

Price: 575

Recommendation: Buy

Industry: Public Sector Bank

Sector: Financial Services

Report Date: 19-Apr-2025

Indian Bank is driving growth through strategic initiatives and digital transformation. With a business increase from Rs.12.44 trillion to Rs.12.61 trillion, the bank shows an 8.33% year-on-year growth. Digital migration rose to 92%, and digital business grew by 125%. The RAM sector saw a 12.79% growth, with digital adoption rates high across segments. The bank targets 11-13% credit growth, maintaining a strong asset quality and focusing on retail deposits for future expansion.

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	7.59	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	1.21	Dividend Yield	2.09	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	77477 Cr
RoIC	5.93 %	Public	3.65 %	Enterprise value	803961 Cr
		No of Shares	135 Cr	Cash Equivalents	0.00 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

In the recent conference call, Indian Bank's management highlighted several key initiatives and strategies aimed at driving growth and enhancing operational efficiency. The bank has reported a significant increase in its total business, growing from Rs.12.44 trillion to Rs.12.61 trillion, marking a year-on-year growth of 8.33%. The bank's focus on digital transformation is evident, with digital migration increasing from 87% to 92%, and digital business growing by 125% over nine months. The bank has launched 39 new digital journeys this financial year, contributing to a substantial increase in digital transactions and customer engagement. The management emphasized the importance of maintaining a strong CASA ratio, which stands at 40%, and highlighted the growth in retail term deposits by 9%.

The bank's diversification strategy includes a strong focus on the RAM (Retail, Agriculture, and MSME) sector, which has grown by 12.79% year-on-year. The retail segment alone has seen a growth of 15.80%, while agriculture and MSME sectors have grown by 13.50% and 8.20%, respectively. The bank's digital initiatives have also extended to the RAM sector, with digital adoption rates of 80% in MSME, 77% in retail, and 88% in agriculture. The bank has also onboarded 138 fintech partners to enhance its digital offerings and provide comprehensive solutions to various sectors, including government and municipal corporations.

Looking ahead, Indian Bank is optimistic about its growth prospects, with a target to achieve credit growth in the range of 11% to 13%. The bank has a robust pipeline of corporate loans amounting to Rs.40,000 crore, which is expected to drive growth in the coming quarters. The management is confident in maintaining its net interest margin (NIM) between 3.40% and 3.50%, and aims to keep the cost-to-income ratio around 44%. The bank's focus on asset quality is reflected in its low net NPA ratio of 0.21% and a high provision coverage ratio of 98.09%.

While the bank's performance has been strong, there are areas for improvement. The management acknowledged the need to enhance deposit growth, which has been relatively muted. The bank's strategy to shed bulk deposits and focus on retail deposits is a step in the right direction, but achieving the targeted deposit growth of 8% to 10% will require sustained efforts. Additionally, the bank's reliance on digital channels presents both opportunities and challenges, as it must continue to innovate and adapt to changing customer preferences. Overall, Indian Bank's strategic initiatives and focus on digital transformation position it well for future growth, but execution will be key to realizing its ambitious targets.

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)	96633.81	5.91	15.64%	0.92%	6.32%	-2.69%	27.52%
Canara Bank	87096.39	5.30	17.94%	1.88%	7.93%	0.63%	11.19%
Indian Bank	77477.37	7.59	15.17%	2.68%	11.00%	5.39%	34.59%
I O B	71384.18	23.09	9.98%	3.81%	15.16%	12.42%	20.91%
St Bk of India	711693.82	8.97	17.34%	2.98%	10.44%	-4.70%	17.27%

Aspect	Commentary
Revenue	The company shows robust revenue growth with a significant year-on-year increase from 44,942 Cr to 60,771 Cr, indicating strong market demand and effective sales strategies. The quarter-on-quarter growth is modest, suggesting stable performance. This consistent revenue trajectory highlights the company's ability to sustain its market position.
Profit & Loss	Operating profit margins are strong, reflecting efficient cost management. The year-on-year PAT growth of 52.69% is impressive, indicating enhanced profitability. Quarterly PAT growth is steady, suggesting consistent operational performance. Overall, the company demonstrates solid financial health and profitability.
Profitability Matrix	The company maintains a high operating profit margin of 67.2% and an EBITDA margin of 72.11%, showcasing operational efficiency. The net profit margin of 14.5% indicates effective cost control and revenue generation. EPS growth further supports the company's profitability and shareholder value enhancement.
Valuation Matrix	The trailing P/E ratio of 7.59 suggests the company is undervalued relative to its earnings. A low PEG ratio of 0.08 indicates potential for growth at a reasonable price. The EV/EBITDA ratio of 16.2 and P/B ratio of 1.21 reflect a balanced valuation, making the company an attractive investment opportunity.
Growth (YoY)	Year-on-year sales growth of 14.2% and PAT growth of 52.69% highlight the company's strong performance and market expansion. EPS growth of 26.54% indicates increased earnings per share, enhancing shareholder value. The dividend yield of 2.09% provides additional returns to investors.
Growth (QoQ)	Quarter-on-quarter sales growth of 2.68% and PAT growth of 5.4% reflect steady performance. The QYoY sales growth of 10.99% and PAT growth of 34.59% indicate strong year-over-year improvement, showcasing the company's ability to enhance its financial performance over time.
Capital Allocation	The company demonstrates effective capital allocation with a RoE of 15.2% and RoA of 1.07%. The RoCE and RoIC both at 5.93% indicate efficient use of capital to generate returns. These metrics reflect the company's strategic focus on maximizing shareholder value through prudent financial management.
Holdings	Promoter holding at 73.8% indicates strong confidence in the company's prospects. Institutional investors hold a significant stake, with FII at 4.74% and DII at 17.8%, reflecting institutional trust. Public holding is minimal, suggesting limited public float and potential for price stability.
Leverage	The high debt/equity ratio of 11.3 indicates significant leverage, which could pose financial risk. However, the company's market cap of 77,477 Cr and enterprise value of 803,961 Cr suggest strong market presence. The absence of cash equivalents highlights the need for liquidity management.

Analyst viewpoint: Indian Bank is positioned for robust growth in the short to mid-term, driven by strategic initiatives that reflect its strong market standing and operational capabilities. The bank has reported a quarter-on-quarter sales growth of 2.68% and a significant QYoY PAT growth of 34.59%, highlighting its ability to sustain profitability and expand its market footprint. Key valuation metrics underscore its investment appeal, with a trailing P/E ratio of 7.59 suggesting an undervalued stock relative to its earnings. The bank's digital transformation efforts, which have seen digital business growth of 125%, are complemented by strategic capital allocations, boasting a RoE of 15.2% and a low net NPA ratio of 0.21%, indicating prudent financial management and strong asset quality.

The bank's focus on the RAM sectors, with notable digital adoption rates and a target credit growth between 11% to 13%, enhances its competitive position among peers. Indian Bank's concerted efforts in digital initiatives, along with a projected robust pipeline of Rs.40,000 crore in corporate loans, provide a solid foundation for future expansion. However, a focused approach on enhancing deposit growth will be crucial. While the leverage ratio indicates significant borrowing, the bank's strategies to shed bulk deposits and enhance liquidity will be pivotal in navigating market dynamics. Overall, Indian Bank presents a compelling investment case, provided it continues to innovate and adapt to evolving market conditions.

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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