

**Price:** 549

**Recommendation:** Buy

**Industry:** Public Sector Bank

**Sector:** Financial Services

**Report Date:** 03-Apr-2025

Indian Bank is focused on growth and efficiency, reporting an 8.33% increase in total business to Rs.12.61 trillion. Deposits rose by 7.34%, and advances by 9.61%. The RAM sectors grew 12.79%, with retail at 15.80%. Net profit increased by 34.57% to Rs.2,852 crore. Digital transformation is key, with digital migration at 92% and 138 fintech partners onboarded. The bank aims for 11-13% credit growth and a 3.40-3.50% NIM, investing Rs.1,200 crore in digital infrastructure.

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	7.25	Sales Growth	14.2 %	Sales Growth	2.68 %
PEG Ratio	0.08	PAT Growth	52.69 %	Sales Growth QYoY	10.99 %
EV/EBITDA	16.1	EPS Growth	26.54 %	PAT Growth	5.4 %
P/B	1.12	Dividend Yield	2.19	PAT Growth QYoY	34.59 %
Capital Allocation		Holdings		Leverage	
RoE	15.2 %	Promoter	73.8 %	Debt/Equity	11.3
RoA	1.07 %	FII	4.78 %	Debt	726483 Cr
RoCE	5.93 %	DII	17.6 %	Market Cap	73935 Cr
RoIC	5.93 %	Public	3.75 %	Enterprise value	800418 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 reported a total business growth from Rs.12.44 trillion to Rs.12.61 trillion, marking an 8.33% year-on-year increase. Deposits grew by 7.34% year-on-year, while advances saw a 9.61% increase. The bank's focus on retail, agriculture, and MSME sectors, collectively referred to as RAM, resulted in a 12.79% growth, with retail alone growing at 15.80%. The net profit rose by 34.57% year-on-year to Rs.2,852 crore, and the operating profit increased by 15.91%[0].

Indian Bank is actively pursuing digital transformation as a core strategy, with digital migration increasing from 87% to 92%. The bank launched 39 digital journeys this financial year, contributing to a 125% growth in digital business. The digital adoption in RAM sectors has been significant, with MSME at 80%, retail at 77%, and agriculture at 88%. The bank has also onboarded 138 fintech partners to enhance its digital offerings and provide comprehensive solutions to various sectors[1][2].

Looking ahead, Indian Bank is optimistic about achieving its growth targets, with a focus on maintaining a credit growth rate of 11% to 13% and a net interest margin (NIM) between 3.40% and 3.50%. The bank plans to leverage its strong pipeline of Rs.40,000 crore in corporate credit to meet these targets. Additionally, the bank is investing in digital infrastructure, with an annual spend of Rs.1,200 crore, to support its growth ambitions and improve customer experience[3][4].

While the bank's performance has been strong, there are areas for improvement. The management acknowledged the need to enhance deposit growth, particularly in the CASA segment, which remains a challenge. The bank's focus on digital transformation and fintech partnerships is expected to drive future growth, but the management must ensure these initiatives translate into tangible results. The bank's ability to manage asset quality and maintain a low non-performing asset (NPA) ratio will be crucial in sustaining its growth trajectory[5][6].

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
Canara Bank	85581.59	5.23	17.94%	1.88%	7.93%	0.63%	11.19%
Indian Bank	73934.94	7.25	15.17%	2.68%	11.00%	5.39%	34.59%
I O B	72712.94	23.50	9.98%	3.81%	15.16%	12.42%	20.91%
St Bk of India	695451.03	8.78	17.34%	2.98%	10.44%	-4.70%	17.27%
Bank of Baroda	122561.32	6.01	16.69%	2.14%	8.42%	-2.64%	8.88%

Aspect	Commentary
Revenue	The company shows robust revenue growth with a significant year-on-year increase, indicating strong market demand and effective sales strategies. The quarterly growth also suggests consistent performance, reflecting the company's ability to maintain momentum in a competitive environment.
Profit & Loss	The profit and loss statement reveals a healthy operating profit margin, underscoring efficient cost management. The substantial year-on-year growth in PAT highlights improved profitability, while quarterly figures suggest steady financial health and operational efficiency.
Profitability Matrix	The profitability matrix indicates strong operational efficiency with high operating and EBITDA margins. The net profit margin reflects effective cost control and revenue generation. The EPS growth further signifies enhanced shareholder value and financial performance.
Valuation Matrix	The valuation metrics suggest the company is attractively valued with a low P/E ratio, indicating potential undervaluation. The PEG ratio supports growth prospects, while the EV/EBITDA and P/B ratios reflect a balanced valuation approach, appealing to value investors.
Growth (YoY)	Year-on-year growth metrics demonstrate robust expansion, with significant increases in sales and PAT. The EPS growth indicates enhanced earnings capacity, while the dividend yield suggests a shareholder-friendly approach, balancing growth with returns.
Growth (QoQ)	Quarter-on-quarter growth figures show consistent performance, with moderate sales and PAT growth. The QYoY growth highlights the company's ability to sustain momentum, reflecting effective strategies in adapting to market dynamics and maintaining profitability.
Capital Allocation	The capital allocation metrics reveal prudent financial management, with a healthy RoE and RoCE. The RoA and RoIC indicate efficient asset utilization, while the focus on maintaining a balanced capital structure supports long-term sustainability and growth.
Holdings	The holdings structure shows strong promoter confidence with significant ownership, while institutional investors hold a substantial stake, indicating market trust. The public holding is minimal, suggesting limited market float, which could impact liquidity.
Leverage	The leverage metrics indicate a high debt-to-equity ratio, suggesting significant reliance on debt financing. While this could enhance returns, it also poses risks if not managed carefully. The market cap and enterprise value reflect the company's market position.

**Analyst viewpoint:** Indian Bank presents a compelling case for bullish investment in the short to mid-term horizon, driven by strong growth metrics and strategic capital allocation. The bank reported a commendable 8.33% year-on-year increase in total business and a robust profit growth of 34.57%, reflecting effective operational strategies and market penetration. Its consistent quarter-on-quarter growth in sales (2.68%) and PAT (5.4%) underscores its ability to sustain momentum in a competitive landscape. Valuation metrics suggest the company is attractively priced with a trailing P/E of 7.25 and a PEG ratio of 0.08, indicating potential undervaluation. The bank's robust digital transformation initiatives, underscored by a digital migration rate of 92% and substantial fintech partnerships, aim to bolster future growth, positioning it strongly against its peers.

From a peer competition standpoint, Indian Bank demonstrates a balanced approach with a ROE of 15.2% against industry peers, and a comparably modest leverage ratio of debt to equity at 11.3. The ongoing digital strategy and capital investment of Rs.1,200 crore in digital infrastructure further highlight its commitment to enhancing operational efficiency and customer experience. However, while the outlook remains promising, the bank acknowledges the need for improved deposit growth in the CASA segment, which, if unaddressed, could be a subtle drag on its otherwise solid growth trajectory. Maintaining asset quality and low NPA ratios will be critical as the bank navigates these challenges to deliver on its ambitious growth targets.

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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