

Pick of the Day (Short Term Delivery Call)

Company Name: Indian Bank Ltd.

NSE Code	INDIANB
BSE Code	532814
Market Cap (Rs cr)	49,531
Avg. Trading Vol. in lakh (5 days/30 days)	8.9/18.8
Avg. Delivery Vol. in lakh (5 days/30 days)	3.6/5.5
Promoter Holding (%)	79.9
Pledge (%)	-

CMP (Rs)	395
Accumulation Range (Rs)	391-399
Target (Rs)	435.0
Upside Potential (%)	10.0%
Duration	3 Months

Source: Capitaline, SSL Research

Indian Bank Ltd is a leading PSU bank (80% owned by the Government of India) incorporated in the year 1907. Headquartered in Chennai, the bank has total business of Rs 11 trillion as of Jun'23. HDFC MF is the largest non-promoter shareholder with a 3.3% stake as of Jun'23 followed by LIC at 3.1%.

Investment rationale:

One of the robust PSU banks: Indian bank is a top-quality PSU bank with a robust business base. The total business was up 9% YoY to at Rs 11.0 trillion as of Jun'23. The bank has a balanced mix of asset base in domestic market comprising retail, Agriculture, MSME and corporate at 21%/23%/17%/39% respectively. 90% (87% a year ago) of the book comprises of BBB and above category rated by outside agencies. The bank as of Jun'23 has 5798 branches and 4804 ATMs spread across pan India. Nearly 33%, 24% and 22% of branch networks are located in Southern, Central and Eastern regions respectively.

Significant improvement in asset quality: The bank, within the PSU space, enjoys one of the best quality loan book with GNPA/NNPA of 5.47%/8.13% as of Jun'23 qtr versus 8.13%/2.12% a year ago. The slippage ratio has now dropped to 1.57% as of Jun'23 qtr versus 3.03% in Jun'22 qtr, reflecting marked improvement in asset quality. The credit costs dropped to 0.82% in 1QFY24 vs 2.02% in 1QFY23. PCR stands at healthy 95.1%. The bank has adequately made provision for NPA and is well prepared to comply with ECL norms when rolled out. For SMA 2, the bank has made Rs 900 cr plus provision.

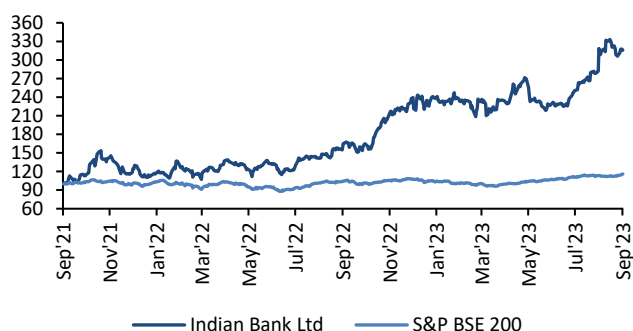
Strong growth during 1QFY24: The Advances and Deposits were up 12.7%/6.4% YoY to Rs 4.8 trillion and Rs 6.2 trillion respectively. CASA deposits dropped 4.1% QoQ but was up 5.2% YoY to Rs 2.5 trillion. The CASA ratio dropped 170 bps/50 bps QoQ/YoY to 40.3%. The NII and net profit during the quarter were up 25.8%/40.9% YoY and up 3.5%/18.1% QoQ to Rs 5,703.0 cr and Rs 1,709.0 cr respectively. The growth in NII was led by expansion in yield (+40 bps/ 140 bps QoQ/YoY) despite higher cost of funds (+30 bps/+90 bps QoQ/YoY). NIM/RoA for the quarter remained steady at 3.6%/0.95% (+50 bps/+20 bps YoY respectively). The bank is maintaining a cost-to-income ratio of 44.22% and aims to maintain this level going forward.

Attractive Valuations: At CMP, the Indian Bank is trading at less than 1.0x FY24E Bloomberg consensus book value. Looking at the healthy return ratios (RoE: 18%, RoA: 0.95%) we believe Indian Bank deserves better valuations and risk-reward is favourable for the investors at the current juncture.

Key Risk: Increase in cost of funds due to high-cost deposit mobilisation; Unexpected deterioration in asset quality, GOI launching OFS to reduce its stake from 80%.

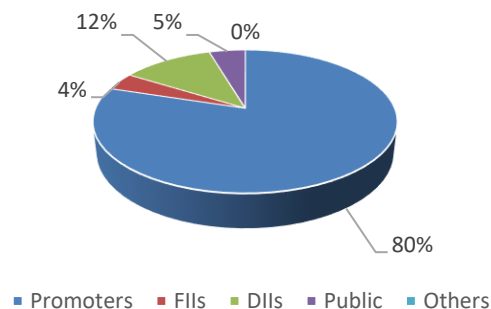
Short Term Call

Stock Performance



Source: BSE, SSL Research

Shareholding Pattern (June'23)



Source: BSE, SSL Research

Why Now?

Sr. No.	Parameters	Score
1	Recent financial performance (management guidance, return and margin profile, growth and cash flow)	✓
2	Overall corporate governance (Promoter pledge, credit rating, audit qualified opinion etc)	✓
3	Recent stock price movement-worst is over for stock, all negatives in the price (valuation, 52W H/L, below average PE etc)	↔
4	Beneficiary of recent macro and industrial developments (Regulatory, Fiscal/Monetary policy, favourable industrial outlooks etc)	✓



- Neutral



- Positive



- Negative

Duration of recommendation: Short to Medium term

* Please refer to our call guide mentioned below.

Recommendation History

Date	Stock Price	Target Price	Recommendation	Status
23 rd March, 2023	277	305	Buy	Closed at Rs 305

Call Guide:

The above recommendation is meant for short term investment purpose with holding period between 1-90 days and target upside upto 10% (+/- 0.5%). The recommended price is previous day's closing NSE price (except the stock only listed on BSE). In case of gap-up opening the call is termed "Not Entered" only if stock price does not come within +1% of previous close price on the day of call; partial profit is generally not advised; Call can be rationalized (changed) by Fundamental team at their discretion; generally to average or exit at loss (cut-loss strategy).

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Short Term Call

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