

Indian Bank

BSE SENSEX	S&P CNX
34,300	10,540
Bloomberg	INBK IN
Equity Shares (m)	480
M.Cap.(INRb)/(USDb)	172.3/2.7
52-Week Range (INR)	428 / 252
1, 6, 12 Rel. Per (%)	-4/12/-4
Avg Val, INRm	452.0
Free float (%)	18.1

CMP: INR356 TP: INR430 (+21%)
Buy
Financials & Valuations (INR b)

Y/E March	2018E	2019E	2020E
NII	63.0	70.6	82.2
OP	50.2	52.5	57.3
NP	16.4	19.5	22.3
EPS (INR)	34.1	40.6	46.5
EPS Gr. (%)	16.4	19.3	14.5
BV/Sh. (INR)	327	358	394
ABV/Sh (INR)	259	292	328
RoE (%)	10.8	11.9	12.4
RoA (%)	0.7	0.7	0.7
Div. Payout (%)	23.2	23.2	23.2
Valuations			
P/E (x)	10.5	8.8	7.7
P/ BV (x)	1.1	1.0	0.9
P/ABV (x)	1.4	1.2	1.1
Div. Yield (%)	1.9	2.3	2.6

Strong operating performance with improving asset quality; Reiterate Buy

- INBK reported core operating profit (excl. treasury gains) growth of 55% YoY to INR 11.3b. However, PAT of INR3b was 38% below estimates, as provisions of INR9.2b were above estimates (included INR4.7b of provisions for MTM losses).
- NII grew 30% YoY to INR16.2bn (6% above estimate) led by 22% YoY loan growth and 3bp QoQ improvement in global margins. NII growth was partially offset by other income (8% YoY decline led by 74% decline in treasury gains of INR0.8b).
- C/I ratio rose sharply by 520bp QoQ to 44.3% mainly led by decline in other income. PPop growth thus stood at 18% YoY; however, high provisions led to decline in PAT by 19% YoY to INR3b.
- Fresh slippages increased 168% QoQ to INR9.5b led by 4 lumpy accounts (~INR4.5b) slipping from SDR. However, elevated write-offs of INR4.1b and sale to ARCs worth INR3.6b led to QoQ flat GNPA at INR96b. Calculated PCR deteriorated by 172bp QoQ to 48.9% on the back of lower provisions
- The Bank has a total exposure of INR26.4b (8 accounts) towards first list and INR7.4b towards second list (10 accounts). The bank has made total provisions of INR18.2b towards the two lists against a requirement of INR19.8b (by FY18), the balance to be made in 4QFY18.
- Total net stressed book including standard restructured/SDR/5:25/S4A as of 3QFY18 stands at INR111.1b (7.5% of the loans)
- After several quarters, loan book growth picked up with 4%/22% QoQ/YoY growth to INR1.48tn while deposits grew 4%/13% QoQ/YoY to INR2.06tn. CD ratio thus increased by 170bp QoQ to 71.8%. CASA deposits grew 6% YoY led by 28%YoY growth in CA deposits.
- **Valuation view:** Focus on balance sheet consolidation and core operating parameters has led to improving earnings, despite challenging macros. INBK has a strong capital position with Tier-1 of 10.9% and is thus well-poised to grow its loan book and benefit from further improvement in operating leverage. We upgrade FY19/FY20 PAT estimates by 6%/10% to account for pick up in loan growth and opex control. Maintain Buy with a TP of INR430 (1.1x Mar 20E BV).

Quarterly Performance

	(INR Million)										
	FY17		FY18E				FY17		FY18E		V/S our Est
	3Q	4Q	1Q	2Q	3Q	4Q	FY17	FY18E	3QFY18E		
Net Interest Income	12,466	13,849	14,595	15,437	16,227	16,922	51,461	63,009	15,247	6	
% Change (Y-o-Y)	12.2	22.1	18.1	20.8	30.2	22.2	15.7	22.4	22.3		
Other Income	5,997	5,854	6,521	7,146	5,489	5,121	22,114	24,277	5,359	2	
Net Income	18,463	19,703	21,116	22,583	21,715	22,043	73,574	87,286	20,607	5	
Operating Expenses	8,251	9,001	8,592	8,826	9,623	10,070	33,567	37,112	9,368	3	
Operating Profit	10,212	10,701	12,524	13,756	12,092	11,973	40,007	50,174	11,239	8	
Core Operating Profit	7,317	9,350	9,491	11,134	11,336	10,665	27,344	36,766	9,639	18	
% Change (Y-o-Y)	33.2	29.3	38.7	36.7	18.4	11.9	18.1	18.6	10.1		
Other Provisions	5,403	8,069	7,156	7,446	9,181	4,290	22,425	28,072	4,000	130	
Profit before Tax	4,809	2,632	5,368	6,311	2,911	7,683	17,582	22,102	7,239	-60	
Tax Provisions	1,074	-565	1,644	1,795	-120	2,427	3,526	5,747	2,389	-105	
Net Profit	3,735	3,197	3,724	4,515	3,031	5,256	14,057	16,356	4,850	-38	
% Change (Y-o-Y)	670.4	278.4	21.2	11.5	-18.9	64.4	97.6	16.4	29.9		
Operating Parameters											
Deposits (INRb)	1,837	1,825	1,915	1,987	2,065	2,135	1,825	2,135	2,026	2	
Loan (INRb)	1,220	1,277	1,294	1,392	1,483	1,532	1,277	1,532	1,420	4	
Asset Quality											
Gross NPA (INR b)	96.8	98.7	96.5	96.2	96.0	99.3	98.7	99.3	97.0	-1.0	
Gross NPA (%)	7.7	7.5	7.2	6.7	6.3	6.3	7.5	6.3	6.6	-4.9	
Net NPA (INR b)	58.0	56.1	52.4	47.5	49.0	48.4	56.1	48.4	46.7	4.8	
Net NPA (%)	4.8	4.4	4.1	3.4	3.3	3.2	4.4	3.2	3.3	0.3	
PCR (%)	40.1	43.2	45.7	50.7	48.9	51.2	43.2	51.2	51.8	-5.5	

