**BUY**
**TP: Rs 66 | ▲ 22%**

# SOUTH INDIAN BANK | Banking | 21 October 2026

## Consistent QoQ performance since last 3/4 quarters

- **Strong liability management improved CoD/CoF, while a favourable mix shift and higher bond yields boosted YoA and NIMs**
- **Recoveries to exceed slippages in FY27, focus on increasing higher yielding loans and improving RAM mix**
- **Maintain BUY with revised TP of Rs 66 (Rs 49 earlier), based on 1.2x Sep'28E ABV, driven by consistent QoQ performance and +ve outlook**

Catherine Gomes
Research Associate
research@bobcaps.in

**CoF, CoD decline and increase in YoA support NII:** PAT grew 21.3% YoY/132.8% QoQ, driven by 38% YoY NII growth. YoA improved 7 bps on favourable loan mix and higher T-bill yields. CoD declined 6 bps QoQ and CoF 11 bps YoY, supported by 40–60 bps lower repricing of Jan–Jun 2026 maturities, 19% growth in average CASA and ~50% lower bulk deposits. With repricing benefits largely exhausted, further sharp funding-cost declines are unlikely. NIM expanded 53 bps YoY/10 bps QoQ to 3.23%, with further hardening possible through T+1 transmission if repo rates rise. Treasury/FX income recovered QoQ, grew 82% QoQ and core fees 11%; the new trade/FX platform and fee initiatives are expected to support growth, though recovery income may moderate further. Provisions rose 151% YoY/89% QoQ, partly impacting PAT.

**Strong advances growth:** Advances grew 20% YoY/5% QoQ, with the corporate-to-RAM mix at 39:61 (vs. 38:62 in Q4FY26). Corporate advances grew 17% YoY and BBG grew 15% YoY. Within RAM, gold loans grew 41% YoY, PL and VF 16% YoY each, while HL was flat YoY but grew 17% QoQ. The Q1 shift towards corporate lending, driven by attractive risk-adjusted pricing and utilisation of existing credit lines amid Middle East uncertainties, partially reversed. Corporate loans account for ~40% of advances, mainly opportunistic short-duration, high-quality assets; the long-term target is to reduce corporate exposure to ~30% and focus on higher yielding MSME.

**Recoveries to exceed slippages in FY27:** Slippages stood at Rs1.05 bn, declining across all segments, with FY27 guidance of Rs 7.5/8 bn. Recoveries and upgrades exceeded slippages and stood at Rs 1.8, supporting GNPA improvement of 14 bps QoQ to 1.24% and NNPA improvement of 17 bps to 0.09%. FY27 recoveries are guided at Rs 8–10 bn, exceeding expected slippages.

**Maintain BUY:** With sustained QoQ improvement in AQ, GNPA declining from over 8% at peak to 1.43%, strong Q2 NIM expansion, improved liability management and pickup in loan growth, focus on higher yielding loans, we expect further NIMs improvement and the bank to deliver RoA/RoE of 1.2%/15% in FY27. Maintain BUY.

### Key changes

| Target | Rating |
|---|---|
| ▲ | ◀ ▶ |

| | |
|---|---|
| Ticker/Price | SIB IN/Rs 54 |
| Market cap | US$ 1.5bn |
| Free float | 100% |
| 3M ADV | US$ 6.4mn |
| 52wk high/low | Rs 55/Rs 33 |
| Promoter/FPI/DII | 0%/24%/13% |

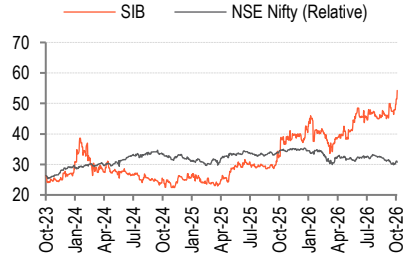
Source: NSE | Price as of 19 Oct 2026

### Key financials

| Y/E 31 Mar | FY26A | FY27E | FY28E |
|---|---|---|---|
| NII (Rs mn) | 34,374 | 47,081 | 55,259 |
| NII growth (%) | (1.4) | 37.0 | 17.4 |
| Adj. net profit (Rs mn) | 14,551 | 18,453 | 21,680 |
| EPS (Rs) | 5.6 | 7.0 | 8.3 |
| P/E (x) | 9.8 | 7.7 | 6.6 |
| P/BV (x) | 1.2 | 1.1 | 0.9 |
| ROA (%) | 1.1 | 1.2 | 1.2 |
| ROE (%) | 13.5 | 15.0 | 15.4 |

