

**CMP: INR 554**

**Rating: BUY**

**Target Price: INR 687**

**Stock Info**

BSE	532814
NSE	INDIANB
Bloomberg	INBK IN
Reuters	INBA.BO
Sector	Banks
Face Value (INR)	10
Equity Capital (INR Bn)	12.45
Mkt Cap (INR Bn)	752
52w H/L (INR)	626 / 474
Avg Volume (In '000)	1,847

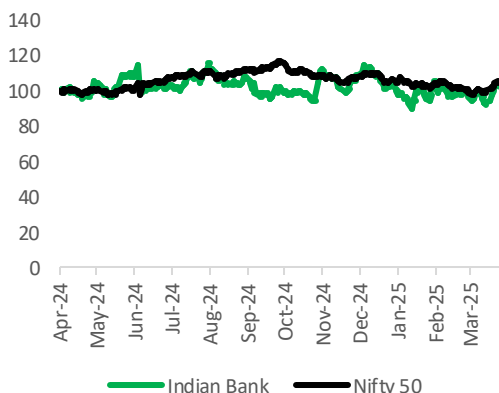
**Shareholding Pattern %**

(As on Mar, 2025)

Promoters	73.84
FII	4.74
DII	17.78
Public & Others	3.65

Stock Performance (%)	1m	6m	12m
Indian Bank	3.78	2.69	2.25
Nifty 50	4.32	-8.83	4.71

**Indian Bank vs Nifty 50**



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Net Interest Income stood at INR 63.9 Bn compared to the estimate of INR 66.3 Bn, declining 0.4% QoQ but rising 6.2% YoY. PPOP came in at INR 50.2 Bn vs the estimate of INR 49.6 Bn, up 5.7% QoQ and 16.6% YoY. Provisions were at INR 7.95 Bn vs the estimate of INR 10.86 Bn, down 25.0% QoQ and 36.3% YoY. PAT stood at INR 29.6 Bn vs the estimate of INR 29.9 Bn, up 3.6% QoQ and 31.6% YoY. GNPA stood at 3.1% vs the estimate of 3.3%, improving by 17 bps QoQ and 86 bps YoY. NNPA stood at 0.2%, stable sequentially and improving by 24 bps YoY. Deposits increased to INR 7,371.5 Bn vs the estimate of INR 6,930.0 Bn, up 5.0% QoQ and 7.1% YoY. Advances increased to INR 5,710.7 Bn vs the estimate of INR 5,583.8 Bn, up 5.3% QoQ and 10.9% YoY.

**Improving Asset Quality and Prudent Risk Management:** A significant improvement in asset quality is a key positive. The GNPA has sequentially declined from 3.26% to 3.09%, and the NNPA has impressively reduced from 0.21% to 0.19%. The management has guided for GNPA to be less than 3% and aims to maintain the NNPA at the current low level. Perhaps the most striking improvement is in the SMA book (including SMA 0, 1, and 2), which drastically reduced from 15.59% of the book in Mar 24 to 8.06% in Mar 25. The absolute SMA figures also saw a substantial reduction from INR 799,310 Mn to INR 459,230 Mn. Furthermore, the bank has consistently seen recoveries exceeding slippages since Q1FY23, with FY25 recoveries at INR 76,510 Mn against slippages of INR 56,830 Mn. The provision coverage ratio also remains healthy at 98.09%.

**Digital Transformation and Growth:** Digital transactions have surged from 87% to 92% of total transactions in FY25, reaching 93% in the Mar 2025 quarter. The bank has added 43 new digital journeys, bringing the total to 121, and the business conducted through these digital journeys grew by 106% YoY to INR 1,673,900 Mn. There has been significant growth in digital adoption across segments: MSME (83%), retail (85%), and agriculture (95%). The customer base for mobile banking and UPI has grown by 16% and 25% respectively. These initiatives, along with investments in generative AI and cloud migration, position the bank well for the future, catering to evolving customer preferences and driving cost efficiencies.

**Healthy Profitability and Focus on Efficiency:** The operating profit for FY25 stood at INR 189,980 Mn, growing by 12.82% YoY. While there was a slight sequential dip in NII due to repo rate cuts, the annual NII grew by 8.17%. Other income also showed strong growth of 27.46% sequentially and 17.24% annually. ROA for the year improved from 1.07% to 1.32%, a 25 bps increase. The bank is guiding for an ROA in the range of 1.20% for the next fiscal, considering asset growth and some moderation in profitability. The C/I ratio has been maintained steadily around 45%, indicating operational efficiency.