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Exhibit 1: Quarterly Snapshot

	FY16				FY17				FY18			Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY	QoQ
Profit and Loss													
Interest Income	41,190	41,412	39,994	39,842	40,713	39,944	39,576	40,165	41,360	41,596	43,542	5	10
Net Interest Income	11,203	10,804	11,108	11,346	12,363	12,783	12,466	13,849	14,595	15,437	16,227	30	5
Other Income	3,756	4,375	4,452	5,294	4,417	5,846	5,997	5,854	6,521	7,146	5,489	-8	-23
Treasury	422	1,002	650	1,038	1,840	2,632	2,895	1,352	3,033	2,622	756	-74	-71
Recovery	1,210	492	450	1,409	359	377	220	544	534	666	616	180	-8
Others (Ex non core)	2,124	2,881	3,352	2,847	2,218	2,837	2,882	3,958	2,954	3,857	4,116	43	7
Total Income	14,959	15,179	15,560	16,640	16,780	18,629	18,463	19,703	21,116	22,583	21,715	18	-4
Operating Expenses	7,873	7,824	7,893	8,366	7,748	8,567	8,251	9,001	8,592	8,826	9,623	17	9
Employee	5,301	4,904	4,986	4,872	4,856	4,942	4,974	5,143	5,110	5,097	5,312	7	4
Others	2,571	2,919	2,907	3,493	2,892	3,625	3,276	3,859	3,482	3,729	4,311	32	16
Operating Profits	7,086	7,355	7,667	8,274	9,032	10,062	10,212	10,701	12,524	13,756	12,092	18	-12
Core Operating Profits	6,664	6,354	7,017	7,236	7,192	7,430	7,317	9,350	9,491	11,134	11,336	55	2
Provisions	4,081	1,371	7,181	8,136	4,170	4,783	5,403	8,069	7,156	7,446	9,181	70	23
PBT	3,006	5,984	487	138	4,862	5,279	4,809	2,632	5,368	6,311	2,911	-39	-54
Taxes	853	2,291	2	-707	1,788	1,228	1,074	-565	1,644	1,795	-120	-111	-107
PAT	2,153	3,693	485	845	3,074	4,051	3,735	3,197	3,724	4,515	3,031	-19	-33
Balance Sheet (INR B)													
Loans	1,224	1,224	1,228	1,290	1,242	1,227	1,220	1,277	1,294	1,392	1,483	22	7
Deposits	1,754	1,727	1,746	1,783	1,774	1,782	1,837	1,825	1,915	1,987	2,065	12	4
CASA Deposits	503	494	517	552	552	578	690	667	679	717	732	6	2
of which Savings	424	419	443	464	472	495	593	573	570	597	608	2	2
Current	79	75	74	87	79	84	97	94	109	120	124	28	3
Loan Break Up													
Agriculture	232	221	225	230	234	247	243	248	256	278	295	21	6
Retail	131	183	0	0	181	190	193	206	0	230	245	27	6
Corporate & Comm Banking	614	636	0	639	603	571	578	572	623	683	735	27	8
SME Credit	162	152	152	210	203	199	194	239	241	256	268	38	5
Asset Quality													
GNPA	58,151	57,728	70,714	88,270	88,942	91,921	96,751	98,651	96,530	96,239	95,952	-1	0
NNPA	31,933	31,875	38,810	54,194	55,520	56,570	57,983	56,066	52,386	47,482	48,986	-16	3
Slippages (gross)	1.7	1.9	5.9	9.3	2.7	3.1	3.0	1.9	2.3	1.2	3	3	170
Slippages (net)	1.1	1.1	5.2	6.0	1.6	2.3	2.5	1.9	1.1	0.4	1	-51	184
Ratios (%)													Variation (bps)
Asset Quality Ratios												YoY	QoQ
GNPA (%)	4.7	4.6	5.6	6.7	7.0	7.3	7.7	7.5	7.2	6.7	6.3	-142	-40
NNPA (%)	2.6	2.6	3.2	4.2	4.5	4.6	4.8	4.4	4.1	3.4	3.3	-146	-11
Credit cost (%)	1.0	1.1	2.5	3.1	1.3	2.0	1.8	1.9	2.1	1.9	1.1	-69	-79
PCR (Calculated, %)	45	45	45	39	38	38	40	43	46	51	49	888	-172
PCR (Reported, %)	61	62	61	53	54	55	56	58	62	65	65	827	-67
Business Ratios													
Fees to Total Income	14.2	19.0	21.5	17.1	13.2	15.2	15.6	20.1	14.0	17.1	19.0	334.7	187.5
Cost to Core Income	59.1	57.2	54.6	58.9	53.1	54.8	53.8	50.6	49.0	45.7	47.3	-645.6	155.7
CASA (calculated)	28.7	28.6	29.6	30.9	31.1	32.5	37.6	36.5	35.5	36.1	35.4	-213	-65
Loan/Deposit	69.8	70.9	70.4	72.4	70.0	68.9	66.4	70.0	67.6	70.1	71.8	537	172
CAR	12.1	12.6	12.8	13.2	14.0	14.3	13.9	13.6	13.6	13.2	12.4	-145	-72
Tier I	10.0	10.4	10.6	12.1	12.8	12.7	12.2	12.1	12.1	11.7	11.0	-125.0	-67.0
Profitability Ratios													
Margins	2.4	2.3	2.3	2.4	2.5	2.6	2.5	2.7	2.7	2.9	2.9	33	0