Source: Company, Bloomberg, BOBCAPS Research

### Stock performance




Source: NSE

**Fig 1 – Quarterly snapshot: Income statement**

| (Rs mn) | Q2FY26 | Q3FY26 | Q4FY26 | Q1FY27 | Q2FY27 | YoY (%) | QoQ (%) |
|---|---|---|---|---|---|---|---|
| **Income Statement** | | | | | | | |
| Interest Income | 18,749 | 19,630 | 20,363 | 21,083 | 22,473 | 19.9 | 6.6 |
| Income on investments | 4,561 | 4,976 | 4,719 | 4,482 | 4,506 | (1.2) | 0.5 |
| Int. on bal. with RBI & inter-bank funds & Others | 761 | 569 | 513 | 714 | 978 | 28.5 | 37.0 |
| **Interest income** | **24,071** | **25,175** | **25,595** | **26,278** | **27,957** | **16.1** | **6.4** |
| Interest expense | 15,983 | 16,369 | 16,442 | 16,031 | 16,798 | 5.1 | 4.8 |
| **Net interest income** | **8,088** | **8,807** | **9,153** | **10,247** | **11,159** | **38.0** | **8.9** |
| Growth YoY (%) | (8.3) | 1.3 | 5.4 | 23.1 | 38.0 | | |
| Fee Income | 2,060 | 2,030 | 1,910 | 1,790 | 1,980 | (3.9) | 10.6 |
| Trading gains/(losses) | 1,290 | 770 | - | 440 | 800 | (38.0) | 81.8 |
| Others | 1,807 | 2,059 | 1,949 | 1,565 | 1,902 | 5.2 | 21.5 |
| **Non-interest income** | **5,157** | **4,859** | **3,859** | **3,795** | **4,682** | **(9.2)** | **23.4** |
| Growth YoY (%) | 25.8 | 18.7 | (32.6) | (39.0) | (9.2) | | |
| **Total income** | **13,245** | **13,666** | **13,013** | **14,042** | **15,840** | **19.6** | **12.8** |
| Growth YoY (%) | 2.5 | 6.9 | (9.7) | (3.5) | 19.6 | | |
| Staff expenses | 4,198 | 4,287 | 3,518 | 4,492 | 4,561 | 8.6 | 1.5 |
| Other operating expenses | 3,692 | 3,536 | 3,682 | 3,632 | 3,955 | 7.1 | 8.9 |
| Operating expenses | 7,890 | 7,823 | 7,200 | 8,124 | 8,515 | 7.9 | 4.8 |
| **Pre-Provisioning Profit (PPoP)** | **5,356** | **5,843** | **5,813** | **5,918** | **7,325** | **36.8** | **23.8** |
| Growth YoY (%) | (2.7) | 10.5 | (14.9) | (12.0) | 36.8 | | |
| Provisions | 633 | 804 | 344 | 843 | 1,591 | 151.5 | 88.7 |
| Growth YoY (%) | (42.5) | 21.8 | (84.7) | (64.7) | 151.5 | | |
| Exceptional Item | - | - | - | - | - | - | - |
| **PBT** | **4,723** | **5,039** | **5,469** | **5,075** | **5,734** | **21.4** | **13.0** |
| Tax | 1,209 | 1,296 | 1,394 | 1,298 | 1,472 | 21.8 | 13.4 |
| **PAT** | **3,514** | **3,743** | **4,075** | **3,776** | **4,261** | **21.3** | **12.8** |
| Growth YoY (%) | 8.2 | 9.5 | 19.1 | 17.3 | 21.3 | | |
| **Per Share** | | | | | | | |
| FV (Rs) | 1 | 1 | 1 | 1 | 1 | 0.0 | 0.0 |
| EPS (Rs) | 1.3 | 1.4 | 1.6 | 1.4 | 1.6 | 21.6 | 13.0 |
| Book Value (Rs) | 41 | 42 | 44 | 45 | 46 | 13.5 | 2.3 |

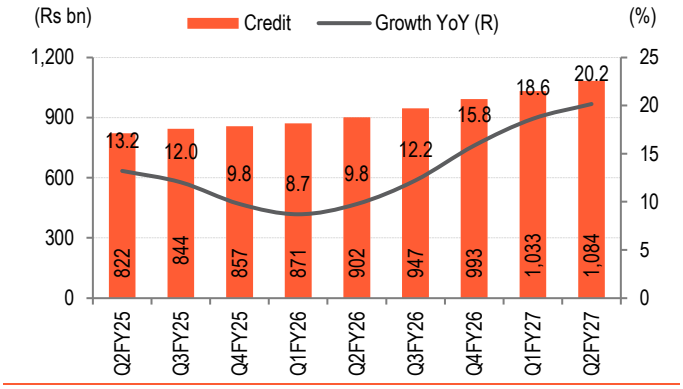
Source: Company, BOBCAPS Research

**Fig 2 – Quarterly snapshot: Balance sheet & other key metrics**

| (Rs mn) | Q2FY26 | Q3FY26 | Q4FY26 | Q1FY27 | Q2FY27 | YoY (%) | QoQ (%) |
|---|---|---|---|---|---|---|---|
| **Deposits** | **11,56,354** | **11,82,109** | **12,33,463** | **12,58,166** | **13,72,785** | **18.7** | **9.1** |
| Growth YoY (%) | 9.7 | 12.2 | 14.7 | 11.4 | 18.7 | | |
| **Advances** | **9,01,957** | **9,47,126** | **9,92,598** | **10,33,249** | **10,83,882** | **20.2** | **4.9** |
| Growth YoY (%) | 9.8 | 12.2 | 15.8 | 18.6 | 20.2 | | |
| Investment | 3,07,057 | 3,01,095 | 2,73,277 | 2,64,564 | 2,77,090 | (9.8) | 4.7 |
| Equity | 1,06,452 | 1,10,217 | 1,14,154 | 1,18,138 | 1,20,901 | 13.6 | 2.3 |
| Assets | 13,60,393 | 13,84,970 | 14,17,563 | 14,44,506 | 15,61,881 | 14.8 | 8.1 |
| Growth YoY (%) | 13.0 | 14.6 | 13.7 | 13.1 | 14.8 | | |
| **Yield** | | | | | | | |
| Yield on Funds | 7.59 | 7.61 | 7.58 | 7.61 | 7.70 | 11bps | 9bps |
| Cost of Funds | 5.40 | 5.31 | 5.23 | 5.00 | 4.97 | (43bps) | (3bps) |
| Spread | 2.19 | 2.31 | 2.35 | 2.62 | 2.73 | 54bps | 11bps |
| **Net Interest Margin** | **2.55** | **2.66** | **2.71** | **2.97** | **3.07** | **52bps** | **10bps** |
| **Ratios** | | | | | | | |
| Other Income / Net Income | 38.9 | 35.6 | 29.7 | 27.0 | 29.6 | (938bps) | 253bps |
| Cost to Income ratio | 59.6 | 57.2 | 55.3 | 57.9 | 53.8 | (581bps) | (410bps) |
| CASA ratio | 31.9 | 31.8 | 32.1 | 33.0 | 31.5 | (31bps) | (143bps) |
| C/D ratio | 78.0 | 80.1 | 80.5 | 82.1 | 79.0 | 95bps | (317bps) |
| Investment to Assets | 22.6 | 21.7 | 19.3 | 18.3 | 17.7 | (483bps) | (57bps) |
| **Assets Quality** | | | | | | | |
| GNPA | 27,035 | 25,815 | 14,305 | 14,377 | 13,548 | (49.9) | (5.8) |
| NNPA | 5,058 | 4,259 | 2,879 | 2,675 | 1,027 | (79.7) | (61.6) |
| Provision | 21,977 | 21,556 | 11,426 | 11,702 | 12,521 | (43.0) | 7.0 |
| GNPA (%) | 2.93 | 2.67 | 1.43 | 1.38 | 1.24 | (169bps) | (14bps) |
| NNPA (%) | 0.56 | 0.45 | 0.29 | 0.26 | 0.09 | (47bps) | (17bps) |
| Provision (%) | 81.29 | 83.50 | 79.87 | 81.40 | 92.42 | 1,113bps | 1,102bps |

