

Indian Bank

BSE SENSEX

36,700

S&P CNX

10,863

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Bloomberg	INBK IN
Equity Shares (m)	480
M.Cap.(INRb)/(USD\$)	93.3 / 1.3
52-Week Range (INR)	380 / 160
1, 6, 12 Rel. Per (%)	-19/-11/-46
12M Avg Val (INR M)	510
Free float (%)	20.4

Financials & Valuations (INR b)

Y/E March	FY19	FY20E	FY21E
NII	70.2	76.9	86.5
OP	48.8	55.2	64.7
NP	3.2	10.1	19.9
NIM (%)	2.8	2.7	2.7
EPS (INR)	6.7	21.0	41.5
EPS Gr. (%)	-74.4	212.8	98.1
BV/Sh. (INR)	368	387	425
ABV/Sh. (INR)	267	285	332
RoE (%)	2.0	6.0	11.0
RoA (%)	0.1	0.3	0.6

Valuations

P/E(X)	28.3	9.1	4.6
P/BV (X)	0.5	0.5	0.4
P/ABV (X)	0.7	0.7	0.6

CMP: INR190
TP: INR250 (+32%)
Buy

Steady quarter; Earnings supported by higher treasury gains

- 1QFY20 PAT of INR3.7b (significantly ahead of estimates), was led by higher treasury gains and lower provisions of INR7.9b (v/s est. of INR10.6b).
- NII declined 1% YoY to INR17.8b (in-line); however, domestic margins declined 10bp QoQ to 2.9% due to 5bp increase in cost of funds.
- Other income grew 58% YoY led by treasury gains of INR2.0b. Total income trailed opex growth of 16% YoY, resulting in modest PPOp growth of 6% YoY. C/I ratio stood at 44.6% (v/s 46.6% in 4QFY19).
- Loan book grew 12% YoY (2% QoQ decline) to INR1.8t while deposits grew 15% YoY to INR2.4t. Share of the RAM advances stood at 60.5% (v/s 56.4% in 1QFY19). CASA deposit growth moderated at 3.5% YoY, leading to a decline in CASA ratio to 34.2% (v/s 35.5% in FY19).
- Gross slippages stood at INR10.8b (v/s INR10.0b in 4QFY19) while recoveries/upgrades came in at INR3.4b/INR1.6b. Annualized slippage ratio stood at 2.6% (v/s 2.4% in 4QFY19). Thus, GNPA/NNPA ratio increased 22bp/9bp QoQ to 7.3%/3.8% due to sequential decline in advances, while the PCR ratio was broadly stable at 49.5% (PCR Inc. TWO stood at 66.3%).
- Other Highlights:** (1) INBK has guided for slippages' run-rate of INR8-10b per quarter. (2) Exposure to DHFL stands at INR14.8b. (3) CET-1 improved ~40bp QoQ to 11.4% aided by issuance of INR2.9b raised in May'19 under the Employee Stock Purchase Scheme (CAR of 13.6%).
- Valuation view:** INBK has reported steady performance aided by lower provisions and strong treasury gains. The bank has strong capital position with Tier-1 of 11.7%; thus, it is well-poised to sustain healthy loan growth (guidance of 15%). However, lower PCR at ~50% (excluding TWO), weak macros and exposure towards few standard stressed accounts, might keep credit cost elevated over FY20/21E. We have increased our other income estimates leading to ~17%/14% increase in our FY20/FY21 earnings. Thus, RoA/RoE should improve to 0.6%/11% by FY21E. Maintain **Buy** with a revised TP of INR250 (0.7x FY21E ABV).

