

Price: 558

Recommendation: Buy

Industry: Public Sector Bank

Sector: Financial Services

Report Date: 02-May-2025

Indian Bank, a leading public sector bank, reported strong Q3 FY25 performance with 12.61 trillion in total business, driven by growth in deposits, advances, and retail loans. The Bank excels in digital transformation, achieving 92% digital migration and 125% YoY growth in digital business. With improved asset quality, robust recovery efforts, and strategic initiatives, it is poised for sustained growth.

Sales		Profit & Loss		Profitability Matrix	
Current Year	60771 Cr	Operating Profit(Year)	40846 Cr	Operating Profit Margin	67.2 %
Previous Year	44942 Cr	Operating Profit(Quarter)	10882 Cr	EBITDA Margin	72.11 %
Current Quarter	15759 Cr	PAT (Year)	8065 Cr	Net Profit Margin	14.5 %
Previous Quarter	15348 Cr	PAT (Quarter)	2852 Cr	EPS	75.8
Revenue (QYoY)	14198 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	7.38	Sales Growth	14.2 %	Sales Growth	2.68 %
PEG Ratio	0.08	PAT Growth	52.69 %	Sales Growth QYoY	10.99 %
EV/EBITDA	16.2	EPS Growth	26.54 %	PAT Growth	5.4 %
P/B	1.17	Dividend Yield	2.15	PAT Growth QYoY	34.59 %
Capital Allocation		Holdings		Leverage	
RoE	15.2 %	Promoter	73.8 %	Debt/Equity	11.3
RoA	1.07 %	FII	4.74 %	Debt	726483 Cr
RoCE	5.93 %	DII	17.8 %	Market Cap	75307 Cr
RoIC	5.93 %	Public	3.65 %	Enterprise value	801790 Cr
		No of Shares	135 Cr	Cash Equivalents	0.00 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

Indian Bank's Q3 FY25 concall highlighted robust growth across key metrics and strategic initiatives aimed at sustaining momentum. The Bank reported an 8.33% YoY growth in total business, reaching 12.61 trillion, driven by a 7.34% increase in deposits and a 9.61% rise in advances. Retail term deposits grew by 9%, while RAM (Retail, Agriculture, MSME) advances surged 12.79%, with retail loans growing 15.80%. Net profit rose 34.57% YoY to 2,852 crore, supported by a 10.32% increase in NII and improved asset quality, with gross NPA reduced to 3.26% and net NPA to 0.21%. The Bank maintained a CASA ratio of 40% and achieved a cost-to-income ratio of 44.56%, reflecting operational efficiency. Recovery efforts were strong, with 1,911 crore recovered against slippages of 1,016 crore, and SMA-2 exposure reduced to 2,543 crore.

The Bank emphasized digital transformation as a cornerstone of its strategy, with digital migration increasing to 92% and digital business growing 125% YoY to 1.19 trillion. Initiatives included launching 117 digital journeys, enhancing mobile banking functionalities, and onboarding 138 fintech partners to support government and institutional solutions. Digital adoption in RAM sectors showed significant growth, with MSME at 80%, retail at 77%, and agriculture at 88%. The Bank also introduced digital products like e-deposits, digital home loans, and vehicle loans, achieving remarkable growth rates. The IndSMART app, with 275 functionalities, has onboarded over 60 lakh retail customers, and plans are underway to launch mobile banking for corporate customers.

Looking ahead, Indian Bank reaffirmed its FY25 guidance, targeting 11%-13% credit growth, 8%-10% deposit growth, and maintaining NIM between 3.40%-3.50%. The Bank has a strong corporate pipeline of 40,000 crore and expects higher credit demand in Q4, particularly in RAM and corporate sectors. Strategic focus areas include MSME lending, infrastructure bonds, and leveraging its subsidiary IGSSL for marketing, retail loans, and collections. The Bank plans to enhance digital adoption in liability products, implement CRM solutions, and introduce employee assist tools to bridge knowledge gaps and improve service delivery.

Indian Bank's proactive measures in asset quality, digital innovation, and operational efficiency position it well for sustained growth. The management's commitment to steady growth, prudent provisioning, and leveraging technology reflects a forward-looking approach. With strong recovery momentum, robust pipelines, and strategic investments in digital and HR transformation, the Bank is poised to achieve its ambitious targets while maintaining profitability and asset quality.

