MOTILAL OSWAL

7 October 2016
2QFY17 Results Update | Sector: Financials

South Indian Bank

BSE SENSEX	S&P CNX
28,061	8,698

Bloomberg	SIB IN
Equity Shares (m)	1,343.9
M.Cap. (INR b)/(USD b)	32.3/0.5
52-Week Range (INR)	26 /16
1, 6, 12 Rel. Per (%)	8/24/2
12M Avg Val (INR m)	93
Free float (%)	100.0

Financials & Valuation (INR Billion)

Y/E Mar	2016	2017E	2018E
NII	15.1	17.0	20.1
OP	8.8	11.2	12.9
NP	3.3	4.0	4.9
NIM (%)	2.8	2.8	2.8
EPS (INR)	2.5	3.0	3.6
EPS Gr. (%)	8.5	19.6	23.2
BV/Sh (INR)	27.5	29.8	32.5
RoE (%)	9.3	10.3	11.7
RoA (%)	0.5	0.6	0.6
Payout (%)	24.4	23.3	23.3
Valuations			
P/E (x)	9.7	8.1	6.6
P/BV (x)	0.9	0.8	0.7
Div Yield (%)	2.1	2.5	3.0

CMP: INR24 TP: INR30 (+23%) Buy

- South Indian Bank's (SIB) PAT grew 18% YoY to INR1.1b, helped by strong investment gains (45% of PBT). Core PPoP grew 13% YoY, aided by one-off contribution to net interest income (our est. of INR440m). The bank reported stable margin QoQ at 2.75% and expects it to be 2.8-2.85% in FY17.
- Loans/deposits grew 10%/13% on YoY basis and 6%/4% on QoQ basis. The share of CASA remains stable YoY at 22.8% (-40bp QoQ). The share of corporate advances continues to drift lower (39% v/s 42% in 2QFY16).
- Asset quality deteriorated QoQ with the addition of corporate slippage in the quarter. Sequentially, the slippages ratio (annualized) increased from 1.3% to 2.3%. Overall GNPA ratio was stable QoQ at ~4%.
- With delinquency from the corporate portfolio, OSRL declined to INR7.6b (1.8% of loans) v/s INR9.5b in 1Q. Of the OSRL, 54% belongs to the construction segment and 15% to discoms. The bank has INR11.7b (including pipeline of INR1.2b), 2.7% of loans, in the form of SDR and S4A.

Valuation and view: The focus on granular low-ticket retail and SME advances, coupled with increasing share of core deposits, should provide stability to margins. Efforts on fee income are yielding results, and the growth rate has improved to 18% YoY in 1HFY17. Management is focusing on increasing efficiency of the existing network and cutting the flab from the system. We expect C/Core Inc. ratio to decline to 53% from 60% in FY16. Additional stress in the corporate segment can come from OSRL+SDR book (~4.5% of overall loans). Low PCR will keep credit cost elevated. Overall, we expect PAT CAGR of 21% over FY16-19 and ROAs to improve 10bp to 65bp by end-FY19. Current valuations largely discount the negative. Maintain **Buy**.

Quarterly Performance (INR Million)