Source: Company, MOSL

Exhibit 2: Actuals v/s estimates: Strong core operating performance weighed down by high provisions

Y/E MARCH	3QFY18A	3QFY18E	Var (%)	Comments
Net Interest Income	16,227	15,247	6	NII was above our estimate due strong loan growth
% Change (Y-o-Y)	30	22		
Other Income	5,489	5,359	2	Other income was above estimate due to better than expected recovery in w/off accounts
Total Income	21,715	20,607	5	
Operating Expenses	9,623	9,368	3	
Operating Profit	12,092	11,239	8	Operating profit beat due to strong NII growth and other income
% Change (Y-o-Y)	18	10		
Other Provisions	9,181	4,000	130	Higher than expected provision on investments
Profit before Tax	2,911	7,239	-60	
Tax Provisions	-120	2,389	-105	
Net Profit	3,031	4,850	-38	PAT loss due to higher provisions
% Change (Y-o-Y)	-19	30		

Source: MOSL, Company

Other highlights

- Provisions for NPA declined sequentially (-38% QoQ), and as a result, the bank's PCR decreased to 64.7% (down 67bp QoQ). Provisions for NPA were INR3.9b in 3QFY18 v/s INR6.3b in 2QFY18. Bank's credit cost for the quarter came in at 1.10% v/s 1.89% for 2QFY18.
- Recoveries/upgrades came in at INR1.8b/INR0.4b, resulting in net stress addition of 1.23%. Bank sold loans worth INR3.6b to ARCs for the quarter v/s NIL for last quarter.
- Standard restructured book declined QoQ by 43bp and stood at 2.7%. In absolute terms, the book decreased from INR43.5b in 2QFY18 to INR40b in 3QFY18.
- Total net stressed book including standard restructured/SDR/5:25/S4A as of 3QFY18 stands at INR111.1b which is 7.5% of the loans.
- CASA growth at 2%/6% QoQ/YoY was backed by 2%/2% QoQ/YoY SA growth and 3%/28% QoQ/YoY CA growth. Reported CASA ratio improved 67bp QoQ to 37.8%.
- The bank remains sufficiently capitalized, with CET 1 ratio at 10.64% and tier 1 ratio at 10.99%.
- During the quarter, the bank added 41 branches, taking total branch network to 2,736.

3QFY18 concall highlights

Asset-quality related

- Bank is yet to receive the divergence report from the RBI.
- Outstanding under NCLT: a) 1st list 8 A/c: INR26.4b. b) 2nd list 10 A/c: INR7.4b.
- Provision required for both the lists: ~INR19.8b. Bank has already made ~INR18.2b until 3QFY18. Balance provision will be made by the bank in 4Q.
- There is no overlap between various dispensation schemes. For the quarter, fresh accounts are considered under 5:25, as management thought it would be appropriate to put them through 5:25 rather than NCLT.
- Slippages for the current quarter were mainly due to failure of (4 accounts) SDR cases, ~INR4.5b from these 4 accounts (3 A/c were from power sector).
- SR book o/s: INR22b.
- SMA-2 advances are less than 2% of gross advances.

Balance sheet and P&L related

- Bank has made INR260m wage hike provisions for two months (Nov & Dec). Similar run-rate for provisions would continue for the coming quarter.
- Bank earned PSLC income of ~INR350-380m for the quarter; Bank is well above the mandatory PSLC target of 40% (48% of the ANBC).
- Average ticket size in the home loan book is INR 0.2-0.3m, and NPA in this book is less than 2%.
- Duration of the AFS portfolio currently is 4.5 (Bank would cut the duration to 3.5 from 1QFY19 onward).
- Bank has INR330m of interest reversal for the quarter from the power sector.
- Bank is planning to bring the government holding down to 75% by next financial year. Bank has already taken shareholders' approval to raise INR70,000m via various routes.

Guidance

- Going forward, the bank would be opening 100-150 branches per year.
- Bank guided for +20% loan growth for FY19.
- Slippages would be on downward trend going forward as majority of the watch list has been recognized.