Quarterly performance

Y/E March	FY19				FY20E				FY19	FY20E	FY20E	v/s our
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		1Q	1Q	Est
Net Interest Income	18,070	17,309	17,167	17,635	17,854	18,449	19,602	20,965	70,181	76,871	18,039	-1%
Other Income	4,398	4,283	4,452	5,696	6,945	5,875	5,762	4,013	18,829	22,595	4,912	41%
Total Income	22,468	21,593	21,619	23,330	24,800	24,324	25,364	24,978	89,010	99,465	22,950	8%
Operating Expenses	9,492	9,682	10,153	10,876	11,058	10,633	11,297	11,315	40,204	44,303	10,453	6%
Operating Profit	12,976	11,910	11,466	12,454	13,742	13,691	14,066	13,663	48,806	55,162	12,497	10%
Other Provisions	10,296	10,043	9,237	16,388	7,948	10,851	11,060	11,876	45,964	41,736	10,643	-25%
Profit before Tax	2,680	1,867	2,229	-3,934	5,794	2,840	3,007	1,787	2,842	13,427	1,854	212%
Tax	587	366	707	-2,037	2,140	806	856	-445	-377	3,357	672	218%
Net Profit	2,093	1,501	1,523	-1,898	3,654	2,034	2,151	2,232	3,220	10,070	1,182	209%
% Change (YoY)	-43.8	-66.7	-49.8	-243.8	74.6	35.5	41.2	-217.6	-74.4	212.8	-43.5	
Operating Parameters												
Deposits (INR b)	2,102	2,195	2,258	2,421	2,415	2,584	2,693	2,784	2,421	2,784	2,489	-3%
Loans (INR b)	1,584	1,670	1,712	1,813	1,776	1,921	2,003	2,085	1,813	2,085	1,875	-5%
Asset Quality												
Gross NPA (%)	7.2	7.2	7.5	7.1	7.3	6.9	6.8	6.7	7.1	6.7	6.9	47
Net NPA (%)	3.8	4.2	4.4	3.8	3.8	3.5	3.3	3.3	3.7	3.3	3.6	29
PCR (%)	49.3	42.8	42.6	49.1	49.5	51.6	53.4	53.2	49.1	53.2	50.0	-51

Research Analyst: Nitin Aggarwal (Nitin.Aggarwal@MotilalOswal.com); +91 22 6129 1542 | Parth Gutka (Parth.Gutka@motilaloswal.com)

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com); Himanshu Taluja (Himanshu.Taluja@motilaloswal.com); Yash Agarwal (Yash.Agarwal@motilaloswal.com)

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Exhibit 1: Quarterly Snapshot

	FY18				FY19				FY20	Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	YoY	QoQ
Profit and Loss (INRm)											
Interest Income	41,360	41,595	43,542	44,639	46,922	47,008	48,239	49,679	51,376	9	3
Loans	28,279	29,023	30,295	30,975	33,795	33,920	35,532	36,591	38,517	14	5
Investment	12,634	12,104	12,965	13,429	12,898	12,773	12,217	12,546	12,433	-4	-1
Others	447	468	283	236	228	316	491	541	426	87	-21
Interest Expenses	26,765	26,159	27,315	28,262	28,852	29,699	31,072	32,044	33,521	16	5
Net Interest Income	14,595	15,436	16,227	16,377	18,070	17,309	17,167	17,635	17,854	-1	1
Other Income	6,521	7,146	5,489	4,903	4,398	4,283	4,452	5,696	6,945	58	22
Trading profits	3,033	2,622	756	206	172	50	575	958	2,023	1,078	111
Recoveries	534	667	1,553	1,442	1,435	803	788	980	1,586	10	62
Core Fees	2,954	3,857	2,593	3,256	2,791	2,928	2,628	3,353	2,806	1	-16
Total Income	21,116	22,582	21,715	21,280	22,468	21,593	21,619	23,330	24,800	10	6
Operating Expenses	8,592	8,826	9,623	9,643	9,492	9,682	10,153	10,876	11,058	16	2
Employee	5,110	5,097	5,312	5,484	5,543	5,320	5,646	5,719	6,701	21	17
Others	3,482	3,729	4,311	4,159	3,949	4,362	4,507	5,157	4,357	10	-16
Operating Profits	12,524	13,756	12,092	11,638	12,976	11,910	11,466	12,454	13,742	6	10
Core Operating Profits	9,491	11,134	11,336	11,432	12,804	11,861	10,891	11,496	11,719	-8	2
Provisions	7,156	7,446	9,181	15,463	10,296	10,043	9,237	16,388	7,948	-23	-52
NPA provisions	6,909	6,334	3,936	17,720	4,566	7,525	9,739	14,329	4,822	6	-66
Provisions on Invst.	-151	388	4,703	-1,804	6,481	3,260	-552	1,163	2,930	-55	152
PBT	5,368	6,310	2,911	-3,826	2,680	1,867	2,229	-3,934	5,794	116	NM
Taxes	1,644	1,795	-120	-5,145	587	366	707	-2,037	2,140	265	NM
PAT	3,724	4,515	3,031	1,320	2,093	1,501	1,523	-1,898	3,654	75	NM
Balance Sheet (INRb)											
Deposits	1,915	1,987	2,065	2,083	2,102	2,195	2,258	2,421	2,415	15	0
Loans	1,294	1,392	1,483	1,566	1,584	1,670	1,712	1,813	1,776	12	-2
Asset Quality (INRb)											
GNPA	97	96	96	120	118	123	132	134	135	14	1
NNPA	52	47	49	60	60	71	76	68	68	14	0
Slippages	7	4	10	30	14	23	17	10	11	-25	7
Ratios											
Asset Quality Ratios (%)											
GNPA	7.2	6.7	6.3	7.4	7.2	7.2	7.5	7.1	7.3	13	22
NNPA	4.1	3.4	3.3	3.8	3.8	4.2	4.4	3.8	3.8	5	9
PCR (Cal.)	45.7	50.7	48.9	50.3	49.3	42.8	42.6	49.1	49.5	21	36
PCR (Inc. TWO)	61.7	65.4	64.7	64.3	64.4	60.8	60.9	65.7	66.3	196	62
Credit Cost	2.2	1.9	1.2	5.0	1.3	2.0	2.4	3.4	1.1	-12	-225
Business Ratios (%)											
Fees to Total Income	16.5	20.0	21.8	22.1	18.8	19.6	17.9	20.3	19.8	104	-46
Cost to Core Income	47.5	44.2	45.9	45.8	42.6	44.9	48.2	48.6	48.5	597	-7
Tax Rate	30.6	28.4	-4.1	134.5	21.9	19.6	31.7	51.8	36.9	1,504	-1,483
CASA	36.5	37.2	37.8	37.8	37.9	36.1	35.7	35.5	34.2	-373	-133
Loan/Deposit	67.6	70.1	71.8	75.2	75.4	76.1	75.8	74.9	73.5	-184	-133
Profitability Ratios (%)											
Yield on loans	8.7	8.6	8.6	8.2	8.6	8.4	8.4	8.4	8.4	-17	-3
Yield On Investments	7.3	7.2	7.2	7.3	7.2	7.1	7.5	7.6	8.3	109	69
Cost of Deposits	5.5	5.3	5.3	5.1	5.2	5.2	5.4	5.3	5.4	25	6
Margins	2.7	2.9	2.9	2.8	3.1	3.0	2.9	3.0	2.9	-24	-10
ROA	0.7	0.8	0.5	0.2	0.3	0.2	0.2	-0.3	0.5	19	NM
Other Details											
Branches	2,687	2,695	2,736	2,823	2,822	2,827	2,839	2,872	2,875	53	3
ATM	NA	3,202	NA	3,399	3,381	3,579	3,787	3,892	3,885	504	-7