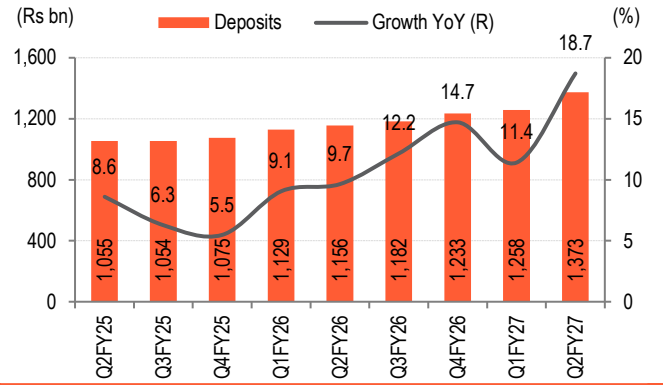
Source: Company, BOBCAPS Research

**Fig 3 – Credit growth picked up 20% YoY**



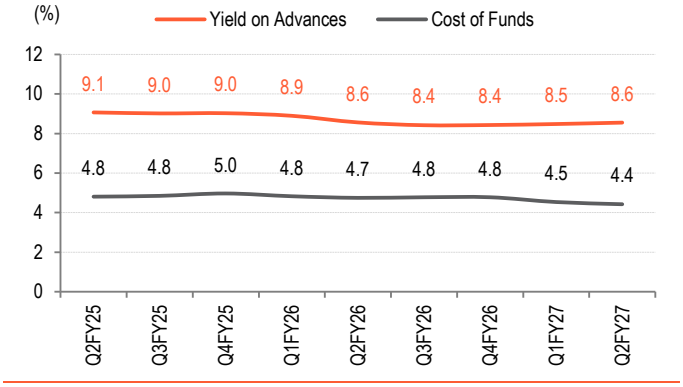

Source: Company, BOBCAPS Research

**Fig 4 – Strong deposit growth of 19% YoY**



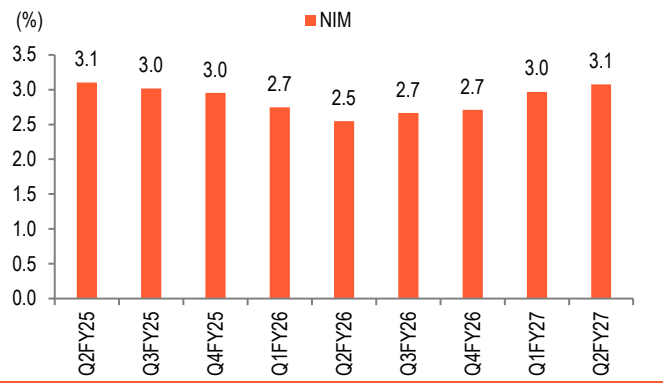

Source: Company, BOBCAPS Research

**Fig 5 – YoA/CoF both improved this quarter**



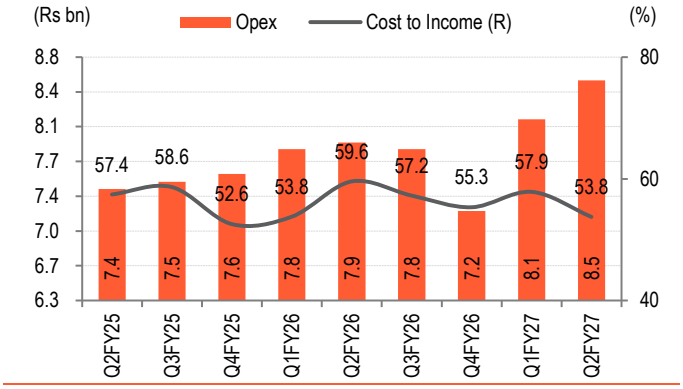

Source: Company, BOBCAPS Research

**Fig 6 – …leading to a 10bps QoQ improvement in NIMs**



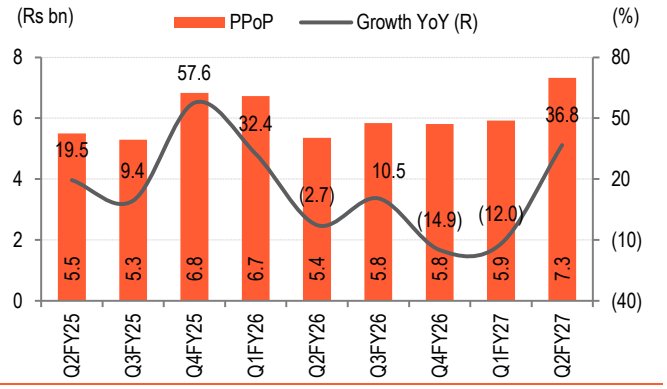

Source: Company, BOBCAPS Research

**Fig 7 – C/I ratio improved QoQ**



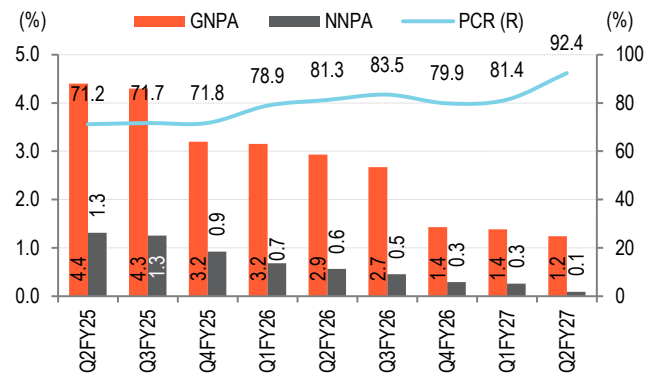

Source: Company, BOBCAPS Research

**Fig 8 – PPOP growth strong 37% YoY due to strong NII and fee and other income QoQ**




Source: Company, BOBCAPS Research

**Fig 9 – Asset quality improved**



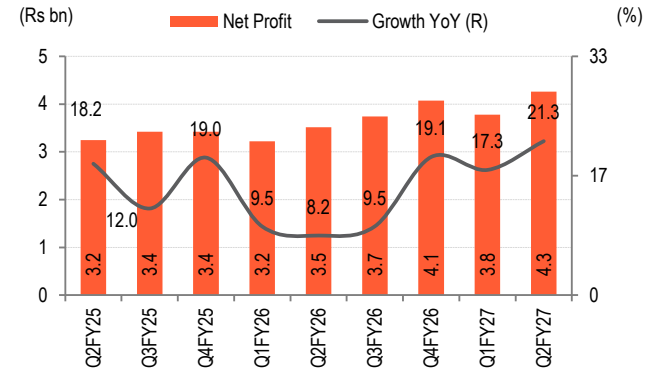

Source: Company, BOBCAPS Research

**Fig 10 – Credit cost increased as provisions increased this quarter**



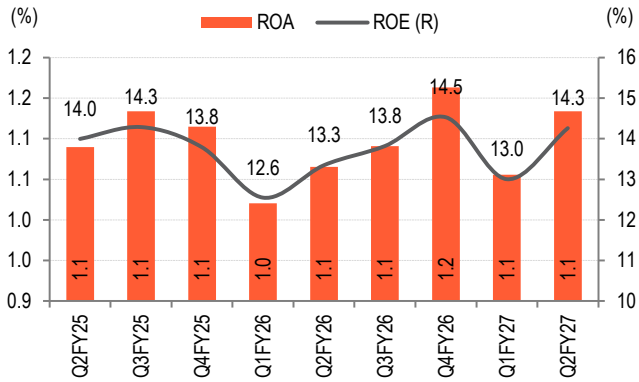

Source: Company, BOBCAPS Research

**Fig 11 – PAT growth strong but impacted due to higher credit cost**



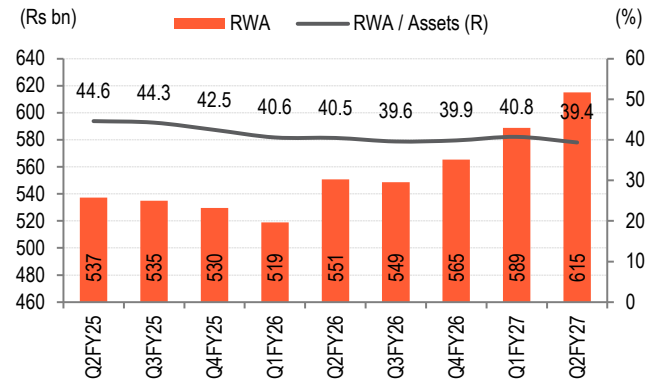

Source: Company, BOBCAPS Research

**Fig 12 – Return ratios improve**



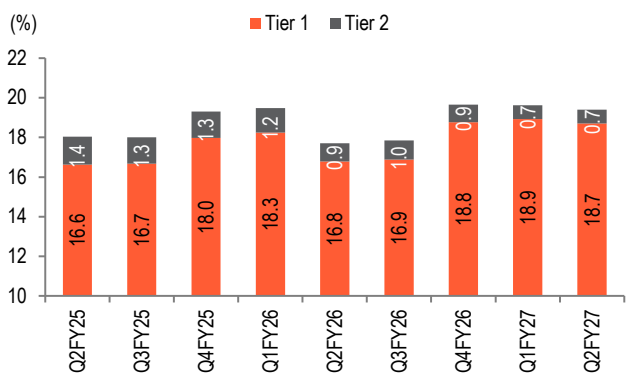

Source: Company, BOBCAPS Research

**Fig 13 – Risk-weighted to assets stable**




Source: Company, BOBCAPS Research | RWA: Risk-Weighted Asset

**Fig 14 – Adequate capital position**




Source: Company, BOBCAPS Research

## Concall Highlights

### Advances

- Gross advances grew 17% YoY to Rs 1,043.6 bn from Rs 891.9 bn. Excluding the impact of Rs 11.63 bn technical write-offs in the previous year, growth stood at 18% YoY.
- Total business grew 14% YoY to Rs 2,301.85 bn.
- Business loans (MSME-focused) increased to Rs 143.91 bn from Rs 126.60 bn, including a Rs 5.54 bn charge-off; adjusted growth was 18% YoY.
- Gold loans grew 43% YoY to Rs 249.30 bn, with an average LTV of 65.25% and average ticket size of Rs 0.294 mn.
- Gold loan QoQ growth was limited to approximately 0.8%, as co-lending and portfolio purchase arrangements worth approximately Rs 2.70 bn ran off following the RBI's revised gold loan circular effective April 1, 2026. Core branch-led growth remained healthy, and management expects material growth going forward.
- Mortgage loans grew 34% YoY, home loans 19% and auto loans 34%, excluding the impact of IBPCs, business arrangements and other bulk transactions.
- Corporate advances accounted for approximately 40% of the loan book. Management's long-term objective remains to reduce the corporate share towards 30%, while increasing the contribution of higher-yielding retail and MSME assets.