Buy with a target price of
INR430 (1.1x
Mar 20e BV)

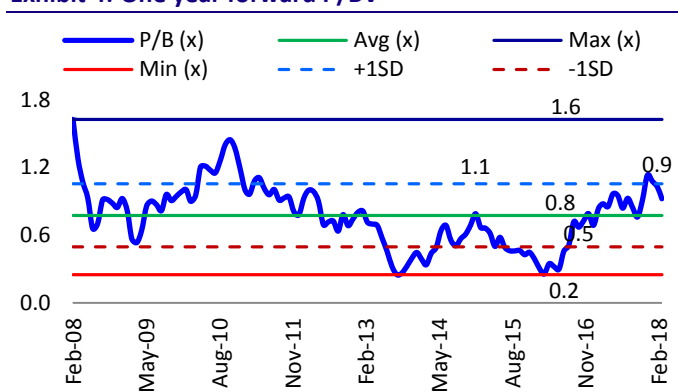
Valuation and view

- Focus on balance sheet consolidation and core operating parameters has led to improving earnings, despite challenging macros.
- Capitalization is best-in-class with a CET1 ratio of 10.6%. The bank is planning an FPO to reduce GOI shareholding to 75%. With capital in place, management is planning to grow loans in high teens and double the loan book in five years.
- Improvement in loan growth is expected to drive operating leverage improvement over the next few years. We expect FY20E RoA/RoE to be the best among PSBs at ~0.7%/12.4%.
- We upgrade our FY19E/FY20E PAT by 6%/10% to factor in better than expected margin performance and expense control. Maintain BUY with a TP of INR430 (1.1x March 20e BV)

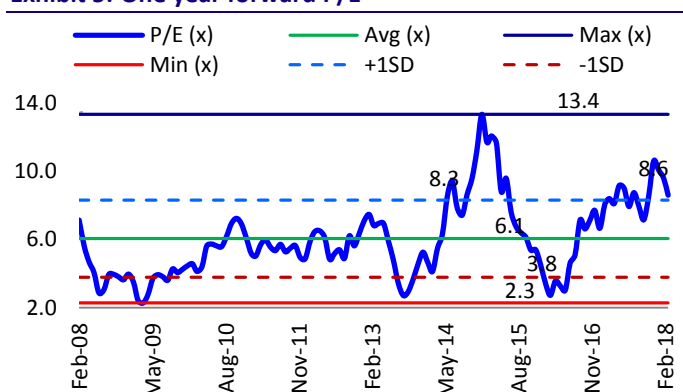
Exhibit 3: We increase FY19/FY20 PAT estimate by 6%/10% to factor in better NIM performance and controlled opex

INR B	Old Estimates			New Estimates			% Change		
	FY18	FY19	FY20	FY18	FY19	FY20	FY18	FY19	FY20
Net Interest Income	58.7	65.1	74.5	63.0	70.6	82.2	7.3	8.5	10.3
Other Income	23.8	23.6	23.6	24.3	24.6	24.5	2.0	4.2	3.9
Total Income	82.5	88.7	98.0	87.3	95.2	106.7	5.8	7.4	8.8
Operating Expenses	37.7	42.4	47.9	37.1	42.8	49.3	-1.5	0.8	3.1
Operating Profits	44.8	46.2	50.2	50.2	52.5	57.3	11.9	13.4	14.3
Provisions	20.5	19.2	20.3	28.1	23.7	24.5	36.7	23.9	20.5
PBT	24.3	27.1	29.9	22.1	28.7	32.9	-9.1	6.0	10.1
Tax	7.8	8.7	9.6	5.7	9.2	10.5	-26.1	6.0	10.1
PAT	16.5	18.4	20.3	16.4	19.5	22.3	-1.0	6.0	10.1
Loans	1,405	1,615	1,858	1,532	1,793	2,062	9.1	11.0	11.0
Deposits	1,962	2,276	2,640	2,135	2,456	2,824	8.8	7.9	7.0
Margins (%)	2.85	2.86	2.84	2.94	2.86	2.88			
Credit Cost (%)	1.40	1.20	1.10	1.80	1.35	1.20			
RoA (%)	0.73	0.72	0.69	0.69	0.72	0.72			
RoE (%)	10.9	11.2	11.3	10.8	11.9	12.4			
BV	327	357	389	327	358	394	-0.1	0.4	1.2
ABV	245	273	306	259	292	328	5.8	6.9	7.4
EPS	34.4	38.3	42.3	34.1	40.6	46.5	-1.0	6.0	10.1

Source: MOSL, Company

Exhibit 4: One year forward P/BV

Source: MOSL, Company

Exhibit 5: One year forward P/E

Source: MOSL, Company

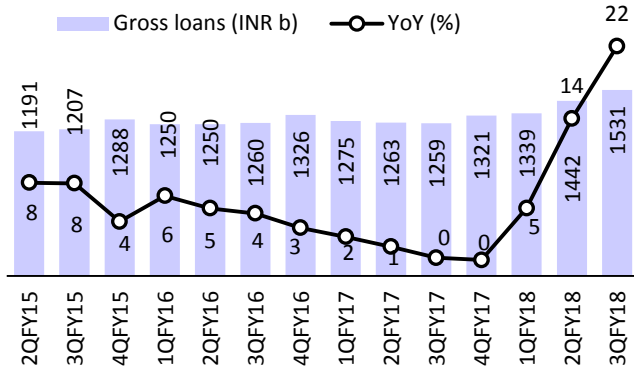
Exhibit 6: DuPont Analysis: Return ratios expected to improve led by better core operating profit and lower credit costs