Source: Company, MOFSL

Exhibit 2: Actuals v/s estimates – Higher treasury gains and lower provisions led to PAT beat

Y/E MARCH (INR m)	1QFY20A	1QFY20E	Var. (%)	Comments
Net Interest Income	17,854	18,039	-1	In line
% Change (Y-o-Y)	-1	0		
Other Income	6,945	4,912	41	Higher treasury gains than expected
Total Income	24,800	22,950	8	
Operating Expenses	11,058	10,453	6	Higher employee expenses than expected
Operating Profit	13,742	12,497	10	Beat in other income led to beat in PPOP
% Change (Y-o-Y)	6	-4		
Other Provisions	7,948	10,643	-25	Provisions were significantly lower than expected
Profit before Tax	5,794	1,854	212	
Tax	2,140	672	218	
Net Profit	3,654	1,182	209	Higher other income and lower provisions led to beat in PAT
% Change (Y-o-Y)	75	-43.5		

Source: Company, MOFSL

Other highlights

- Gross Slippages increased 7% QoQ to INR10.8b (vs INR10.0b in 4QFY19) while recoveries / upgrades came in at INR3.4b/INR1.6b respectively. Annualized slippage ratio stood at 2.6% (vs 2.4% in 4QFY19). The bank expects slippage run-rate of INR8b-10b per quarter in the coming quarters while expects recoveries of INR30-35b for FY20E.
- Provisions for NPA for 1QFY20 came in at INR4.8b v/s INR14.3b in 4QFY19. Bank's credit cost in the quarter declined to 1.1% v/s 3.4% in 4QFY19 while PCR increased 40bp to 49.5% (PCR Inc. TWO stood at 66.3%).
- Absolute GNPL increased 1.2% QoQ to 135b while NNPLs increased 0.5% QoQ to INR68.2b. However, GNPL/NNPL ratio increased 22bp/9bp QoQ to 7.3%/3.8%.
- The bank retail loans grew at 24%/3% YoY/QoQ, Agri loans at 25%/3% YoY/QoQ while corporate loans declined 7% QoQ (+1% YoY). Around 82% of the Agri loans are crop loans.
- The bank has ~11% of the total loans exposures to NBFC. The bank exposure to DHFL is INR14.8b.
- The bank remains sufficiently capitalized, with CET 1 ratio at 11.4% and tier 1 ratio at 11.7% (CAR of 13.6%).