- Corporate growth was opportunistic, driven by improved pricing, tighter liquidity and uncertainty around West Asia. The bank deployed surplus liquidity into short-duration, relatively lower-risk corporate exposures where existing credit lines were available. Management will continue to pursue remunerative opportunities, with these short-duration balances expected to run off over time.
- MSME growth was below expectations amid uncertainty in the quarter. Management expects growth to return to scale in the current quarter and reiterated its strategy of increasing the share of higher-yielding MSME assets.
- Under the ECLGS scheme, the bank had a sanctioned limit of Rs 4 bn, disbursements of Rs 2.38 bn and an utilised book of approximately Rs 0.50 bn. Management intends to progressively increase ECLGS contribution.
- Management plans to grow the balance sheet at a rate approximately 2 percentage points above market growth, while gradually shifting towards higher-yielding retail and MSME assets.

### Deposits

- Total deposits grew 11% YoY to Rs1,258 bn from Rs,129 bn.
- Retail deposits, excluding bulk deposits, grew 14% YoY to Rs1,243 bn from Rs 1,093 bn.
- CASA increased 15% YoY to ₹414.96 bn from Rs 362 bn, while average CASA balances grew 19%, supporting the decline in funding costs.

- The bank reduced bulk deposits by approximately 50% YoY, lowering excess liquidity deployment and overnight arbitrage losses associated with paying higher deposit rates while placing surplus funds with the RBI.
- Between January and June 2026, a substantial portion of high-cost deposits matured and repriced downwards by 40–60 bps, materially reducing the cost of funds.
- Management believes most of the benefit from deposit repricing has already been captured; a similarly sharp reduction in the cost of deposits is unlikely in subsequent quarters.
- FCNR deposits recorded robust growth, including approximately 6% QoQ growth during Q1FY27. The bank is actively participating in the scheme and offering attractive rates, provided the pricing is competitive with domestic rupee funding costs.
- Management expects significant FCNR inflows in August and September, ahead of the scheme's September 30 deadline. The Dubai representative office is engaging with the UAE central bank regarding the permissible scope of its operations.
- The bank currently lacks external credit lines and a GIFT City entity, preventing it from offering leveraged FCNR deposits. It is working with foreign banks to secure credit lines; successful arrangements could materially increase deposit volumes.