	FY12	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
NII	3.36	2.98	2.49	2.35	2.24	2.44	2.67	2.59	2.64
Fee income	0.61	0.50	0.38	0.36	0.41	0.45	0.46	0.46	0.46
Core Income	3.97	3.48	2.87	2.71	2.65	2.89	3.13	3.05	3.10
Operating Expenses	1.66	1.81	1.62	1.48	1.61	1.59	1.57	1.57	1.59
<i>Cost to Core Income Ratio</i>	41.9	51.9	56.3	54.6	60.8	55.1	50.2	51.5	51.2
- Employee Costs	1.13	1.30	1.10	0.92	1.01	0.94	0.90	0.88	0.88
- Other Expenses	0.53	0.51	0.52	0.56	0.60	0.65	0.67	0.69	0.71
Core Operating Profit	2.31	1.67	1.26	1.23	1.04	1.30	1.56	1.48	1.51
Non Core Income	0.32	0.34	0.40	0.36	0.49	0.60	0.57	0.45	0.33
Operating Profit	2.63	2.01	1.66	1.59	1.53	1.90	2.12	1.93	1.84
Provisions	0.91	0.81	0.81	0.81	1.05	1.06	1.19	0.87	0.79
PBT	1.72	1.20	0.84	0.77	0.48	0.83	0.94	1.05	1.06
Tax	0.40	0.16	0.18	0.24	0.12	0.17	0.24	0.34	0.34
<i>Tax rate</i>	23.0	13.4	21.5	31.6	25.5	20.1	26.0	32.0	32.0
ROAA	1.33	1.04	0.66	0.53	0.36	0.67	0.69	0.72	0.72
<i>Leverage (x)</i>	15.3	15.5	15.9	15.8	15.2	15.1	15.7	16.5	17.2
ROAE	19.9	15.7	10.3	8.3	5.5	10.1	10.8	11.9	12.4

