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February 06, 2007

Initial Public Offering

Indian Bank

Price Band: INR 77 - 91 Per Equity Share

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Issue Details:

Issue Size: INR 7,821.45 Mln (At upper price band)**Face Value:** INR 10 Each**Issue Opens on:** February 05, 2007**Issue Closes on:** 09 February, 2007**Promoter:** Government of India**Bid Lot:** 75 Equity Shares

INDIAN BANK is a public sector banking institution in India which has been in existence since 1907. As at September 30, 2006, it had 1,408 branches in India spread over 26 states and 3 union territories. It also has a branch in Singapore and a branch and foreign currency banking unit in Colombo, Sri Lanka. As at December 31, 2006, it had a work force of over 21,000 people serving over 18.1 million customers, and also it had an additional 506 delivery channels, including extension counters, satellite offices and 365 ATMs. It provides service across various sectors including corporate financial services, retail financial services, SME, micro finance and agricultural financial services, along with other allied services. In addition, it also provides various fee-based services, including distribution of third party products. All its 1,408 domestic branches are computerized. The bank has implemented Core Banking Solution in its 800 branches covering approximately 84% business of the company.

In Fiscal 2006, it made a net profit of Rs. 4,894.00 million and had assets of Rs. 474,115.55 million and net worth of Rs. 22,676.80 million. As at September 30, 2006, it had assets of Rs. 508,129.70 million and net worth was Rs. 26,016.80 million. It has experienced consistent growth in deposits and advances, with deposits growing at a compounded annual rate of 13.47% during the last five fiscal years and net advances growing at a compounded annual rate of 18.97% during the same period.

Object Of the Issue:

The objects of the Issue are to augment the capital base to meet the future capital requirements arising out of the implementation of the Basel II standards, and the growth in its assets, primarily its loan and investment portfolio due to the growth of the Indian economy and for other general corporate purposes including meeting the expenses of the Issue.

Following is the geographical break-up of branches and business as on September 30, 2006

Geographical Distribution	Number of Branches	Deposits (Rs. in mln)	Advances (Rs. in mln)
Northern India	100	69,691.41	32,862.39
Eastern India	152	34,989.95	13,254.45
Central India	47	11,822.87	3,355.20
Western India	117	75,154.48	52,887.86
Southern India	992	240,626.22	147,713.91
Total	1,408	432,554.92	250,073.81



Financial Highlights:

In accordance with the permission granted by the MoF, GoI, by its letter dated April 19, 2006, the Bank netted off its accumulated unabsorbed losses aggregating Rs. 38,301.40 million against its paid up capital of Rs. 45,739.60 million with effect from March 31, 2006. The balance of Rs. 7,438.20 million was retained as share capital. The Bank, by its letter dated April 28, 2006, sought the approval of the MoF, GoI, to restructure the paid up capital of Rs. 7,438.20 million into perpetual non-cumulative preference share capital of Rs. 4,000 million and equity share capital of Rs. 3,438.20 million.

- ✓ As at September 30, 2006, retail loans constituted 24.86% of the total outstanding credit.
- ✓ CASA as on Sept 06 is 35.10%.
- ✓ Net NPAs to net advances ratio declined from 2.71% as at March 31, 2004, 1.35% as at March 31, 2005, 0.79% as at March 31, 2006 to 0.45% as at September 30, 2006.
- ✓ Net interest margin increased slightly from 3.49% in the six months ended September 30, 2005 to 3.59% in six months ended September 30, 2006.
- ✓ It has given a weighted average Return on Networth of 25.56% in past 3 years.
- ✓ Return of Assets for the first 6 months i.e. till September 30, 2006 for the company is 1.33%.
- ✓ Annualized EPS (post issue) for six months ended Sept 06 is Rs 15.54
- ✓ The book value per Equity Share as of September 30, 2006 was Rs. 64.03 per Equity Share.
- ✓ As of September 30, 2006 its total capital adequacy ratio was 12.02% and its Tier I capital adequacy ratio was 9.84%.
- ✓ After Issue, Government's holding in the bank will be reduced to 80%

Valuation:

The Book value per equity share is Rs 64.03 as on Sept 06. Post issue the book value will be Rs 66.63 at the lower end of price band and Rs 69.43 at the higher end of price band. So the issue is priced at 1.31 times its book value on Sept 06 at upper price band. Looking at the banks branch network, sustainable growth and remarkable turnaround in recent times, we recommend SUBSCRIBE.

Financials Summary:

Particulars (Rs. Millions)	31/03/02	31/03/03	31/03/04	31/03/05	31/03/06	H1FY07
Interest on Advances	10,837	11,365	11,720	13,819	17,778	11,641
Interest on Investments	11,617	13,565	14,546	14,413	15,265	8,013
Interest on Balances/Others	485	390	403	475	603	230
Interest Income	22,939	25,319	26,669	28,707	33,645	19,885
Other Income	5,019	5,250	7,473	5,688	5,315	2,810
Operating Income	27,959	30,569	34,143	34,395	38,960	22,695
Interest Expended	17,629	17,115	15,499	15,670	18,543	11,254
Employee Cost	5,593	6,340	7,972	7,273	7,886	4,050
Other Operating Expense	1,628	1,791	1,992	2,769	3,745	2,123
Expenditure	24,849	25,246	25,463	25,712	30,174	17,427
Operating Profit	3,109	5,323	8,679	8,683	8,786	5,268
Provisions and Contingencies	2,731	2,992	3,731	5,266	3,330	1,460
PBT	378	2,332	4,948	3,417	5,456	3,808
Provision for Current Tax	8	87	236	230	562	468
Net Profit	370	2,245	4,712	3,187	4,894	3,340
Equity Capital	38,040	45,740	45,740	45,740	7,438	3,438
EPS for the period (Rs)	0.10	0.49	1.03	0.70	6.58	*9.71
Advances	109,084	122,750	141,261	183,801	224,846	261,925
Deposits	240,388	270,159	304,444	348,084	408,055	441,237

Note: * - Not annualized

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