**Valuation and View:** Indian Bank expects steady and healthy growth in the coming year, aiming to expand its deposits by 8-10% and loans by 10-12%. The bank plans to maintain its CASA ratio ~40% and expects its LDR Ratio to be ~80%. A key focus will be on asset quality. Furthermore, Indian Bank expects its credit cost and slippage ratio to remain below 1%. The management also indicated plans for branch expansion in areas where the bank has less presence, particularly in the western region, as part of its strategy for the next year. The bank is also confident about its recovery efforts, guiding for recoveries in the range of INR 55,000 to INR 65,000 Mn. **We maintain our Buy rating on the stock with a target price of INR 687, valuing the bank at P/adj. BV of 1.05x FY28E ABV.**

**Financial Performance**

Particulars (Bn)	FY24A	FY25A	FY26E	FY27E	FY28E
NII	233	252	317	346	384
PPOP	168	190	247	279	319
PAT	81	109	135	154	177
Advances	5,149	5,711	6,339	7,036	7,810
Deposits	6,880	7,372	8,127	9,021	10,013
RoA	1.1	1.3	1.5	1.5	1.6

Source: Company, Arihant Research

## Q4FY25 - Quarterly Performance (Standalone)

(in INR Bn)

Quarterly Result Update (Rs bn)	Q4FY25	Q3FY25	Q4FY24	QoQ	YoY
Interest Income	158.56	157.59	146.24	0.6%	8.4%
Interest Expended	94.67	93.45	86.09	1.3%	10.0%
<b>Net Interest Income</b>	<b>63.89</b>	<b>64.15</b>	<b>60.15</b>	<b>-0.4%</b>	<b>6.2%</b>
Other Income	27.43	21.53	22.63	27.4%	21.2%
<b>Operating Income</b>	<b>91.33</b>	<b>85.67</b>	<b>82.78</b>	<b>6.6%</b>	<b>10.3%</b>
Employee Expenses	27.01	24.17	26.33	11.8%	2.6%
Other Operating Expenses	14.13	14.01	13.40	0.8%	5.5%
<b>Operating Expenses</b>	<b>41.14</b>	<b>38.18</b>	<b>39.73</b>	<b>7.8%</b>	<b>3.5%</b>
<b>PPOP</b>	<b>50.19</b>	<b>47.49</b>	<b>43.05</b>	<b>5.7%</b>	<b>16.6%</b>
Provisions	7.95	10.59	12.48	-25.0%	-36.3%
<b>PBT</b>	<b>42.24</b>	<b>36.90</b>	<b>30.57</b>	<b>14.5%</b>	<b>38.2%</b>
Tax Expenses	12.68	8.38	8.10	51.3%	56.5%
<b>Net Income</b>	<b>29.56</b>	<b>28.52</b>	<b>22.47</b>	<b>3.6%</b>	<b>31.6%</b>
<b>Balance Sheet Analysis</b>					
Advances	5,711	5,421	5,149	5.3%	10.9%
Deposits	7,372	7,023	6,880	5.0%	7.1%
CASA Deposits	2,829	2,691	2,805	5.1%	0.8%
CASA (%)	40.17%	40.00%	40.77%	17bps	-60bps
CAR (%)	16.44	15.92	17.94	52bps	-150bps
<b>Spreads</b>					
NIMs (%)	3.52%	3.57%	3.48%	-5bps	4bps
Cost of Funds	5.21%	5.27%	5.13%	-6bps	8bps
Yield on Average Advances	8.64%	8.92%	8.81%	-28bps	-17bps
<b>Asset Quality</b>					
GNPA	182	182	211	-0.2%	-13.9%
NNPA	11	11	22	-1.5%	-50.1%
GNPA (%)	3.09%	3.26%	3.95%	-17bps	-86bps
NNPA (%)	0.19%	0.21%	0.43%	-2bps	-24bps
<b>Returns &amp; Expenses</b>					
RoA	1.37	1.39	1.15	-2bps	22bps
RoE	21.01	21.00	19.06	1bps	195bps
Cost / Income Ratio	45.0%	44.6%	48.0%	48bps	-294bps