### NII, NIM and yields

- Net interest income reached a record ₹10.25 bn, up 23% YoY from ₹8.32 bn and ₹1.10 bn sequentially from Q4FY26.
- NIM increased to 3.23%, up 28 bps QoQ and 20 bps YoY, recovering the margin compression caused by repo rate cuts.
- Asset yield improved by 5 bps, primarily due to a favourable asset mix and higher yields on a portion of the corporate book linked to Treasury bills.
- Corporate lending yields also benefited from tighter liquidity and improved market pricing, particularly for short-duration facilities. Retail pricing did not rise similarly.
- Management believes the rate cycle has turned and rates are more likely to increase than decline. Since the bank transmits repo rate changes on a T+1 basis, it was disproportionately affected by rate cuts but expects to benefit early if rates rise.
- Management did not provide a specific NIM target but expects NIMs to strengthen from current levels and financial-year outcomes to remain positive.
- NII growth may moderate because the substantial benefit from deposit repricing will not recur at the same magnitude. However, the bank expects to sustain NII through continued liability management and potential benefits from higher repo rates.

### Asset quality and credit costs

- GNPA declined 177 bps YoY to 1.38% from 3.15%.
- NNPA declined 42 bps YoY to 0.26% from 0.68%.
- Slippage ratio stood at 12 bps for the quarter, equivalent to 48 bps annualised.
- Slippages were ₹1.28 bn, while total recoveries stood at Rs 1.79 bn.
- Credit cost was 9 bps in Q1FY27. Management indicated that this was relatively favourable and expects credit costs to moderate further, if anything.
- FY27 slippage guidance is approximately Rs 5.00–7.50 bn, with ₹8.00 bn representing the upper end under the current assessment, including potential deterioration from West Asia-related uncertainty.
- FY27 recovery guidance is Rs 8.00–10.00 bn, with management aiming to restrict slippages as much as possible.
- Recoveries from technical write-off accounts were approximately Rs 0.57 bn, compared with Rs 0.60 bn in Q4FY26.
- Approximately Rs 0.40 bn of recoveries contributed to interest income.
- Security receipts declined from Rs 1.90 bn at the beginning of the quarter to Rs 0.72 bn at quarter-end, following recoveries of approximately Rs 0.47 bn. No incremental Q1 P&L income was recognised, as the upside had already been recognised when the security receipts were booked.
- SMA 1 and SMA 2 balances increased by approximately Rs 0.80 bn QoQ. Management attributed this to normal Q1 seasonality and stated that the underlying accounts were reviewed, with the increase considered reversible and not materially increasing risk.
- Provision coverage ratio, including write-offs, improved 569 bps YoY to 54.91%, while PCR excluding write-offs reached 81.40%.
- Management expects total recoveries to improve over the remaining quarters, as Q1 is seasonally softer.

### Opex

- The bank has cautiously restarted branch expansion after freezing most expansion and slightly reducing its branch network over the previous three years.
- New branches will be opened in carefully selected locations, with an emphasis on generating revenue quickly and ensuring that branches become earnings-accretive.
- Management aims to maintain tight cost control and achieve positive operating leverage for FY27. The bank delivered positive operating leverage over the previous two years, although it did not achieve this in Q1FY27.
- Management expects revenue growth to exceed the modest increase in expenses, supporting growth in pre-provisioning operating profit.

- Guidance indicates operating expenses are expected to increase approximately 5–6% during FY27, without materially changing the P&L structure.
- Employee costs included an actuarial write-back of approximately Rs 0.80 bn in Q4FY26. Q1FY27 employee costs reverted to normal levels, with an actuarial contribution of approximately Rs 0.84 bn, compared with approximately ₹0.80 bn in Q1FY26.

### Other income, fee income and recoveries

- Core fee income declined QoQ to Rs 1.79 bn from Rs 1.91 bn in Q4FY26 and was below Rs 1.88 bn in Q1FY26.
- Management attributed much of the sequential decline to a change in the system and renewal process for a particular product, which resulted in lower fees being charged. The bank is addressing the issue and expects the shortfall to be corrected.
- Treasury and forex income stood at ₹0.44 bn, approximately 80% below Q1FY26. Treasury and forex income had been exceptionally strong in Q1FY26 and was nil in Q4FY26.
- Q1FY26 also included approximately Rs 0.60 bn from the sale of Priority Sector Lending Certificates. No PSLC sale income was recorded in Q1FY27 because the bank did not have a similar surplus available.
- Recoveries were seasonally lower in Q1, reducing the amount recognised in interest income. Management expects recovery-related income to improve as the year progresses.
- Management considers the weakness in fee and non-interest income an aberration rather than a structural trend, with renewed focus on fees and improvements to systems expected to support recovery.
- The bank's trade and forex platform is expected to go live with full capabilities by the end of September 2026. It will enable electronic FX bookings, letters of credit, guarantees, overseas remittances, export and import bill settlements, and related transactions.
- Forex revenues have been growing approximately 40–50% YoY from a relatively small base. Management expects the new platform to increase business volumes and related revenues.
- FLDG income is currently nil following changes to the applicable guidelines; the previous arrangement related to credit cards has been discontinued.
- Q1FY27 did not include material one-off income comparable with the previous year's treasury and PSLC gains.
- Management expects total recoveries of approximately Rs 8.00–10.00 bn for FY27,.
- No specific guidance was provided for the separate bancassurance income line. Management discussed the overall fee-income weakness and recovery plans but

did not quantify the bancassurance component or provide a distinct bancassurance growth target.

- Capital adequacy, returns and balance-sheet strategy
- Capital adequacy ratio stood at 19.62%, with Tier 1 capital at 18.93% as of June 30, 2026.
- Management plans to deploy capital primarily through balance-sheet growth and a gradual shift towards retail and MSME assets.
- The bank currently has a meaningful concentration of low-risk, lower-yielding assets that attract lower capital charges. Increasing the proportion of retail and MSME lending will raise risk-weighted assets and capital utilisation, while potentially improving spreads.
- Return on assets was 1.05% and return on equity was 12.84% in Q1FY27.
- Management reiterated its earlier RoA range of 1.00–1.15% and expects RoA to improve towards 1.20–1.25% over time as the asset mix shifts towards higher-yielding businesses and costs remain controlled.