1QFY20 concall highlights

Asset Quality

- SMA-2 outstanding is INR35b, which includes accounts like Air India.
- No lumpy accounts that slipped during the quarter. Only two corporate accounts (steel trading and hotel) of INR1.3b slipped, while other slippages have largely come from the RAM sector.
- MTM provisions on investments made is on two accounts — DHFL (INR1.4b) and Reliance Capital (INR0.5b).
- DHFL exposure is INR14.8b, of which the term loan is INR13b with the rest in the form of NCDs.
- Reliance Capital NCD is of INR1.25b; on this the bank made provisions of INR0.5b, while it also has a term loan of INR1.20b.
- **In terms of the Power accounts**, the bank has an exposure of INR5.7b (fund-based) to RKM Power and holds 25% provision, while towards Prayagraj, it holds provisions of up to 40%.
- SMA-1 outstanding is INR110b (largely agri and retail loans); the bank believes that only some portion will move to SMA-2 book.
- DHFL exposure is under SMA-1 category.
- In Andhra Pradesh, the bank has limited exposure. There is no big exposure to any single account.
- Total MSME restructured book is INR10b.
- The bank expects slippage run-rate of INR30-35b (INR8-10b per quarter) and recoveries of INR30-35b over FY20E. The slippage run-rate guidance does not consider DHFL account.
- ICA has been signed for DHFL, Reliance Home Finance, and RKM Power (for three standard accounts), while it overall signed ICA for 17 accounts.
- On Agri loans, bank has crop loans which are collateralized by gold, and thus, it does not see much stress currently.
- On the SME portfolio, the dispensation provided to GST customers and earlier forbearance has started slipping into NPA now.

Balance Sheet and P&L related

- The decline in margins was mainly led by increase in cost of funds. The bank guided NIMs at 3.0%.
- The bank adjusted risk-based pricing and expects yields to pick up in coming quarters.
- For the MSME segment, the bank's focus is on clusters and supply chain traders; it expects the portfolio to grow at 15-16%.
- On the PSLC fee income, the first quarter is always the highest and the bank utilized this opportunity.
- The bank expects strong treasury gains over the next two quarters as well if the declining rate environment continues.

Guidance

- The bank expects credit growth at 15% YoY for FY20E. There are many adequate proposals in the pipeline.

Maintain Buy with a revised target price of INR250 (0.7x FY21E ABV)

Valuation view:

INBK has reported steady performance aided by lower provisions and strong treasury gains. The bank has strong capital position with Tier-1 of 11.7% and is thus well-poised to sustain healthy loan growth (guidance of 15%). However lower PCR at ~50% (excluding TWO), weak macro and exposure towards few standard stressed accounts will likely keep credit cost elevated over FY20/21e. We have increased our other income estimates leading to ~17%/14% increase in our FY20/FY21 earnings. We thus estimate RoA/RoE to improve to 0.6/11% by FY21E. **Maintain Buy with a revised TP of INR250 (0.7x FY21E ABV).**

Exhibit 3: Increased other income estimates leading to ~17%/14% increase in our FY20/FY21 earnings

INR B	Old Est.		Rev. Est.		Chg. (%) /bps	
	FY20	FY21	FY20	FY21	FY20	FY21
Net Interest Income	76.8	85.8	76.9	86.5	0.1	0.8
Other Income	20.9	23.6	22.6	26.0	8.1	10.0
Total Income	97.7	109.4	99.5	112.5	1.8	2.8
Operating Expenses	44.5	48.0	44.3	47.8	-0.4	-0.4
Operating Profit	53.2	61.4	55.2	64.7	3.7	5.3
Provisions	41.7	37.4	41.7	37.4	0.0	0.0
PBT	11.4	24.0	13.4	27.3	17.3	13.6
Tax	2.9	6.5	3.4	7.4	17.3	13.6
PAT	8.6	17.6	10.1	19.9	17.3	13.6
Loans	2,085	2,418	2,085	2,418	0.0	0.0
Deposits	2,760	3,160	2,784	3,188	0.9	0.9
Margins (%)	2.7	2.7	2.7	2.7	0.00	0.01
Credit Cost (%)	2.1	1.6	2.1	1.6	0.00	0.00
RoA (%)	0.3	0.5	0.3	0.6	0.05	0.07
RoE (%)	5.1	9.8	6.0	11.0	0.87	1.18
EPS	17.9	36.6	21.0	41.5	17.3	13.6
BV	383.8	416.8	386.9	424.9	0.8	1.9
ABV	294.8	334.0	285.4	331.9	-3.2	-0.6

