

South Indian Bank Ltd.

Accumulate

Sector: Banking

29th July, 2025

Key Changes:						Target	Rs.34
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	CMP	Rs.30
Small Cap	SIB:IN	81,338	SOUTHBANK	532218	12 Months	Return	+13%

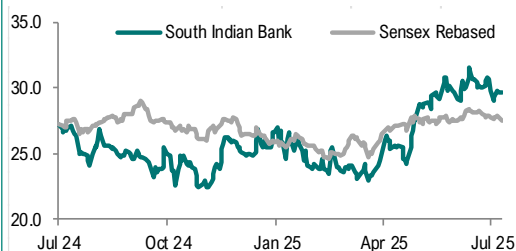
Data as of: 29-07-2025, 17:30 hrs

Company Data			
Market Cap (Rs. cr)	7,744.4		
52 Week High — Low (Rs.)	32-22		
Outstanding Shares (Rs cr)	261.6		
Free Float (%)	99.5		
Dividend Yield (%)	1.4		
6m average volume (cr)	1.3		
Beta	1.1		
Face value (Rs.)	1.0		

Shareholding (%)	Q3FY25	Q4FY25	Q1FY26
Promoters	-	-	-
FII's	11.5	12.0	17.6
MFs/Institutions	7.2	10.4	11.1
Public	81.3	77.6	71.3
Total	100.0	100.0	100.0
Promoter Pledge	-	-	-

Price Performance	3 Month	6 Month	1 Year
Absolute Return	15.7%	13.3%	10.1%
Absolute Sensex	0.8%	6.6%	-0.5%
Relative Return	14.9%	6.7%	10.7%

*over or under performance to benchmark index



Standalone (Rs cr)	FY25A	FY26E	FY27E
NII	3,486	3,736	4,113
Growth(%)	4.6	7.2	10.1
NIM(%)	3.4	3.3	3.3
Provisions	513	501	310
Adj. PAT	1,303	1,452	1,697
Growth(%)	21.8	11.4	16.9
Adj. EPS	5.0	5.5	6.5
Growth(%)	-2.2	11.4	16.9
BVPS	38.6	43.8	49.7
Adj BVPS	33.9	39.1	45.4
P/E	5.9	5.3	4.6
P/B	0.8	0.7	0.6
ROA(%)	1.1	1.1	1.2
ROE(%)	13.8	13.5	13.9

Driving Momentum with Resilience

South Indian Bank Ltd is a private sector bank headquartered in Kerala. The bank has 948 branches, with the majority of them in South India. Currently, the bank has a loan book size of Rs.89,198 cr and a deposit base of Rs.112,922 cr.

- Total deposits grew by 9.1% YoY to Rs.1,07,526 cr in Q1FY26, while CASA also exhibited similar strength by growing at 9.1% YoY.
- During Q1FY26, net advances grew moderately by 8.0% YoY, supported by a strong 26.8% YoY increase in the personal loan portfolio and a 10.6% YoY rise in the corporate segment, while being offset by an 8.2% YoY decline in agricultural loans.
- Net interest income declined by 3.8% YoY in Q1FY26, primarily due to subdued loan growth and a decline in the yield on advances.
- PAT increased by 9.5% YoY in Q1FY26, supported by strong growth in other income. Additionally, NIM fell to 3.0% from 3.2% on a sequential basis due to repricing of its assets faster than its funding sources.
- Asset quality improved, with GNPA/NNPA at 3.2%/0.7%. The Provision Coverage Ratio (PCR) increased to 88.8% compared to 79.2% in Q1FY25.

Outlook & Valuation

Management anticipates an advance growth recovery, primarily driven by an increase in high-yielding secured assets and a rebound in deposits. As the percentage of new books increases and the cost of money declines as the liability side gets repriced, ROA is expected to be 1.1% in FY26. As a result, **we remain optimistic about the company's long-term growth and reiterate our Accumulate rating, with a target price of Rs.34 based on 0.7x FY27E BVPS.**

Quarterly Financials (Standalone)

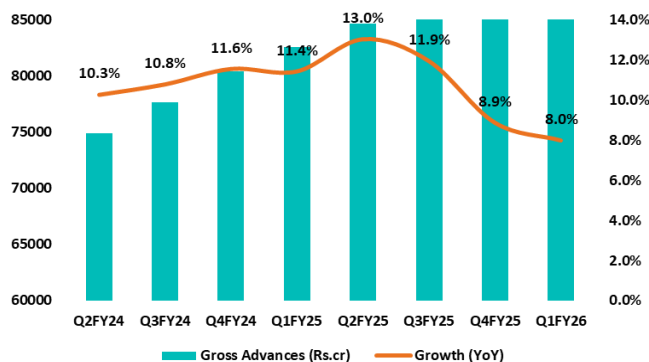
Rs.cr	Q1FY26	Q4FY26	QoQ(%)	Q1FY25	YoY(%)
Net Interest Income	833	868	-4.1	866	-3.8
Total Income	1,454	1,441	1.0	1,287	13.0
Expenditure	782	757	3.3	780	0.3
Pre-Provision Profit	672	683	-1.6	508	32.4
Provision	239	224	6.7	113	111.8
PBT	433	459	-5.7	395	9.7
Rep. PAT	322	342	-5.9	294	9.5
Adj. PAT	322	342	-5.9	294	9.5
Diluted EPS (Rs)	1.2	1.3	-6.1	1.1	9.8