### Other highlights

- DICGC insurance premium: The revised insurance pricing structure benefits the bank, with the CFO indicating a reduction in annual outgo of approximately ₹0.10 bn, or around 15%.
- ECL and effective interest rate: Initial calculations indicate no material impact on NII from the effective-interest-rate changes associated with ECL. The analysis is ongoing, and no quantified impact has been provided.
- Bancassurance: No separate quantified impact from bancassurance repricing or regulatory changes was disclosed during this call. The discussion focused on overall fee-income weakness and the corrective actions planned.
-

## Valuation Methodology

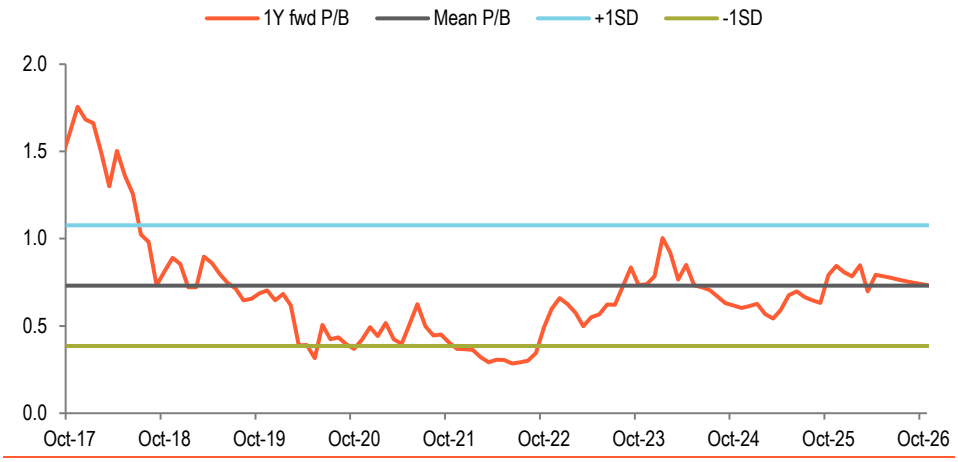
South Indian Bank is entering a new growth phase following years of balance-sheet repair, supported by stronger underwriting, lower concentration risk and a granular retail/MSME-led mix. Credit costs have normalised to ~62 bps from >250 bps during the stress period, while RoA recovered to ~1.1% in FY26 from near-zero levels in FY20–FY22. Strong liability management, including 40–60 bps repricing of high-cost deposits between Jan–Jun, 19% YoY growth in average CASA and a 50% YoY reduction in bulk deposits, has lowered funding costs. The bank has delivered consistent quarterly improvement across key metrics since Q2FY26, with NIM rising from 2.80% to 3.33%, CoF declining from 4.74% to 4.42% and GNPA improving from 2.93% to 1.24%. Loan growth accelerated from 10% in Q2FY26 to 20% this quarter. If this momentum sustains, we expect 16% loan growth, 3.4% NIM and 53% C/I in FY27, alongside further asset-quality improvement and RoA/RoE of 1.2%/15%. Faster transmission of rate hikes, improving fee income and positive operating leverage should further support earnings. Maintain BUY with a revised TP of Rs 66 (earlier Rs 49), based on 1.2x Sep'28E ABV, supported by strong Q2 performance and a positive outlook.

**Fig 15 – Key operational assumptions**

| (%) | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|
| Advances growth | 15.8 | 16.0 | 16.6 | 16.7 |
| NII growth | (1.4) | 37.0 | 17.4 | 16.7 |
| PPoP growth | 4.5 | 26.7 | 16.9 | 21.3 |
| PAT growth | 11.7 | 26.8 | 17.5 | 22.3 |
| NIM | 2.9 | 3.4 | 3.5 | 3.5 |
| GNPA | 1.4 | 1.1 | 1.0 | 0.9 |
| CAR | 19.7 | 18.6 | 17.7 | 17.2 |

Source: Company, BOBCAPS Research

**Fig 16 – PB band chart**




Source: Company, BOBCAPS Research

## Key Risks

Key downside risks to our estimates:

- **Elevated CoF can hamper margins**- As liquidity normalises, rising competition for deposits could increase CoD for banks of such scale, with management cautioning that most deposit repricing benefits are already realised, limiting scope for further sharp reductions in funding costs.
- **Management transition risk** – MD & CEO P. R. Seshadri announced his stepping down after a tenure of 2 years and 9 months. There is concern over the recurring lack of leadership stability at the bank, noting that his predecessor (Mr. Murali) also exited after 3 year.

# Financials

### Income Statement

| Y/E 31 Mar (Rs mn) | FY25A | FY26A | FY27E | FY28E | FY29E |
|---|---|---|---|---|---|
| **Net interest income** | **34,856** | **34,374** | **47,081** | **55,259** | **64,511** |
| NII growth (%) | 4.6 | (1.4) | 37.0 | 17.4 | 16.7 |
| Non-interest income | 18,134 | 20,095 | 16,867 | 17,829 | 20,732 |
| Total income | 52,991 | 54,469 | 63,947 | 73,088 | 85,243 |
| Operating expenses | 30,290 | 30,735 | 33,878 | 37,948 | 42,622 |
| PPOP | 22,701 | 23,734 | 30,069 | 35,140 | 42,621 |
| PPOP growth (%) | 21.5 | 4.5 | 26.7 | 16.9 | 21.3 |
| Provisions | 5,132 | 4,173 | 5,466 | 6,234 | 7,273 |
| PBT | 17,569 | 19,560 | 24,603 | 28,906 | 35,349 |
| Tax | 4,540 | 5,009 | 6,151 | 7,227 | 8,837 |
| **Reported net profit** | **13,029** | **14,551** | **18,453** | **21,680** | **26,512** |
| Adjustments | 0 | 0 | 0 | 0 | 0 |
| **Adjusted net profit** | **13,029** | **14,551** | **18,453** | **21,680** | **26,512** |