Source: MOFSL, Company

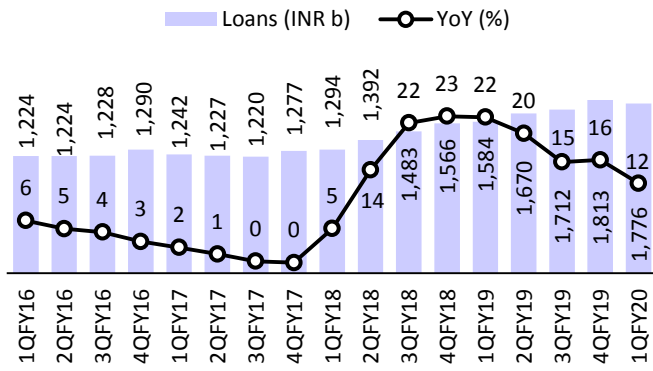
Exhibit 4: DuPont Analysis – Return ratios expected to pick up gradually over FY21E

	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Interest Income	8.34	8.19	7.60	7.27	7.20	7.35	7.24
Interest Expense	5.99	5.95	5.16	4.61	4.57	4.78	4.71
Net Interest Income	2.35	2.24	2.44	2.66	2.63	2.57	2.53
Fee income	0.60	0.74	0.63	0.74	0.64	0.67	0.68
Trading and others	0.12	0.15	0.41	0.28	0.07	0.09	0.08
Other Income	0.72	0.90	1.05	1.02	0.71	0.75	0.76
Total Income	3.07	3.14	3.49	3.68	3.34	3.32	3.30
Operating Expenses	1.48	1.61	1.59	1.56	1.51	1.48	1.40
Employees	0.92	1.01	0.94	0.89	0.83	0.75	0.70
Others	0.56	0.60	0.65	0.67	0.67	0.73	0.70
Operating Profits	1.59	1.53	1.90	2.12	1.83	1.84	1.89
Provisions	0.81	1.05	1.06	1.67	1.73	1.39	1.09
NPA	0.68	1.21	0.98	1.47	1.36	1.37	1.06
Othes	0.13	-0.16	0.08	0.19	0.37	0.03	0.04
PBT	0.77	0.48	0.83	0.46	0.11	0.45	0.80
Tax	0.24	0.12	0.17	-0.08	-0.01	0.11	0.22
RoA	0.53	0.36	0.67	0.53	0.12	0.34	0.58
Leverage (x)	15.8	15.2	15.1	15.5	16.6	17.9	18.9
RoE	8.3	5.5	10.1	8.3	2.0	6.0	11.0