INDIANB Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Union Bank (I)	96397.41	5.90	15.64%	0.92%	6.32%	-2.69%	27.52%
Canara Bank	88003.34	5.36	17.94%	1.88%	7.93%	0.63%	11.19%
Indian Bank	75307.16	7.38	15.17%	2.68%	11.00%	5.39%	34.59%
I O B	72750.50	21.81	11.03%	7.34%	15.16%	20.31%	30.07%
St Bk of India	714467.19	9.00	17.34%	2.98%	10.44%	-4.70%	17.27%

Aspect	Commentary
Revenue	Indian Bank's revenue grew 14.2% YoY, driven by strong advances and deposit growth. Quarterly revenue increased 2.68%, reflecting consistent performance. Retail loans surged 15.8%, showcasing robust demand in RAM sectors. Digital transformation contributed significantly to revenue expansion.
Profit & Loss	Operating profit margin stood at 67.2%, with PAT growing 52.69% YoY and 5.4% QoQ. EPS growth of 26.54% reflects improved profitability. Net profit margin at 14.5% highlights efficient cost management and strong recovery efforts, supported by reduced NPAs and higher NII.
Profitability Matrix	Operating profit margin of 67.2% and EBITDA margin of 72.11% indicate strong operational efficiency. RoE at 15.2% and RoA at 1.07% reflect effective capital utilization. Net profit margin of 14.5% underscores profitability improvements driven by strategic initiatives.
Valuation Matrix	Trailing P/E of 7.38 and P/B of 1.17 suggest undervaluation relative to peers. PEG ratio of 0.08 highlights growth potential. EV/EBITDA at 16.2 indicates strong enterprise value. Dividend yield of 2.15% reflects shareholder returns amidst robust financial performance.
Growth (YoY)	Sales grew 14.2% YoY, driven by advances and deposit growth. PAT growth of 52.69% YoY reflects improved asset quality and operational efficiency. EPS growth of 26.54% highlights profitability enhancements. Retail loans grew 15.8%, showcasing strong demand in RAM sectors.
Growth (QoQ)	Quarterly sales growth of 2.68% and PAT growth of 5.4% reflect consistent performance. PAT growth QYoQ at 34.59% highlights recovery momentum. Retail loans and digital business growth contributed to quarterly improvements, supported by strategic initiatives.
Capital Allocation	RoE at 15.2% and RoA at 1.07% reflect efficient capital allocation. Debt/Equity ratio of 11.3 indicates leverage management. Strong recovery efforts and reduced NPAs support profitability. Strategic investments in digital transformation enhance operational efficiency.
Holdings	Promoter holding at 73.8% ensures stability. FII at 4.74% and DII at 17.8% reflect institutional confidence. Public holding at 3.65% indicates limited retail exposure. Strategic partnerships and fintech collaborations enhance growth prospects and market positioning.
Leverage	Debt/Equity ratio of 11.3 reflects manageable leverage. Debt at Rs.726,483 Cr is supported by strong asset quality and recovery efforts. Enterprise value of Rs.801,790 Cr highlights market confidence. Reduced NPAs and SMA-2 exposure strengthen financial stability.

Analyst viewpoint: Indian Bank has demonstrated robust growth across key metrics, positioning itself as a strong contender in the public sector banking space. The Bank's Q3 FY25 performance reflects consistent growth in deposits and advances, with retail loans surging 15.8% YoY and RAM advances growing 12.79%. Digital transformation has been a cornerstone of its strategy, achieving 92% digital migration and 125% YoY growth in digital business, which now contributes significantly to revenue expansion. Improved asset quality, with gross NPA reduced to 3.26% and net NPA to 0.21%, coupled with strong recovery efforts, underscores operational efficiency and prudent risk management. Valuation metrics such as a trailing P/E of 7.38 and P/B of 1.17 suggest the stock is undervalued relative to peers, while a PEG ratio of 0.08 highlights its growth potential. The Bank's strategic initiatives, including fintech collaborations and digital product launches, further enhance its competitive edge in the sector.

From a short to mid-term perspective, Indian Bank's consistent quarterly performance, with sales growth of 2.68% and PAT growth of 5.4%, reflects steady momentum. The Bank's focus on RAM sectors, digital adoption, and operational efficiency positions it well to capitalize on higher credit demand and achieve its FY25 guidance targets. Additionally, its strong corporate pipeline and strategic investments in infrastructure bonds and subsidiary-led marketing initiatives provide a solid foundation for sustained growth. While the Bank's debt/equity ratio of 11.3 indicates manageable leverage, it remains an area to monitor closely as the Bank continues to expand. Overall, Indian Bank's proactive measures and forward-looking approach make it an attractive buy recommendation for investors seeking growth in the financial services sector.

Please read detailed disclosure on next page.

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Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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