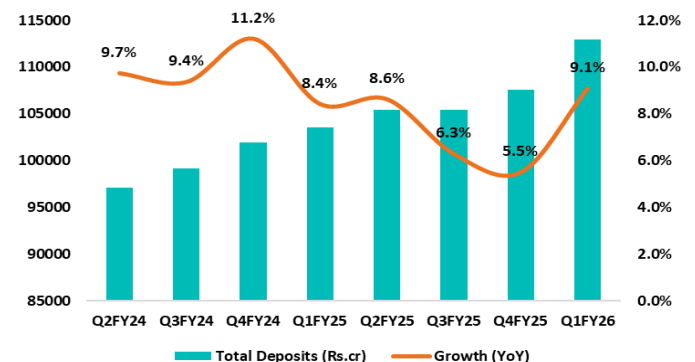
Key Highlights

- Management has outlined a strategic shift toward a more balanced and yield-enhancing asset mix. The bank is prioritizing growth in secured and better-yielding segments such as MSME, gold loans, and retail products, while gradually reducing reliance on low-yield corporate assets.
- MSME operations have been restructured to expand beyond Kerala, now contributing 61% from other regions, with a targeted growth of 15–18% supported by digital platforms and a hub-and-spoke distribution model. Corporate lending remains focused on high-rated, short-tenor exposures, and retail segments like auto and personal loans are being scaled to improve margins and asset quality.
- Notably, over 30% of the bank's deposits come from the NRI segment, predominantly in low-cost savings accounts, which the bank continues to expand through targeted initiatives. Despite offering deposit rates lower than larger peers, the bank saw healthy growth in term deposits, reflecting strong customer relationships and franchise strength.
- The bank aims to achieve credit growth of over 12% for the fiscal year, with deposit growth aligned to support this expansion. A key focus is on improving ROA, with a target of maintaining ROA around 1.0% in FY26. Over a three-year horizon, management aspires to reach an ROA of 1.4–1.5%, driven by a shift toward better-yielding retail and MSME assets, improved cost efficiency, and enhanced productivity. The bank expects positive operating leverage to continue, supported by disciplined expense management and front-loaded revenue initiatives.

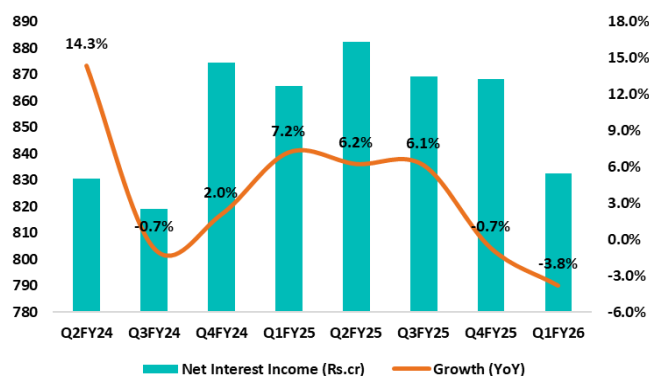
Gross Advances



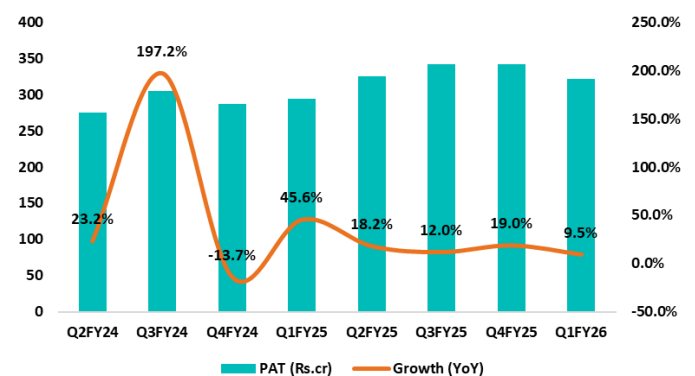
Total deposits



Net Interest Income



PAT



Change in Estimates

Year / Rs cr	Old Estimate		New Estimate		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Net Interest Income (NII)	4,184	4,215	3,736	4,113	-10.7	-2.4
Net Interest Margin (%)	3.59	3.36	3.29	3.28	-30bps	-8bps
Pre-Provision Profit	2,424	2,860	2,605	2,770	7.5	-3.1
Adj. PAT	1392	1,669	1,452	1,697	4.3	1.7
EPS (Rs)	5.3	6.4	5.5	6.5	3.8	1.6