Source: Company, MOSL

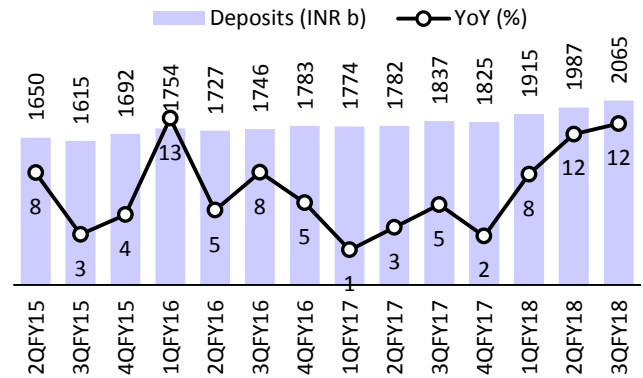
Story in charts

Exhibit 7: Loans growth picked up sharply to 22% YoY



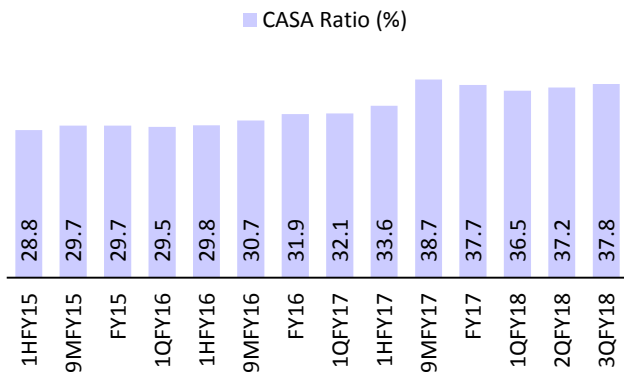
Source: MOSL, Company

Exhibit 8: Deposits growth of picking up



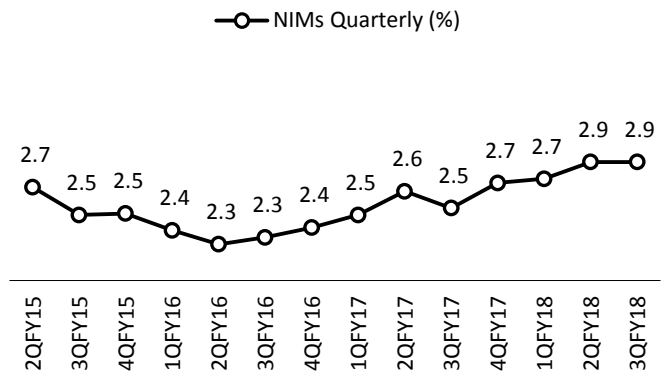
Source: MOSL, Company

Exhibit 9: CASA grew 6% YoY; CASA ratio came in at 37.8%



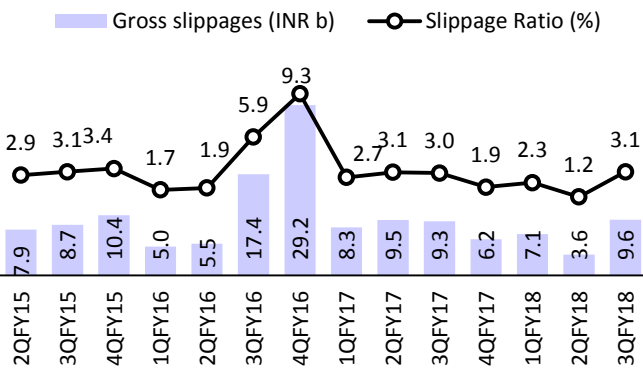
Source: MOSL, Company

Exhibit 10: NIMs were flat sequentially



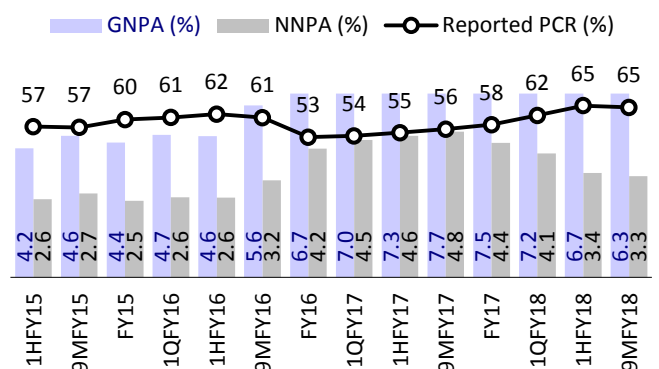
Source: MOSL, Company

Exhibit 11: Slippages spiked up sharply to INR9.6b (majority of slippages coming from SDR accounts)



Source: MOSL, Company

Exhibit 12: GNPA's declined to 6.3%, reported PCR declined 67bp QoQ to 64.7%



Source: MOSL, Company

Exhibit 13: Valuation Matrix

	Rating	Mkt. Cap (INRb)	CMP (INR)	EPS (INR)		ABV (INR)		RoA (%)		RoE (%)		P/E (x)		P/ABV (x)	
				FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
Private Banks															
ICICIBC*	Buy	2,096	326	16.5	21.0	130	149	1.17	1.31	10.1	11.9	13.5	10.6	1.7	1.5
HDFCB	Buy	4,747	1,877	81	101	491	571	1.9	2.0	16.6	18.1	23.3	18.6	3.8	3.3
AXSB	Buy	1,335	563	31	45	268	308	1.1	1.3	11.1	14.1	18.1	12.6	2.1	1.8
KMB*	Buy	1,901	1,043	42	54	290	343	1.7	1.8	14.3	15.8	25.1	19.2	3.6	3.0
YES	Buy	743	335	24	31	125	151	1.7	1.8	19.9	21.5	14.0	10.9	2.7	2.2
IIB	Buy	988	1,686	79	101	437	522	1.9	1.9	19.1	20.7	21.4	16.6	3.9	3.2
IDFCB	Neutral	180	54	3	4	46	48	0.8	0.9	6.9	7.9	16.7	13.7	1.2	1.1
FB	Buy	164	95	7	8	62	69	0.8	0.9	9.8	11.3	14.7	11.6	1.5	1.4
DCBB	Neutral	52	172	9	11	91	102	0.9	0.9	10.4	11.3	19.2	15.8	1.9	1.7
JKBK	Buy	37	70	12	17	81	95	0.7	0.8	11.9	14.7	5.8	4.2	0.9	0.7
SIB	Buy	50	28	4	5	26	30	0.8	0.9	12.7	14.8	7.5	5.7	1.1	0.9
EQUITAS	Buy	48	144	7	10	69	77	1.6	1.8	9.5	13.1	21.8	14.2	2.1	1.9
RBK	Buy	181	485	23	30	169	193	1.3	1.4	13.8	16.2	21.3	16.0	2.9	2.5
PSU Banks															
SBIN*	Buy	2,652	289	18	30	167	206	0.5	0.7	8.4	12.7	10.4	6.3	1.1	0.9
PNB	Buy	434	162	8	16	120	149	0.3	0.5	4.3	7.6	19.0	10.3	1.3	1.1
BOI	Neutral	150	145	5	10	147	191	0.1	0.2	1.8	3.6	29.5	14.1	1.0	0.8
BOB	Buy	414	169	17	24	125	145	0.3	0.5	5.5	8.8	10.1	7.1	1.4	1.2
CBK	Neutral	192	328	37	71	299	401	0.4	0.7	6.8	11.8	8.8	4.6	1.1	0.8
UNBK	Neutral	87	128	6	15	144	159	0.1	0.3	2.7	6.4	21.5	8.3	0.9	0.8
INBK	Buy	163	356	38	42	273	306	0.7	0.7	11.2	11.3	9.3	8.4	1.3	1.2
Life Insurance															
HDFCLIFE**	Buy	747	372	5.4	6.7			3.4	3.5	19.1	19.1	69.3	55.3		