### Balance Sheet

| Y/E 31 Mar (Rs mn) | FY25A | FY26A | FY27E | FY28E | FY29E |
|---|---|---|---|---|---|
| Equity capital | 2,616 | 2,618 | 2,620 | 2,620 | 2,620 |
| Reserves & surplus | 98,460 | 111,537 | 128,524 | 148,480 | 172,953 |
| Net worth | 101,077 | 114,155 | 131,144 | 151,100 | 175,573 |
| Deposits | 1,075,256 | 1,233,463 | 1,430,814 | 1,666,898 | 1,943,603 |
| Borrowings | 43,005 | 39,270 | 54,399 | 62,835 | 71,621 |
| Other liab. & provisions | 27,214 | 30,675 | 32,722 | 35,933 | 38,890 |
| **Total liab. & equities** | **1,246,551** | **1,417,563** | **1,649,079** | **1,916,766** | **2,229,687** |
| Cash & bank balance | 122,601 | 101,407 | 156,547 | 182,377 | 212,652 |
| Investments | 217,772 | 273,277 | 288,803 | 336,456 | 392,307 |
| Advances | 856,821 | 992,598 | 1,150,934 | 1,342,499 | 1,566,522 |
| Fixed & Other assets | 49,358 | 50,281 | 52,795 | 55,434 | 58,206 |
| **Total assets** | **1,246,551** | **1,417,563** | **1,649,079** | **1,916,766** | **2,229,687** |
| Deposit growth (%) | 5.5 | 14.7 | 16.0 | 16.5 | 16.6 |
| Advances growth (%) | 9.8 | 15.8 | 16.0 | 16.6 | 16.7 |

### Per Share

| Y/E 31 Mar (Rs) | FY25A | FY26A | FY27E | FY28E | FY29E |
|---|---|---|---|---|---|
| EPS | 5.0 | 5.6 | 7.0 | 8.3 | 10.1 |
| Dividend per share | 0.4 | 0.5 | 0.6 | 0.7 | 0.8 |
| Book value per share | 38.6 | 43.6 | 50.1 | 57.7 | 67.0 |

### Valuations Ratios

| Y/E 31 Mar (x) | FY25A | FY26A | FY27E | FY28E | FY29E |
|---|---|---|---|---|---|
| P/E | 10.9 | 9.8 | 7.7 | 6.6 | 5.4 |
| P/BV | 1.4 | 1.2 | 1.1 | 0.9 | 0.8 |
| Dividend yield (%) | 0.7 | 0.8 | 1.0 | 1.2 | 1.4 |

### DuPont Analysis

| Y/E 31 Mar (%) | FY25A | FY26A | FY27E | FY28E | FY29E |
|---|---|---|---|---|---|
| Net interest income | 2.9 | 2.6 | 3.1 | 3.1 | 3.1 |
| Non-interest income | 1.5 | 1.5 | 1.1 | 1.0 | 1.0 |
| Operating expenses | 2.5 | 2.3 | 2.2 | 2.1 | 2.1 |
| Pre-provisioning profit | 1.9 | 1.8 | 2.0 | 2.0 | 2.1 |
| Provisions | 0.4 | 0.3 | 0.4 | 0.3 | 0.4 |
| PBT | 1.5 | 1.5 | 1.6 | 1.6 | 1.7 |
| Tax | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| ROA | 1.1 | 1.1 | 1.2 | 1.2 | 1.3 |
| Leverage (x) | 12.8 | 12.4 | 12.5 | 12.6 | 12.7 |
| ROE | 13.8 | 13.5 | 15.0 | 15.4 | 16.2 |

### Ratio Analysis

| Y/E 31 Mar | FY25A | FY26A | FY27E | FY28E | FY29E |
|---|---|---|---|---|---|
| **YoY growth (%)** | | | | | |
| Net interest income | 4.6 | (1.4) | 37.0 | 17.4 | 16.7 |
| Pre-provisioning profit | 21.5 | 4.5 | 26.7 | 16.9 | 21.3 |
| EPS | 9.6 | 11.7 | 26.7 | 17.4 | 22.3 |
| **Profitability & Return ratios (%)** | | | | | |
| Net interest margin | 3.2 | 2.9 | 3.4 | 3.5 | 3.5 |
| Fees / Avg. assets | 37.5 | 37.7 | 27.5 | 25.0 | 25.0 |
| Cost-Income | 57.2 | 56.4 | 53.0 | 51.9 | 50.0 |
| ROE | 13.8 | 13.5 | 15.0 | 15.4 | 16.2 |
| ROA | 1.1 | 1.1 | 1.2 | 1.2 | 1.3 |
| **Asset quality (%)** | | | | | |
| GNPA | 3.2 | 1.4 | 1.1 | 1.0 | 0.9 |
| NNPA | 0.9 | 0.3 | 0.2 | 0.2 | 0.2 |
| Slippage ratio | 1.5 | 0.8 | 0.8 | 0.9 | 0.9 |
| Credit cost | 0.6 | 0.5 | 0.5 | 0.5 | 0.5 |
| Provision coverage | 71.8 | 79.9 | 80.0 | 80.5 | 81.0 |
| **Ratios (%)** | | | | | |
| Credit-Deposit | 79.7 | 80.5 | 80.4 | 80.5 | 80.6 |
| Investment-Deposit | 20.3 | 22.2 | 20.2 | 20.2 | 20.2 |
| CAR | 19.3 | 19.7 | 18.6 | 17.7 | 17.2 |
| Tier-1 | 18.0 | 18.8 | 17.4 | 16.6 | 16.1 |

Source: Company, BOBCAPS Research

**NOT FOR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES OF AMERICA ("US") OR IN OR INTO ANY OTHER JURISDICTION IF SUCH AN ACTION IS PROHIBITED BY APPLICABLE LAW.**

# Disclaimer

Name of the Research Entity: **BOB Capital Markets Limited**
Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**
SEBI Research Analyst Registration No: **INH000000040 (Perpetual)**
SEBI Stock Broker Registration No: **INZ000159332**
SEBI Depository Participant Registration No: **IN-DP-728-2022**
SEBI Merchant Banker Registration No: **INM000009926**
Phone: +91-22-61389300
Name of the Compliance Officer: Mr. Sameer Khobrekar
Email ID: Compliance@bobcaps.in; Phone no.: +91-22-61389358
For any queries or grievances, you may contact the Grievance Officer.
Name of the Grievance Officer: Mr. Nilesh Mehta
Email ID: head-customercare@bobcaps.in; Phone no: 92288 60945

Brand Name: **BOBCAPS**
Website: **https://www.bobcaps.in/**
CIN: **U65999MH1996GOI098009**

Logo:

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.
Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