Source: Company, MOFSL

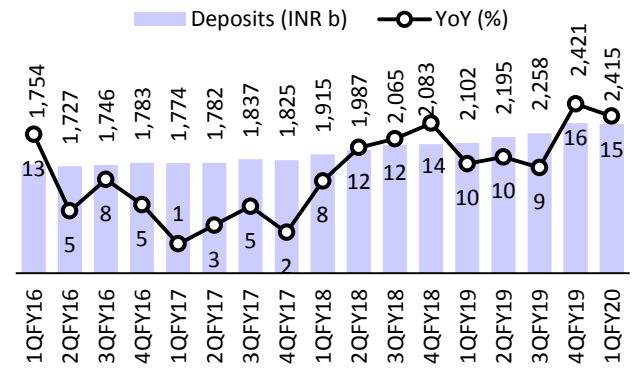
Story in charts

Exhibit 5: Loan growth stood at 12% YoY



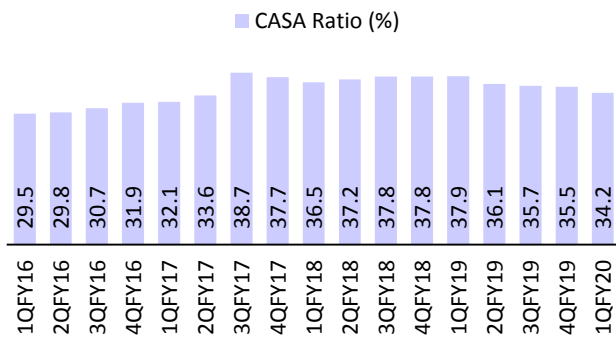
Source: MOFSL, Company

Exhibit 6: Deposits growth stood at 15% YoY



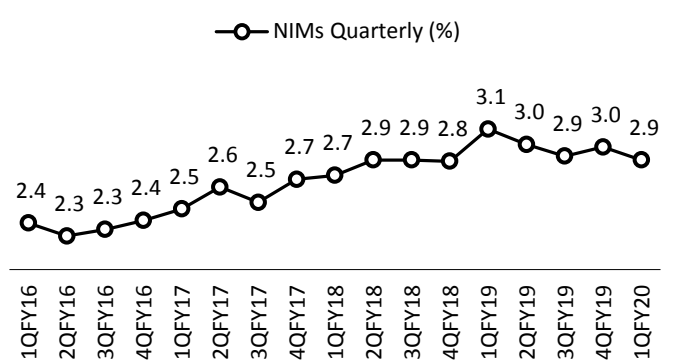
Source: MOFSL, Company

Exhibit 7: Domestic CASA ratio moderated to ~34.2%



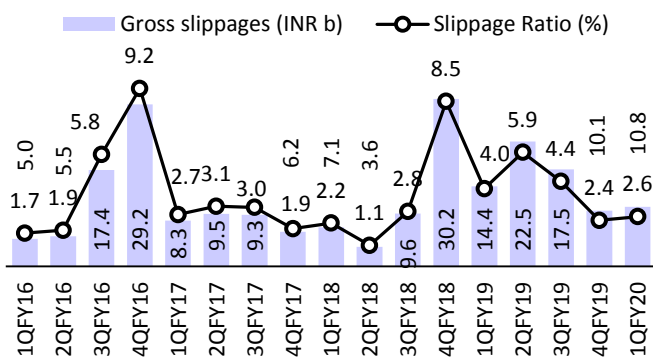
Source: MOFSL, Company

Exhibit 8: NIMs declined 10bp QoQ to 2.85%



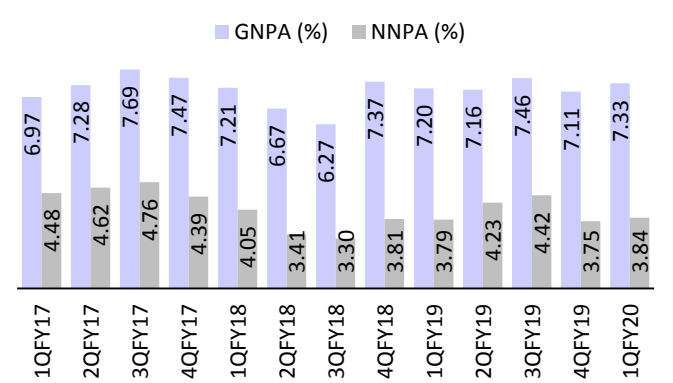
Source: MOFSL, Company

Exhibit 9: Slippages ratio increased to 2.6% for 1QFY20



Source: MOFSL, Company

Exhibit 10: GNPA/NNPA ratios increased 22bp/9bp QoQ



Source: MOFSL, Company

Financials and valuations

Income Statement							(INR Million)
Y/E March	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Interest Income	158,530	162,438	160,398	171,136	191,848	220,168	247,279
Interest Expense	113,917	117,976	108,937	108,501	121,667	143,297	160,751
Net Interest Income	44,613	44,462	51,461	62,636	70,181	76,871	86,528
Growth (%)	2.3	-0.3	15.7	21.7	12.0	9.5	12.6
Non Interest Income	13,634	17,814	22,114	24,058	18,829	22,595	25,984
Total Income	58,247	62,276	73,575	86,694	89,010	99,465	112,512
Growth (%)	1.6	6.9	18.1	17.8	2.7	11.7	13.1
Operating Expenses	28,109	31,955	33,567	36,684	40,204	44,303	47,831
Pre Provision Profits	30,138	30,321	40,008	50,010	48,806	55,162	64,681
Growth (%)	3.9	0.6	31.9	25.0	-2.4	13.0	17.3
Core PPOp	27,933	27,251	31,289	43,393	47,051	52,530	61,786
Growth (%)	10.9	-2.4	14.8	38.7	8.4	11.6	17.6
Provisions (excl tax)	15,451	20,768	22,425	39,246	45,964	41,736	37,354
PBT	14,687	9,553	17,583	10,764	2,842	13,427	27,327
Tax	4,635	2,439	3,526	-1,826	-377	3,357	7,378
Tax Rate (%)	31.6	25.5	20.1	-17.0	-13.3	25.0	27.0
PAT	10,052	7,114	14,057	12,590	3,220	10,070	19,948
Growth (%)	-13.3	-29.2	97.6	-10.4	-74.4	212.8	98.1
Balance Sheet							
Y/E March	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Equity Share Capital	4,803	4,803	4,803	4,803	4,803	4,803	4,803
Reserves & Surplus	143,530	157,795	166,817	179,681	189,084	198,035	216,305
Net Worth	148,333	162,598	171,620	184,484	193,887	202,838	221,108
Deposits	1,692,252	1,782,858	1,825,093	2,082,942	2,420,759	2,783,873	3,187,535
Growth (%)	4.3	5.4	2.4	14.1	16.2	15.0	14.5
of which CASA Dep	486,919	557,592	676,778	769,653	840,218	970,883	1,287,764
Growth (%)	10.5	14.5	21.4	13.7	9.2	15.6	32.6
Borrowings	26,461	35,093	126,369	197,602	121,375	138,069	154,084
