	5.4
DII	11.8	15.8	17.0	16.9
Others	4.1	4.4	3.9	3.9

Price Chart



Key risks

- Uncertainty on new leadership
- Maintaining margins amid tight liquidity market

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Key Financial Summary

₹ crore	FY21	FY22	FY23	FY24	3 year CAGR	FY25E	FY26E	2 year CAGR (FY24-26E)
NII	15666	16728	20225	23273	14%	26039	28505	11%
PPP	11396	12717	15271	16840	14%	18809	20638	11%
PAT	3005	3945	5282	8063	39%	9630	11145	18%
ABV (I)	212.2	269.1	332.8	395.9		482.8	557.8	
P/E	21.0	17.6	13.2	9.3		7.8	6.8	
P/ABV	2.6	2.1	1.7	1.4		1.2	1.0	
RoA	0.5	0.6	0.8	1.1		1.2	1.2	
RoE	9.8	12.1	14.7	15.2		15.0	14.8	

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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