Source: Company, MOSL

Financials and valuations

Income statement		(INR million)						
Y/E March	2013	2014	2015	2016	2017	2018E	2019E	2020E
Interest Income	138,974	152,492	158,529	162,438	160,397	171,672	197,403	225,325
Interest Expense	93,684	108,888	113,917	117,976	108,937	108,662	126,799	143,135
Net Interest Income	45,291	43,604	44,613	44,462	51,461	63,009	70,603	82,190
Change (%)	2.5	-3.7	2.3	-0.3	15.7	22.4	12.1	16.4
Non Interest Income	12,832	13,717	13,634	17,814	22,114	24,277	24,610	24,482
Net Income	58,122	57,321	58,246	62,276	73,574	87,286	95,213	106,672
Change (%)	2.9	-1.4	1.6	6.9	18.1	18.6	9.1	12.0
Operating Expenses	27,509	28,315	28,109	31,955	33,567	37,112	42,762	49,337
Pre Provision Profits	30,614	29,006	30,137	30,321	40,007	50,174	52,452	57,335
Change (%)	-11.6	-5.3	3.9	0.6	31.9	25.4	4.5	9.3
Core PPP*	25,450	22,000	23,355	20,574	27,344	36,766	40,275	47,001
Change (%)	-16.2	-13.6	6.2	-11.9	32.9	34.5	9.5	16.7
Provisions (excl tax)	12,351	14,249	15,451	20,768	22,425	28,072	23,748	24,473
PBT	18,262	14,757	14,686	9,553	17,582	22,102	28,703	32,862
Tax	2,451	3,167	4,635	2,439	3,526	5,747	9,185	10,516
Tax Rate (%)	13.4	21.5	31.6	25.5	20.1	26.0	32.0	32.0
PAT	15,811	11,589	10,052	7,114	14,057	16,356	19,518	22,346
Change (%)	-9.5	-26.7	-13.3	-29.2	97.6	16.4	19.3	14.5

Balance sheet		(INR million)						
Y/E March	2013	2014	2015	2016	2017E	2018E	2018E	2018E
Equity Share Capital	4,298	4,648	4,803	4,803	4,803	4,803	4,803	4,803
Reserves & Surplus	111,427	134,062	143,530	157,795	166,817	178,552	192,712	209,041
Net Worth	119,724	138,710	148,333	162,598	171,620	183,355	197,515	213,844
Deposits	1,419,802	1,622,748	1,692,253	1,782,858	1,825,093	2,135,359	2,455,662	2,824,012
Change (%)	17.5	14.3	4.3	5.4	2.4	17.0	15.0	15.0
of which CASA Dep	391,869	440,605	486,919	557,592	676,778	773,122	883,402	1,009,654
Change (%)	6.2	12.4	10.5	14.5	21.4	14.2	14.3	14.3
Borrowings	28,626	49,639	26,461	35,093	126,369	153,114	169,900	188,405
Other Liabilities & Prov.	60,075	61,165	61,314	56,554	59,250	68,772	78,969	90,542
Total Liabilities	1,628,226	1,872,262	1,928,360	2,037,104	2,182,331	2,540,599	2,902,046	3,316,803
Current Assets	96,387	104,905	130,812	119,993	100,417	152,921	128,740	131,026
Investments	418,050	468,099	458,986	530,893	675,518	709,294	815,688	938,041
Change (%)	10.1	12.0	-1.9	15.7	27.2	5.0	15.0	15.0
Loans	1,056,425	1,222,090	1,258,635	1,290,491	1,276,993	1,532,391	1,792,898	2,061,833
Change (%)	17.0	15.7	3.0	2.5	-1.0	20.0	17.0	15.0
Fixed Assets	16,905	29,322	29,687	35,111	34,426	36,769	39,112	41,455
Other Assets	40,459	47,846	50,239	60,616	94,978	109,224	125,608	144,449
Total Assets	1,628,226	1,872,262	1,928,360	2,037,104	2,182,331	2,540,599	2,902,046	3,316,803

Asset Quality		(%)						
GNPA (INR m)	35,655	45,622	56,704	88,269	98,650	99,318	101,859	102,946
NNPA (INR m)	23,843	27,637	31,470	54,194	56,066	46,980	45,605	45,093
GNPA Ratio	3.3	3.7	4.4	6.7	7.5	6.3	5.5	4.9
NNPA Ratio	2.3	2.3	2.5	4.2	4.4	3.1	2.5	2.2
PCR (Excl Tech. write off)	33.1	39.4	44.5	38.6	43.2	52.7	55.2	56.2
PCR (Incl Tech. Write off)	60.1	57.8	56.1	53.4	58.1	66.6	70.1	72.5

