July 31, 2017

Indian Bank

Indian Bank has announced its Q1 FY2018 results on July 21, 2017.

Advances: During Q1FY2018, the bank has reported a YoY growth of 5.0% in gross advances, which is higher than the 0.4% advance growth during FY2017. The QoQ growth remained moderate at 1.3% in Q1FY2018 as compared to a QoQ growth of 2.0 % in Q1FY2017.

Deposits: During Q1FY2018, the bank has reported a YoY growth of 7.9% in total deposits, which is higher than the 2.4% growth during FY2017. The QoQ growth was also good at 4.9% in Q1FY2018 as compared to a QoQ decline of 0.5 % in Q1FY2017. The bank's share of CASA deposits in total deposits stood at 35.7% as on June 30, 2017 (31.4% as on June 30, 2016 and 36.8% as on March 31, 2017).

Asset Quality: The asset quality remained largely stable with gross NPAs (GNPAs) of 7.2% as on June 30, 2017 (7.0% as on June 30, 2016 and 7.5% as on March 31, 2017) with slippages slightly reduced to 2.3% (annualised) for Q1FY2018 as compared with 2.7% for FY2017. With increase in credit provisions, the net NPAs (NNPAs) reduced to 4.0% as on June 30, 2017 (4.5% as on June 30, 2016 and 4.4% as on March 31, 2017).

Profitability: In-line with declining interest rate environment, the yield on advances declined to 8.8% during Q1FY2018 (9.3% in Q1FY2017 and 8.9% during FY2017) with a concurrent decline in the cost of deposits to 5.7% during Q1FY2018 (6.4% in Q1FY2017 and 5.9% during FY2017). Accordingly, the Net Interest margins (NIMs) (as % of average total assets – ATA) improved to 2.7% for Q1FY2018 (2.5% in Q1FY2017 and 2.5% during FY2017). Despite an increase in credit cost, attributed to the increase in the provision coverage and, operating expenses (as a % of ATA) to 1.4% and 1.6% respectively during Q1FY2018 (0.9% and 1.5% respectively during Q1FY2017 and 1.0% and 1.6% respectively during FY2017), the profit before tax (as a % of ATA) remained stable at 1.0% during Q1FY2018 (1.0% during Q1FY2017 and 0.8% during FY2017) because of improvement in the bank's net interest margin.

Capitalisation: The capital ratios (CET1, Tier 1 and CRAR as % of risk weighted assets) remain strong in relation to regulatory levels at 11.7%, 12.1%, and 13.6% respectively as on June 30, 2017. The solvency level has improved with NNPAs/Net worth of 35.3% as on June 30, 2017 (40.0% as on June 30, 2016 and 38.8% at end of as on March 31, 2017).

- During Q1 FY2018, the asset quality has improved with the slippages being under control and the write-offs being higher than the slippages. Provision coverage[1] (excluding technical write offs) stood at 45.7% as on June 30, 2017.
- The bank's strong capitalisation profile, which is better among peer public sector banks would help it in growing its advances comfortably without any significant capital requirements for FY2018-FY2019.

ICRA currently has rating outstanding of [ICRA]AA+ (pronounced ICRA double A plus) with stable outlook for the bank's lower tier-II bonds.

The previous rating rationale is available on the following link: [Click here]

[1] (GNPAs – NNPAs) / GNPAs

Key Financial Indicators:

	FY2016	FY2017	Q1FY2017	Q1FY2018
Net Interest Income (Rs. Crore)	4,446	5,146	1,236	1,459
Profit before tax (Rs. Crore)	954	1,758	486	537
Profit after tax (Rs. Crore)	710	1,406	307	372
Net advances (Rs. Lakh Crore)	1.29	1.28	1.24	1.29
Total assets (Rs. Lakh Crore)	2.01	2.16	2.01	2.16
%CET 1	11.7%	11.8%	12.3%	11.7%
%Tier 1	12.1%	12.2%	12.8%	12.1%
% CRAR	13.2%	13.6%	14.0%	13.6%
% Net Interest Margin / Average total assets	2.3%	2.5%	2.5%	2.7%
%Net Profit / Average total assets	0.4%	0.7%	0.6%	0.7%
%Return on Net Worth	5.3%	9.7%	9.0%	10.2%
% Gross NPAs	6.7%	7.5%	7.0%	7.2%
% Net NPAs	4.2%	4.4%	4.5%	4.0%
% Provision coverage incl technical write offs	53.4%	58.1%	53.9%	61.7%
% Net NPA/ Net worth	40.2%	38.8%	40.0%	35.3%

Note: Total assets excluding revaluation reserves
Source: Indian Bank

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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