Source: Company, Arianth Research

## Q4FY25 Concall Highlights

### Management Guidance:

- The Bank expects the CASA ratio to be maintained around 40% levels in FY26.
- The Bank has revised its NIM guidance slightly lower to 3.15–3.30% for FY26, factoring in possible rate cuts.
- The Bank targets deposit growth of 8–10% and advances growth of 10–12% for FY26.
- Credit Deposit ratio to be maintained around current levels with focus on high-quality lending.
- The Bank aims to keep GNPA below 3% and NNPA at 0.19% levels for FY26.
- Credit cost is guided to remain below 1% in FY26; stood at 0.66% for FY25.
- Slippage ratio is expected to stay under 1% for FY26; Q4FY25 slippage stood at 1.09%.
- Recovery guidance for FY26 stands between INR 55,000–65,000 Mn, primarily driven by small ticket accounts.
- The Bank plans to expand Resource Acquisition Centres from 100 to 121 locations to strengthen deposit mobilization.
- ROA is guided to moderate to 1.2% in FY26 due to strong asset growth, despite absolute profit improvement.

### Digitisation:

- Digital transactions accounted for 93% of total transactions as of FY25.
- UPI transactions grew from INR 5,704 Mn to 8,628 Mn in FY25, indicating strong adoption.
- Mobile banking user base grew by 16% at INR 19.4 Mn for Q4FY25, UPI users stood at 21.8 Mn, grew by 25% YoY in Q4FY25.
- Digital loan origination surged significantly: retail loans grew 6x and SHG loans grew 5x YoY.
- Digital MSME and agriculture loans recorded 2x growth YoY.
- Investment in technology continues with CRM upgrades, cloud migration, microservices adoption, and the use of Generative AI for employee training and grievance redressal.
- The Bank has partnered with 167 Fintechs to deliver customized solutions for business lending and enhance digital offerings.

### Other Highlights:

- Total business crossed INR 13.25 trillion as of FY25.
- Net profit for FY25 stood at INR 109,180 Mn, up 35.41% YoY.
- GNPA reduced to 3.09%, down from 3.95% YoY; NNPA declined to 0.19% from 0.43% YoY in FY25.
- SMA book improved to 8.06% of advances for FY25.
- Digital MSME stood at INR 73,550 Mn and Digital agriculture stood at INR 420,640 Mn respectively for FY25.
- Deposits grew to INR 7.37 trillion, up 4.97% QoQ and 7.14% YoY.
- Advances increased to INR 5.88 trillion, up 5.18% QoQ and 10.19% YoY.
- Operating profit rose to INR 189,980 Mn, registering 12.82% YoY growth.
- NII grew by 8% YoY in FY25.
- Credit cost stood at 0.66% for Q4FY25.
- Slippage ratio improved to 1.11% in FY25 compared to 1.49% in FY24.
- The Bank recovered INR 76,510 Mn in FY25, exceeding fresh slippages of INR 56,830 Mn.
- Gold loan segment is under watch post draft RBI guidelines but current exposure is manageable.
- Treasury operations contributed positively with plans for selective profit booking in FY26.

Profit & Loss Statement (INR Bn)	FY23A	FY24A	FY25A	FY26E	FY27E	FY28E
Interest Income	449	556	620	766	844	936
Interest Expense	247	323	368	450	497	552
<b>Net Interest Income</b>	<b>202</b>	<b>233</b>	<b>252</b>	<b>317</b>	<b>346</b>	<b>384</b>
YoY change (%)	21	15	8	26	9	11
Non Interest Income	71	79	92	97	108	119
Total Net Income	274	311	344	414	454	503
Total Operating Expenses	121	143	154	167	175	184
<b>Pre Provision profit</b>	<b>153</b>	<b>168</b>	<b>190</b>	<b>247</b>	<b>279</b>	<b>319</b>
YoY change (%)	20	10	13	30	13	15
Provisions	94	59	42	63	70	80
Profit Before Tax	59	110	148	183	209	239
YoY change (%)	85	85	35	24	14	15
Taxes	6	29	39	48	54	62
<b>Net profit</b>	<b>53</b>	<b>81</b>	<b>109</b>	<b>135</b>	<b>154</b>	<b>177</b>
YoY change (%)	33.9	52.7	35.4	23.8	14.1	14.6

