

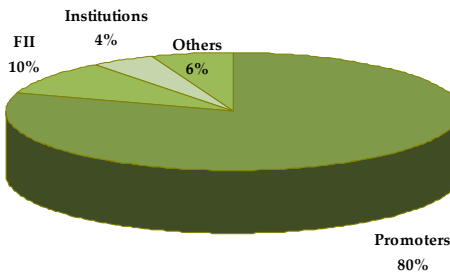
Indian Bank

1 November 2011

Buy

Industry	Banking
CMP (INR)	217
Target (INR)	275
52 week High/Low (INR)	310/184
Market Cap (INR BN)	933
3M Avg. Daily Volumes	303240
P/BV FY12E	0.9x

Shareholding Pattern (%)



Stock Performance



Performance (%)

	1 Month	3 Months	1 Year
INBK	1.5	-3.6	-25.6
NIFTY	7.8	-2.8	-11.5

* Source: Ace, Unicon Research

Particulars	(INR in mn)	
	Actual	Estimates
NII	11354	10774
Operating Profit	9209	8235
PAT	4687	4031

* Source: Ace, Unicon Research

Q2FY12 Result Highlights

Indian bank (INBK) net profit grew by 12.7% YoY to INR 4.6 Bn (much above our expectations of INR 4 bn). Net interest income grew by 15.4% to INR 11.3 bn on YoY basis & non-interest income grew by 21% to INR 3.4 bn. The muted performance was due to higher interest expenses of INR 18.9 bn (47% YoY growth). INBK's cost to income ratio increased to 37.7% against 41.7% in Q2FY11.

The Bank's Balance Sheet grew by 20.6% to INR 2.02 tn in Q2FY12, as the deposits registered a growth of 18.6% along with advances growing by 23.4% on YoY basis. However, Current and Savings Account (CASA) ratio declined to 29.8% in Q2FY12 from 32.24% in Q2FY11. Loan book grew due to higher growth in Overseas Credit, Corporate & Commercial & Agriculture advances to INR 45 bn, INR 465 bn & INR 127 bn (46%, 30% & 24% YoY growth) respectively.

During the quarter, the GNPA fell on YoY basis to 1.21% from 1.29% in Q2FY11, however on sequential basis it increased by 30 bps. Also, NPAs on YoY basis fell to 0.69% from 0.73% in Q2FY12, but on the sequential basis it increased by 13 bps. The sequential rise in NPAs is due to identification of NPAs through CBS since June 2010. The provision coverage ratio, including technical write-offs, stood at 79.35%. The bank's capital adequacy ratio for Q2FY12 was 12.23% with Tier I at 9.89% & bank opened 32 branches in Q2FY12.

Outlook & Valuation

Indian Bank's loan book is skewed towards high yielding segments such as SME, retail and agriculture, which form about ~43% of the banks advances. As a result, despite having a moderate CASA ratio of ~30%, the bank's NIMs are the highest amongst its peer set at around 3.7% as compared to ~3.1% for its peers. Best in class NIMs coupled with sound asset quality and cost efficiencies has led to superior ROAs for the bank ~1.7%. Management's strategy of moderating growth with focus on margins & asset quality would be positive for the bank from long term perspective. We have BUY rating on the stock for target price of INR 275.



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Indian Bank

Financials

	Q2 FY12	Q2 FY11	Y-o-Y	Q1 FY12	Q-o-Q
	(INR in mn)				
Interest income	30348	22756	33.36	27814	9.1
Interest expense	18994	12924	46.97	17514	8.5
Net Interest Income	11354	9832	15.47	10300	10.23
Other Income	3423	2837	20.68	2493	37.31
Total Operating income	14777	12669	16.64	12793	15.51
Operating expenditure	5568	5279	5.47	4982	11.77
Operating Profit	9209	7389	24.62	7811	17.89
Operating Profit (%)	27.27	28.87	-160 bps	25.77	149 bps
Provisions	2203	1330	65.71	1770	24.5
PBT	7005	6060	15.61	6042	16.0
Tax	2318	1902	21.90	1972	17.6
PAT	4687	4158	12.73	4069	15.2
EPS (INR.)	10.91	9.67	12.73	9.47	15.18
NIMs	3.76	3.76	0 bps	3.43	9 bps

Source: Company, Unicon Research

*Standalone



Indian Bank

Unicon Investment Ranking Methodology

Rating	Buy	Accumulate	Hold	Reduce	Sell
Return Range	>= 20%	10% to 20%	-10% to 10%	-10% to -20%	<= -20%

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