Standalone Financials

Profit & Loss

Y.E March (Rs cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Interest Income	7,233	8,613	9,413	10,261	11,147
Interest Expense	4,221	5,281	5,928	6,525	7,034
Net Int. Income	3,012	3,332	3,486	3,736	4,113
% Change	34.5%	10.6%	4.6%	7.2%	10.1%
Non Int. Income	813	1,516	1,813	2,138	2,234
Operating Income	3,825	4,848	5,299	5,873	6,347
% Change	16.8%	26.7%	9.3%	10.8%	8.1%
Operating Exp.	2,317	2,980	3,029	3,268	3,577
Pre Prov. Profit	1,507	1,868	2,270	2,605	2,770
Prov. & Conting.	399	339	513	501	310
PBT	1,108	1,529	1,757	2,105	2,460
% Change	1304.9%	37.9%	14.9%	19.8%	16.9%
Tax	333	459	454	653	763
Tax Rate	30%	31%	31%	31%	31%
Reported PAT	775	1,070	1,303	1,452	1,697
Adj*	-	-	-	-	-
Adj. PAT	775	1,070	1,303	1,452	1,697
% Change	1622.8%	38.1%	21.8%	11.4%	16.9%
No. of shares (Cr)	209	262	262	262	262
EPS (Rs)	3.7	5.1	5.0	5.5	6.5
% Change	1622.7%	37.4%	-2.2%	11.4%	16.9%
DPS (Rs)	0.30	0.30	0.30	0.40	0.50

Balance Sheet

Y.E March (Rs cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash	4,639	6,660	5,098	5,774	5,708
Loans & Advances	69,804	78,061	85,682	95,383	107,615
Investments	24,642	23,977	21,777	23,874	26,936
Net Fixed Assets	878	966	1,018	1,098	1,143
Other Assets	7,735	7,749	11,080	11,637	13,990
Total Assets	107,698	117,413	124,655	137,766	155,392
Deposits	91,651	101,920	107,526	118,719	133,943
Debt Funds	6,994	3,912	4,300	4,749	5,358
Other Liabilities	2,378	2,754	2,721	2,852	3,078
Equity Capital	209	264	269	262	262
Reserves & Surplus	6,465	8,562	9,838	11,186	12,752
Shareholder's Funds	6,675	8,826	10,108	11,447	13,014
Total Liabilities	107,698	117,413	124,655	137,766	155,392
BVPS (Rs)	31.9	33.7	38.6	43.8	49.7
% Change	14.0%	5.8%	14.4%	13.3%	13.7%
Adj. BVPS (Rs)	25.7	28.7	33.9	39.1	45.4
% Change	19.5%	11.5%	18.2%	15.4%	16.1%

Ratios

Y.E March	FY23A	FY24A	FY25A	FY26E	FY27E
Profitab. & Return					
Interest yield (%)	8.2	9.1	9.3	9.0	8.9
Cost of funds (%)	4.4	5.2	5.4	5.5	5.4
Spread(%)	3.8	3.9	3.8	3.5	3.5
NIM (%)	3.4	3.5	3.4	3.3	3.3
ROE (%)	12.4	13.8	13.8	13.5	13.9
ROA(%)	0.8	1.0	1.1	1.1	1.2
Business Growth					
Loans & Advances (%)	16.4	11.8	9.8	11.3	12.8
Deposits (%)	2.8	11.2	5.5	10.4	12.8
Operating Ratios					
Cost to Income (%)	60.6	61.5	57.2	55.6	56.4
CASA (%)	34.4	32.1	32.1	31.0	32.0
Asset Quality					
GNPA (%)	5.1	4.5	3.2	3.0	2.8
NNPA (%)	1.8	1.4	0.9	0.6	0.5
Capital Adequacy					
CAR (%)	17.3	15.6	15.6	15.6	15.6
Valuation					
P/E (x)	8.0	5.8	5.9	5.3	4.5
P/B (x)	0.9	0.9	0.8	0.7	0.6
Adj. P/B (x)	1.1	1.0	0.9	0.8	0.6

Recommendation Summary (last 3 years)



Dates	Rating	Target
31.Oct.22	Accumulate	15
31.May.23	Buy	21
12.Feb.24	Buy	40
25.Jul.24	Accumulate	32
29.Oct.24	Accumulate	27
05.Jun.25	Accumulate	33
29.Jul.25	Accumulate	34

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral			

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:



Upgrade



No Change



Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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