**Recommendation scale: Recommendations and Absolute returns (%) over 12 months**

**BUY** – Expected return >+15%

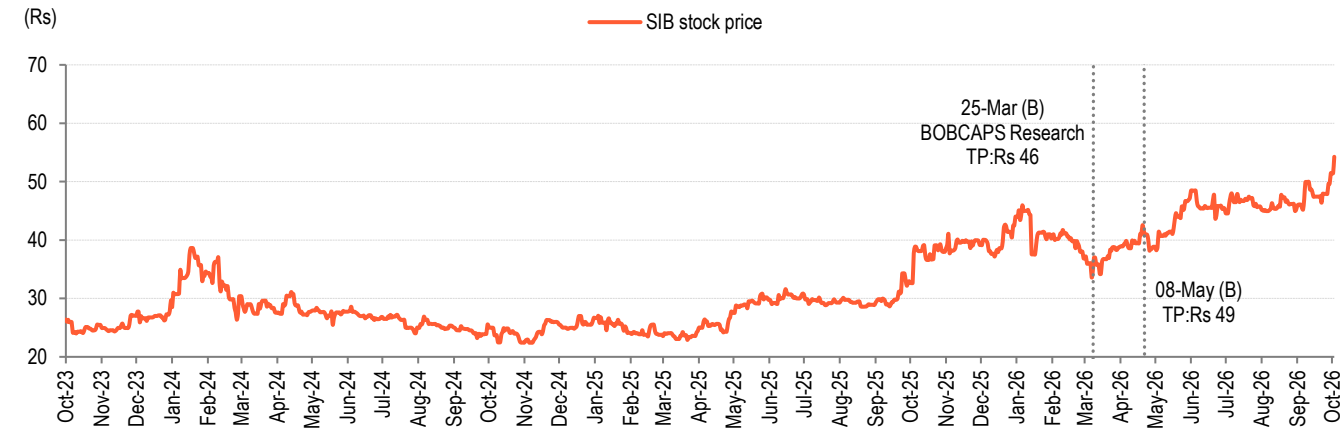
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

**Ratings and Target Price (3-year history): SOUTH INDIAN BANK (SIB IN)**




B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

**Analyst certification**

The research analyst(s) authoring this report hereby certifies that (1) all of the views expressed in this research report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOB Capital Markets Limited (BOBCAPS).

**General disclaimers**

BOBCAPS is engaged in the business of Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. BOBCAPS research reports follow rules laid down by Securities and Exchange Board of India and individuals employed as research analysts are separate from other employees who are performing sales trading, dealing, corporate finance advisory or any other activity that may affect the independence of its research reports.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS's prior written consent.

**Company-specific disclosures under SEBI (Research Analysts) Regulations, 2014**

The research analyst(s) or his/her relatives do not have any material conflict of interest at the time of publication of this research report.

BOBCAPS or its research analyst(s) or his/her relatives do not have any financial interest in the subject company. BOBCAPS or its research analyst(s) or his/her relatives do not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

The research analyst(s) has not received any compensation from the subject company or third party in the past 12 months in connection with research report/activities. Compensation of the research analyst(s) is not based on any specific merchant banking, investment banking or brokerage service transactions.

BOBCAPS or its research analyst(s) is not engaged in any market making activities for the subject company.

The research analyst(s) has not served as an officer, director or employee of the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

**Other disclaimers**

BOBCAPS and MAYBANK (as defined below) make no representation or warranty, express or implied, as to the accuracy or completeness of any information obtained from third parties and expressly disclaim the merchantability, suitability, quality and fitness of this report. The information in this report has not been independently verified, is provided on an "as is" basis, should not be relied on by you in connection with any contract or commitment, and should not be used as a substitute for enquiries, procedures and advice which ought to be undertaken by you. This report also does not constitute an offer or solicitation to buy or sell any securities referred to herein and you should not construe this report as investment advice. All opinions and estimates contained in this report constitute BOBCAPS's judgment as of the date of this report and are subject to change without notice, and there is no obligation on BOBCAPS or MAYBANK to update this report upon issuance. This report and the information contained herein may not be reproduced, redistributed, disseminated or copied by any means without the prior consent of BOBCAPS and MAYBANK.

To the full extent permitted by law neither BOBCAPS, MAYBANK nor any of their respective affiliates, nor any other person, accepts any liability howsoever arising, whether in contract, tort, negligence, strict liability or any other basis, including without limitation, direct or indirect, special, incidental, consequential or punitive damages arising from any use of this report or the information contained herein. By accepting this report, you agree and undertake to fully indemnify and hold harmless BOBCAPS and MAYBANK from and against claims, charges, actions, proceedings, losses, liabilities, damages, expenses and demands (collectively, the "Losses") which BOBCAPS and/or MAYBANK may incur or suffer in any jurisdiction including but not limited to those Losses incurred by BOBCAPS and/or MAYBANK as a result of any proceedings or actions brought against them by any regulators and/or authorities, and which in any case are directly or indirectly occasioned by or result from or are attributable to anything done or omitted in relation to or arising from or in connection with this report.

**Distribution into the United Kingdom ("UK"):**

This research report will only be distributed in the United Kingdom, in accordance with the applicable laws and regulations of the UK, by Maybank Securities (London) Ltd) ("**MSL**") who is authorised and regulated by the Financial Conduct Authority ("FCA") in the United Kingdom (MSL and its affiliates are collectively referred to as **"MAYBANK**"). BOBCAPS is not authorized to directly distribute this research report in the UK.

This report has not been prepared by BOBCAPS in accordance with the UK's legal and regulatory requirements.

This research report is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are eligible counterparties and professional clients of MAYBANK as selected by MAYBANK solely at its discretion; (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended from time to time (the "Order"), or (c) fall within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc. as mentioned in the stated Article) of the Order; (all such persons together being referred to as "relevant persons").

This research report is directed only at relevant persons and must not be acted on or relied on by any persons who are not relevant persons. Any investment or investment activity to which this material relates is available only to relevant persons and will be engaged in only with relevant persons.

The relevant person as recipient of this research report is not permitted to reproduce, change, remove, pass on, distribute or disseminate the data or make it available to third parties without the written permission of BOBCAPS or MAYBANK. Any decision taken by the relevant person(s) pursuant to the research report shall be solely at their costs and consequences and BOBCAPS and MAYBANK shall not have any liability of whatsoever nature in this regard.

**No distribution into the US:**

This report will not be distributed in the US and no US person may rely on this communication.

**Other jurisdictions:**

This report has been prepared in accordance with SEBI (Research Analysts) Regulations and not in accordance with local regulatory requirements of any other jurisdiction. In any other jurisdictions, this report is only for distribution (subject to applicable legal or regulatory restrictions) to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions by Maybank Securities Pte Ltd. (Singapore) and / or by any broker-dealer affiliate or such other affiliate as determined by Malayan Banking Berhad.

If the recipient of this report is not as specified above, then it should not act upon this report and return the same to the sender.

By accepting this report, you agree to be bound by the foregoing limitations.