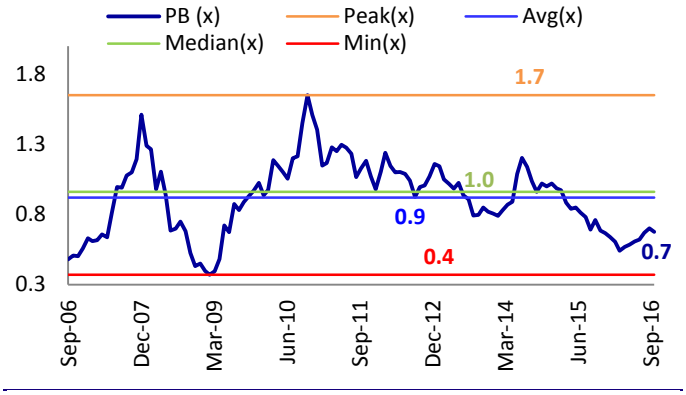
	FY16				FY17				FY16	FY17E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	13,767	14,050	14,077	13,679	14,472	14,502	14,733	15,446	55,572	59,153
Interest Expense	10,363	10,166	10,009	9,936	10,736	10,050	10,452	10,882	40,475	42,120
Net Interest Income	**3,404**	**3,884**	**4,067**	**3,743**	**3,736**	**4,452**	**4,281**	**4,564**	**15,097**	**17,033**
% Change (YoY)	-0.2	8.4	27.1	7.8	9.8	14.6	5.3	21.9	10.5	12.8
Other Income	1,038	1,212	1,533	1,391	1,734	1,459	1,500	1,587	5,174	6,280
Net Income	**4,442**	**5,096**	**5,600**	**5,134**	**5,471**	**5,911**	**5,781**	**6,150**	**20,271**	**23,313**
% Change (YoY)	-3.9	12.7	16.6	9.4	23.2	16.0	3.2	19.8	8.8	15.0
Operating Expenses	2,633	2,965	2,970	2,911	2,876	2,937	3,084	3,245	11,478	12,142
Operating Profit	**1,809**	**2,130**	**2,631**	**2,223**	**2,595**	**2,973**	**2,697**	**2,906**	**8,793**	**11,170**
% Change (YoY)	-31.6	1.0	19.9	34.7	43.4	39.6	2.5	30.7	-0.3	27.0
Other Provisions	795	675	1,064	1,163	1,141	1,283	1,300	1,350	3,696	5,074
Profit Before Tax	**1,014**	**1,456**	**1,567**	**1,060**	**1,454**	**1,690**	**1,397**	**1,556**	**5,097**	**6,096**
Tax Provisions	361	522	551	331	503	585	483	538	1,764	2,109
Net Profit	**653**	**934**	**1,016**	**730**	**951**	**1,105**	**913**	**1,018**	**3,333**	**3,987**
% Change (YoY)	-48.4	22.4	15.6	347.1	45.6	18.4	-10.1	39.5	8.5	19.6
Operating Parameters										
NIM (Reported,%)	2.5	2.7	2.8	2.7	2.7	2.8			2.7	2.7
NIM (Cal, %)	2.6	2.9	3.1	2.7	2.6	3.0	2.8	2.9	2.8	2.8
Deposit Growth (%)	12.6	13.6	10.3	7.3	10.6	13.5	17.1	16.0	7.3	10.6
Loan Growth (%)	11.6	11.8	9.7	9.9	7.8	10.1	14.6	18.0	9.9	7.8
CD Ratio (%)	73.1	74.6	74.7	73.7	71.2	72.3	73.0	75.0	73.7	71.2
Tax Rate (%)	35.6	35.8	35.1	31.2	34.6	34.6	34.6	34.6	34.6	34.6

E: MOSL Estimates

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com); +9122 39825415/
Sunesh Khanna (Sunesh.Khanna@MotilalOswal.com); +912239825521/**Piran Engineer** (Piran.Engineer@MotilalOswal.com); +9122 39804393

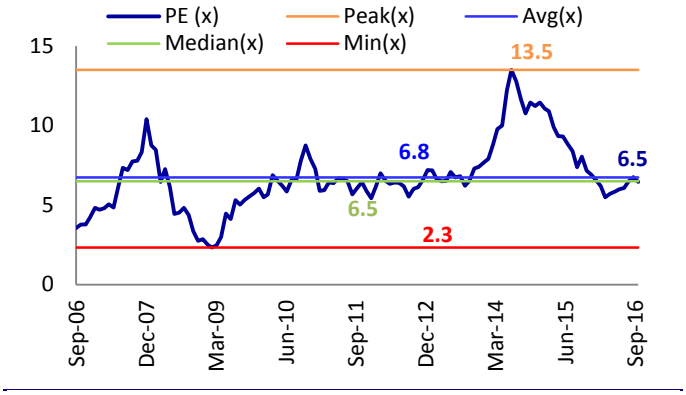
Investors are advised to refer through important disclosures made at the last page of the Research Report.
Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Exhibit 1: One-year forward P/BV



Source: MOSL, Company

Exhibit 2: One-year forward P/E



Source: MOSL, Company

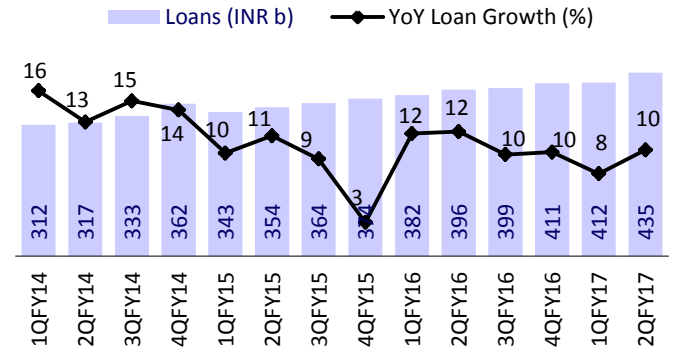
Exhibit 3: DuPont Analysis: Gradual improvement in RoA led by lower provisions (%)