Balance Sheet (INR Bn)	FY23A	FY24A	FY25A	FY26E	FY27E	FY28E
Cash & Balances with RBI	326.9263	327.0276	319.4765	238.598	313.37	405.31
Inter bank borrowing	174	94	229	253	280	311
Investments	1,860	2,126	2,253	2,456	2,677	2,918
Loan and Advances	4,493	5,149	5,711	6,339	7,036	7,810
Other Assets	176	156	133	249	276	306
<b>Total Assets</b>	<b>7,105</b>	<b>7,926</b>	<b>8,734</b>	<b>9,635</b>	<b>10,695</b>	<b>11,875</b>
Deposits	6,212	6,880	7,372	8,127	9,021	10,013
Borrowings	221	231	415	423	432	440
Other Liability	193	231	254	257	260	262
Equity	12	13	13	13	13	13
Reserves	467	570	680	815	969	1,146
<b>Total Liabilities</b>	<b>7,105</b>	<b>7,926</b>	<b>8,734</b>	<b>9,635</b>	<b>10,695</b>	<b>11,875</b>

Dupont Analysis (% of Average Assets)	FY23A	FY24A	FY25A	FY26E	FY27E	FY28E
Net Interest Income	2.9	3.1	3.0	3.4	3.4	3.4
Non Interest Income	1.0	1.0	1.1	1.1	1.1	1.1
Net Income	4.0	4.1	4.1	4.5	4.5	4.5
Operating Expenses	1.8	1.9	1.8	1.8	1.7	1.6
Operating Profit	2.2	2.2	2.3	2.7	2.7	2.8
Provisions & Contingencies	1.4	0.8	0.5	0.7	0.7	0.7
Taxes	0.1	0.4	0.5	0.5	0.5	0.6
ROAA	0.8	1.1	1.3	1.5	1.5	1.6

Ratios	FY23A	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Efficiency Ratio (%)</b>						
Int Expended / Int Earned	55.0	58.2	59.4	58.7	58.9	59.0
Int Income / Total Assets	6.3	7.0	7.1	8.0	7.9	7.9
NII / Total Income	38.8	36.7	35.3	36.7	36.4	36.4
Other Inc. / Total Income	13.7	12.4	12.9	11.2	11.3	11.3
Ope. Exp. / Total Income	23.2	22.5	21.6	19.4	18.4	17.4
Net Profit / Total Assets	0.7	1.0	1.3	1.4	1.4	1.5
Credit / Deposit	72.3	74.8	77.5	78.0	78.0	78.0
Investment / Deposit	29.9	30.9	30.6	30.2	29.7	29.1
NIM	3.2	3.3	3.2	3.7	3.6	3.6
<b>Solvency</b>						
Gross NPA (Rs. Cr)	282	211	182	188	195	203
Net NPA (Rs. Cr)	40	22	11	11	11	11
Gross NPA (%)	6.3	4.1	3.2	3.0	2.8	2.6
Net NPA (%)	0.9	0.4	0.2	0.2	0.2	0.1
Capital Adequacy Ratio (%)	16.5	18.2	19.5	20.9	22.3	0.0
Tier I Capital (%)	13.5	14.9	16.2	17.6	19.0	0.0
Tier II Capital (%)	3.0	3.3	3.3	3.3	3.3	0.0
<b>Growth Ratio (%)</b>						
Interest Income	15.7	23.7	11.5	23.6	10.1	10.9
Interest Expenses	11.7	30.8	13.9	22.1	10.6	11.0
Other Income	3.3	10.1	17.2	5.0	11.0	11.0
Total Income	13.8	21.9	12.2	21.2	10.2	10.9
Net profit	33.9	52.7	35.4	23.8	14.1	14.6
Deposits	4.6	10.8	7.1	10.2	11.0	11.0
Advances	15.4	14.6	10.9	11.0	11.0	11.0
<b>Return Ratio</b>						
RoAA (%)	0.8	1.1	1.3	1.5	1.5	1.6
RoAE (%)	11.5	15.2	17.1	17.8	17.0	16.5
<b>Per Share Data (INR)</b>						
EPS	42	60	81	100	115	131
Book Value	385	433	515	553	598	663
Adj Book Value of Share	353	417	506	545	590	655
<b>Valuation Ratio</b>						
P/E (x)	13.2	9.3	6.9	5.6	4.9	4.3
P/BV (x)	1.4	1.3	1.1	1.0	0.9	0.8
P/ABV (x)	1.6	1.3	1.1	1.0	0.9	0.9

Source: Company, Arianth Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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