Source: Company, MOSL

Financials and valuations

Ratios

Y/E March	2013	2014	2015	2016	2017E	2018E	2018E	2018E
Spreads Analysis (%)								
Avg. Yield-Earning Assets	9.9	9.5	9.1	9.0	8.3	8.0	8.0	7.9
Avg. Yield on loans	10.8	10.0	9.7	9.4	8.9	8.6	8.5	8.4
Avg. Yield on Investments	8.1	8.4	7.8	8.4	7.3	7.1	7.2	7.1
Avg. Cost-Int. Bear. Liab.	6.9	7.0	6.7	6.7	5.8	5.1	5.2	5.1
Avg. Cost of Deposits	6.9	7.0	6.8	6.6	5.9	5.3	5.3	5.2
Interest Spread	3.0	2.5	2.4	2.3	2.6	2.9	2.8	2.8
Net Interest Margin	3.2	2.7	2.6	2.5	2.7	2.9	2.9	2.9
Profitability Ratios (%)								
RoE	15.6	10.3	8.3	5.5	10.1	10.8	11.9	12.4
RoA	1.0	0.7	0.5	0.4	0.7	0.7	0.7	0.7
Int. Expense/Int.Income	67.4	71.4	71.9	72.6	67.9	63.3	64.2	63.5
Fee Income/Net Income	14.9	14.7	16.2	18.0	16.2	15.5	16.2	16.2
Non Int. Inc./Net Income	22.1	23.9	23.4	28.6	30.1	27.8	25.8	23.0
Efficiency Ratios (%)								
Cost/Income*	49.2	52.9	50.2	54.0	51.8	46.6	48.1	48.4
Empl. Cost/Op. Exps.	71.8	68.0	62.0	62.8	59.3	57.3	56.3	55.3
Busi. per Empl. (INR m)	121.6	136.9	142.8	149.6	147.6	154.4	172.7	190.9
NP per Empl. (INR lac)	8.4	6.0	5.0	3.5	6.7	7.5	8.5	9.3
* ex treasury								
Asset-Liability Profile (%)								
Loans/Deposit Ratio	74.4	75.3	74.4	72.4	70.0	71.8	73.0	73.0
CASA Ratio	27.6	27.2	28.8	31.3	37.1	36.2	36.0	35.8
Investment/Deposit Ratio	29.4	28.8	27.1	29.8	37.0	33.2	33.2	33.2
G-Sec/Investment Ratio	74.5	81.4	84.2	74.4	83.8	72.3	72.3	72.3
CAR	13.1	12.6	12.9	13.2	13.6	12.7	12.0	11.5
<i>Tier 1</i>	<i>10.9</i>	<i>10.2</i>	<i>10.6</i>	<i>12.1</i>	<i>12.2</i>	<i>11.3</i>	<i>10.8</i>	<i>10.3</i>
Valuation								
Book Value (INR)	242.9	248.2	261.5	280.6	301.1	327.2	358.4	394.1
Change (%)	13.0	2.2	5.4	7.3	7.3	8.7	9.5	10.0
Price-BV (x)	1.5	1.4	1.4	1.3	1.2	1.1	1.0	0.9
Adjusted BV (INR)	204.1	206.5	215.6	201.6	219.4	258.7	291.9	328.4
Price-ABV (x)	1.8	1.7	1.7	1.8	1.6	1.4	1.2	1.1
EPS (INR)	36.8	24.9	20.9	14.8	29.3	34.1	40.6	46.5
Change (%)	-9.5	-32.2	-16.1	-29.2	97.6	16.4	19.3	14.5
Price-Earnings (x)	9.7	14.4	17.1	24.2	12.3	10.5	8.8	7.7
Dividend Per Share (INR)	6.6	4.7	4.2	1.5	6.0	6.8	8.1	9.3
Dividend Yield (%)	1.8	1.3	1.2	0.4	1.7	1.9	2.3	2.6

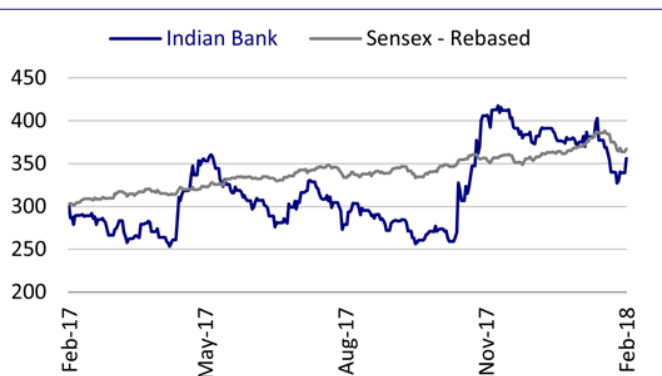
Source: Company, MOSL

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 with Govt stake of 82.1% as on June 30, 2016. The bank has an established presence in South India with ~60% of branches in that region. INBK has a network of 2,584 branches and 2,958 ATMs in India. Also, it has three foreign branches in Singapore, Colombo and Jaffna.

Exhibit 1: Sensex rebased



Source: MOSL/Bloomberg

Exhibit 2: Shareholding pattern (%)

	Dec-17	Sep-17	Dec-16
Promoter	81.9	82.1	82.1
DII	7.7	6.5	8.4
FII	7.6	8.5	6.9
Others	2.8	2.9	2.7

Note: FII Includes depository receipts

Source: Capitaline

Exhibit 3: Top holders

Holder Name	% Holding
Hdfc Trustee Company Ltd A/C Hdfc Arbitrage Fund	2.6
L&T Mutual Fund Trustee Limited - L&T Emerging Businesses Fund	1.8
Hsbc Global Investment Funds - Indian Equity	1.6
Life Insurance Corporation Of India	1.3
NA	0.0

Source: Capitaline

Exhibit 4: Top management

Name	Designation
T C Venkat Subramanian	Chairman (Non-Executive)
Mahesh Kumar Jain	Managing Director & CEO
A S Rajeev	Executive Director
A Ganesa Rathnam	Company Secretary

Source: Capitaline

Exhibit 5: Directors

Name	Name
Deepak D Samant	Padmanaban Vittal Dass
Vijay Kumar Goel	Sriram Ramachandran
Vinod Kumar Nagar	Mudita Mishra
J K Dash	

*Independent

Exhibit 6: Auditors

Name	Type
G Balu Associates	Statutory
Gandhi Minocha & Co	Statutory
Padmanabhan Ramani & Ramanujam	Statutory
PAMS & Associates	Statutory

Source: Capitaline

Exhibit 7: MOSL forecast v/s consensus

EPS (INR)	MOSL forecast	Consensus forecast	Variation (%)
FY18	34.1	34.1	-0.1
FY19	40.6	48.7	-16.7
FY20	46.5	46.3	0.4

Source: Bloomberg

NOTES

Explanation of Investment Rating

Investment Rating

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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