	FY12	FY13	FY14	FY15	FY16	FY17E	FY18E	FY19E
Interest income	9.79	9.84	9.57	9.27	9.09	8.69	8.44	8.47
Interest expense	7.00	6.99	6.90	6.87	6.62	6.18	5.90	5.92
Net interest income	**2.79**	**2.84**	**2.67**	**2.39**	**2.47**	**2.50**	**2.54**	**2.55**
Fee income	0.56	0.61	0.57	0.58	0.62	0.64	0.64	0.63
Core income	**3.36**	**3.46**	**3.24**	**2.98**	**3.09**	**3.14**	**3.18**	**3.18**
Operating costs	**1.69**	**1.70**	**1.69**	**1.72**	**1.88**	**1.78**	**1.74**	**1.68**
Cost to core income ratio	50.3	49.2	52.0	57.7	60.7	56.7	54.6	52.9
Employee Costs	1.02	1.05	1.01	1.11	1.13	1.02	1.01	0.99
Other Expenses	0.66	0.65	0.68	0.61	0.75	0.77	0.73	0.69
Core Operating Profit	**1.67**	**1.75**	**1.55**	**1.26**	**1.21**	**1.36**	**1.44**	**1.50**
Treasury Income	0.11	0.13	0.13	0.29	0.22	0.28	0.19	0.16
Operating Profit	**1.78**	**1.88**	**1.69**	**1.55**	**1.44**	**1.64**	**1.63**	**1.66**
Provisions	**0.22**	**0.43**	**0.30**	**0.80**	**0.60**	**0.75**	**0.69**	**0.70**
NPA Provisions	0.06	0.29	0.26	0.39	0.66	0.59	0.54	0.56
Other provisions	0.16	0.13	0.04	0.41	-0.06	0.15	0.15	0.14
PBT	**1.56**	**1.45**	**1.39**	**0.74**	**0.83**	**0.90**	**0.94**	**0.96**
Tax	0.47	0.34	0.42	0.28	0.29	0.31	0.32	0.33
Tax Rate	29.8	23.4	30.4	37.8	34.6	34.6	34.0	34.0
ROA	**1.10**	**1.11**	**0.97**	**0.46**	**0.55**	**0.59**	**0.62**	**0.64**
Leverage (x)	19.7	18.4	17.2	17.1	17.1	17.6	18.8	19.9
ROE	**21.6**	**20.5**	**16.6**	**7.9**	**9.3**	**10.3**	**11.7**	**12.7**