Other Liabilities & Prov.	61,313	56,555	59,250	62,130	64,631	67,862	71,934
Total Liabilities	1,928,359	2,037,104	2,182,332	2,527,158	2,800,653	3,192,643	3,634,662
Current Assets	130,811	119,992	100,417	129,278	200,204	230,833	250,621
Investments	458,986	530,894	675,518	713,978	649,922	714,914	772,107
Growth (%)	-1.9	15.7	27.2	5.7	-9.0	10.0	8.0
Loans	1,258,636	1,290,491	1,276,993	1,565,689	1,812,619	2,084,512	2,418,034
Growth (%)	3.0	2.5	-1.0	22.6	15.8	15.0	16.0
Fixed Assets	29,687	35,111	34,426	34,183	39,614	44,764	48,345
Other Assets	50,239	60,616	94,978	84,030	98,294	117,620	145,554
Total Assets	1,928,359	2,037,104	2,182,332	2,527,158	2,800,653	3,192,643	3,634,662
Asset Quality							
	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
GNPA (INR m)	56,705	88,269	98,650	119,901	133,535	145,942	141,099
NNPA (INR m)	31,470	54,195	56,065	59,596	67,931	68,231	62,337
GNPA Ratio	4.43	6.69	7.50	7.40	7.13	6.75	5.65
NNPA Ratio	2.50	4.20	4.39	3.81	3.75	3.27	2.58
Slippage Ratio	2.69	4.48	2.59	3.55	3.82	2.35	1.60
Credit Cost	1.04	1.88	1.62	2.44	2.14	2.10	1.60
PCR (Excl Tech. write off)	44.5	38.6	43.2	50.3	49.1	53.2	55.8

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Yield and Cost Ratios (%)							
Avg. Yield- on Earning Assets	8.7	8.6	8.0	7.7	7.6	7.7	7.6
Avg. Yield on loans	9.7	9.4	8.9	8.3	8.3	8.6	8.6
Avg. Yield on Investments	7.9	8.5	7.4	7.4	7.5	7.5	7.0
Avg. Cost of Int. Bear. Liab.	6.7	6.7	5.8	5.1	5.0	5.2	5.1
Avg. Cost of Deposits	6.8	6.6	5.9	5.2	5.0	5.3	5.2
Interest Spread	2.0	1.9	2.3	2.5	2.5	2.5	2.5
Net Interest Margin	2.4	2.3	2.6	2.8	2.8	2.7	2.7

Capitalisation Ratios (%)

CAR	12.9	13.2	13.6	12.8	13.5	12.8	12.6
<i>Tier I</i>	<i>10.6</i>	<i>12.1</i>	<i>12.2</i>	<i>11.5</i>	<i>11.5</i>	<i>11.0</i>	<i>10.8</i>
<i>Tier II</i>	<i>2.3</i>	<i>1.1</i>	<i>1.4</i>	<i>1.2</i>	<i>1.9</i>	<i>1.8</i>	<i>1.7</i>

Business and Efficiency Ratios (%)

Loans/Deposit Ratio	74.4	72.4	70.0	75.2	74.9	74.9	75.9
CASA Ratio	28.8	31.3	37.1	37.0	34.7	34.9	40.4
Cost/Assets	1.5	1.6	1.5	1.5	1.4	1.4	1.3
Cost/Total Income	48.3	51.3	45.6	42.3	45.2	44.5	42.5
Cost/Core income	50.2	54.0	51.8	45.8	46.1	45.8	43.6
Int. Expense/Int.Income	71.9	72.6	67.9	63.4	63.4	65.1	65.0
Fee Income/Total Income	19.6	23.7	18.2	20.1	19.2	20.1	20.5
Non Int. Inc./Total Income	23.4	28.6	30.1	27.8	21.2	22.7	23.1
Empl. Cost/Total Expense	62.0	62.8	59.3	57.3	55.3	50.7	50.2
Investment/Deposit Ratio	27.1	29.8	37.0	34.3	26.8	25.7	24.2

Profitability Ratios and Valuation

RoE	8.3	5.5	10.1	8.3	2.0	6.0	11.0
RoA	0.5	0.4	0.7	0.5	0.1	0.3	0.6
RoRWA	0.9	0.6	1.1	0.8	0.2	0.6	1.1
Book Value (INR)	283	307	326	354	368	387	425
Growth (%)	4.4	8.5	6.4	8.5	4.0	5.1	9.8
Price-BV (x)	0.7	0.6	0.6	0.5	0.5	0.5	0.4
Adjusted BV (INR)	236	227	244	265	267	285	332
Price-ABV (x)	0.8	0.8	0.8	0.7	0.7	0.7	0.6
EPS (INR)	21.3	14.8	29.3	26.2	6.7	21.0	41.5
Growth (%)	-17.9	-30.4	97.6	-10.4	-74.4	212.8	98.1
Price-Earnings (x)	8.9	12.8	6.5	7.2	28.3	9.1	4.6
Dividend Per Share (INR)	5.1	1.8	7.0	0.0	0.0	2.3	3.5
Dividend Yield (%)	2.7	1.0	3.7	0.0	0.0	1.2	1.8

E: MOFSL Estimates

Corporate profile

Company description

Set up in 1907, Indian Bank (INBK) is a medium-sized public sector bank. The bank made its initial public offering in 2007. INBK is amongst the oldest commercial banks. The bank has an established presence in South India with ~60% of branches in that region. INBK has a network of 2,875 branches and 3,885 ATMs in India.

Exhibit 1: Sensex rebased

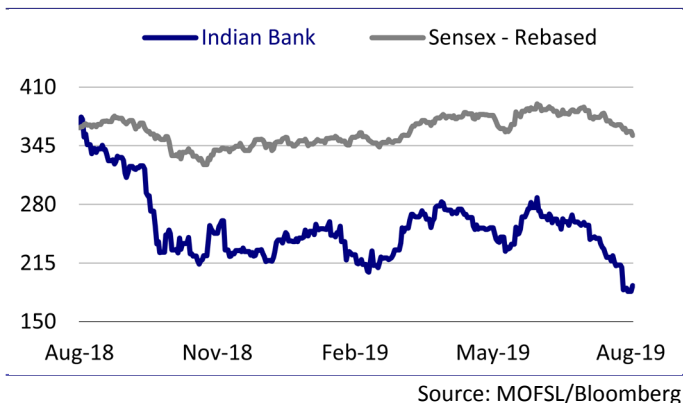


Exhibit 2: Shareholding pattern (%)

	Jun-19	Mar-19	Jun-18
Promoter	79.6	81.5	81.7
DII	10.4	10.0	9.7
FII	4.7	5.7	6.1
Others	5.3	2.8	2.5

Note: FII Includes depository receipts

Source: Capitaline

Exhibit 3: Top holders

Holder Name	% Holding
HDFC TRUSTEE COMPANY LTD	4.4
L AND T MUTUAL FUND TRUSTEE LTD	2.6
LIFE INSURANCE CORPORATION OF INDIA	1.9
HSBC GLOBAL INVESTMENT FUNDS INDIAN EQUITY	1.0

Source: Capitaline

Exhibit 4: Top management

Name	Designation
T C Venkat Subramanian	Chairman (Non-Executive)
Padmaja Chunduru	Managing Director & CEO
Shenoy Vishwanath V	Executive Director
M K Bhattacharya	Executive Director
Krishnan P A	CFO
Sudhakar R Iyer	Chief Vigilance Officer

Source: Capitaline

Exhibit 5: Directors

Name	Name
Amit Agrawal	S K Panigrahy
Vijay Kumar Goel	Bharat Krishna Sankar
Vinod Kumar Nagar	Salil Kumar Jha

*Independent

Exhibit 6: Auditors

Name	Type
K C Mehta & Co	Statutory
Gandhi Minocha & Co	Statutory
P S Subramania Iyer & CO	Statutory
PAMS & Associates	Statutory
M Thomas & CO	Statutory

Source: Capitaline

Exhibit 7: MOSL forecast v/s consensus

EPS (INR)	MOSL forecast	Consensus forecast	Variation (%)
FY19	6.1	6.7	-9.0
FY20	21.0	24.8	-15.4
FY21	41.5	42.5	-2.2

Source: Bloomberg

NOTES

Explanation of Investment Rating	
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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