Source: MOSL, Company

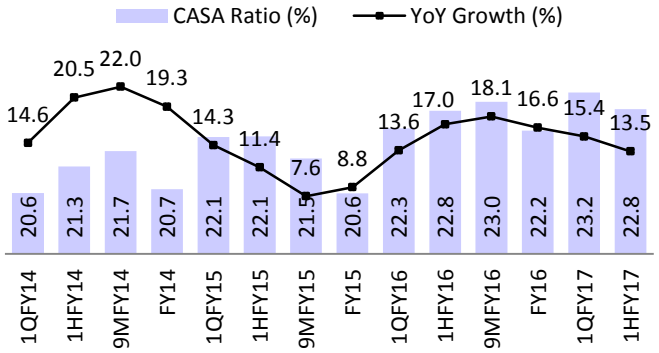
Story in charts

Exhibit 4: Loan growth improves QoQ



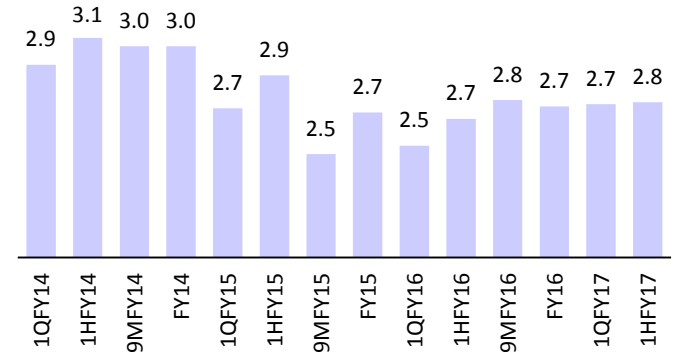
Source: Company, MOSL

Exhibit 5: CASA growth moderated QoQ



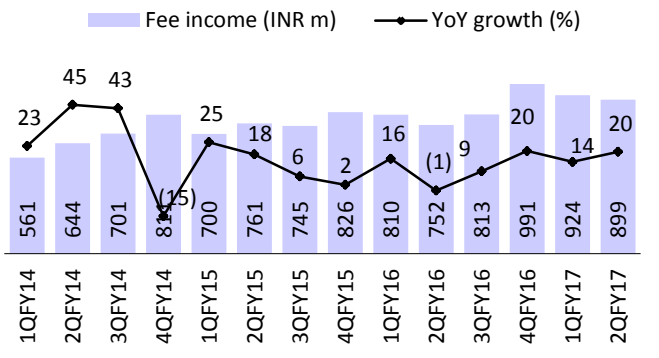
Source: Company, MOSL

Exhibit 6: Reported margins stable QoQ



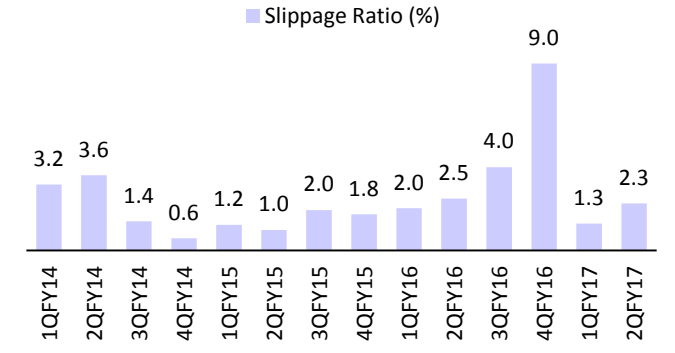
Source: Company, MOSL

Exhibit 7: Strong free income growth (+20% YoY)



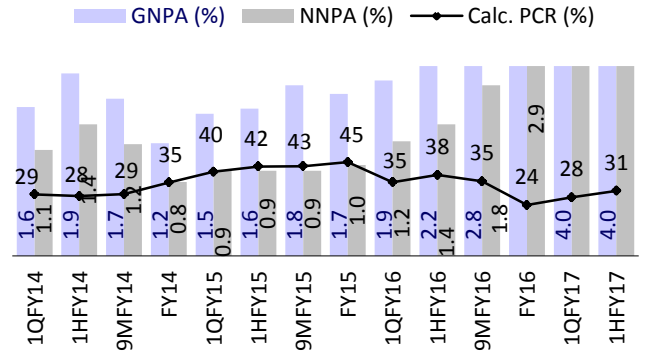
Source: Company, MOSL

Exhibit 8: Slippages have ticked up sequentially



Source: Company, MOSL

Exhibit 9: Reported PCR remains weak



Source: Company, MOSL

Exhibit 10: Quarterly Snapshot (INR m)

	FY15				FY16				FY17		Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	QoQ	YoY
Profit and Loss (INR m)												
Interest Income	**13,447**	**13,123**	**13,068**	**13,224**	**13,767**	**14,050**	**14,077**	**13,679**	**14,472**	**14,502**	**0**	**3**
Loans	10,453	10,319	10,327	10,431	10,827	11,084	11,145	10,581	11,092	11,139	0	1
Investment	2,649	2,615	2,308	2,683	2,442	2,494	2,503	2,639	2,943	2,962	1	19
Others	344	190	433	111	498	473	429	459	437	401	-8	-15
Interest Expenses	**10,038**	**9,540**	**9,869**	**9,753**	**10,363**	**10,166**	**10,009**	**9,936**	**10,736**	**10,050**	**-6**	**-1**
Net Interest Income	**3,409**	**3,584**	**3,199**	**3,471**	**3,404**	**3,884**	**4,067**	**3,743**	**3,736**	**4,452**	**19**	**15**
Other Income	**1,212**	**936**	**1,603**	**1,219**	**1,038**	**1,212**	**1,533**	**1,391**	**1,734**	**1,459**	**-16**	**20**
Trading profits	458	121	784	277	141	420	500	300	570	510	-11	21
Forex Income	54	54	74	116	87	40	220	100	240	50	-79	25
Others	700	761	745	826	810	752	813	991	924	899	-3	20
Total Income	**4,620**	**4,520**	**4,803**	**4,690**	**4,442**	**5,096**	**5,600**	**5,134**	**5,471**	**5,911**	**8**	**16**
Operating Expenses	**1,977**	**2,411**	**2,608**	**3,041**	**2,633**	**2,965**	**2,970**	**2,911**	**2,876**	**2,937**	**2**	**-1**
Employee	1,459	1,349	1,550	1,979	1,574	1,787	1,846	1,716	1,676	1,676	0	-6
Others	518	1,061	1,058	1,062	1,059	1,178	1,124	1,195	1,200	1,262	5	7
Operating Profits	**2,643**	**2,109**	**2,194**	**1,650**	**1,809**	**2,130**	**2,631**	**2,223**	**2,595**	**2,973**	**15**	**40**
Provisions	**946**	**957**	**860**	**1,377**	**795**	**675**	**1,064**	**1,163**	**1,141**	**1,283**	**12**	**90**
NPA provisions	824	255	514	597	412	891	839	1,911	931	1,664	79	87
Provisions on Invst.	50	53	-35	69	203	-32	122	5	-54	-248	NM	NM
Others	72	650	381	712	180	-184	103	-754	264	-133	-150	NM
PBT	**1,697**	**1,152**	**1,335**	**272**	**1,014**	**1,456**	**1,567**	**1,060**	**1,454**	**1,690**	**16**	**16**
Taxes	431	389	455	109	361	522	551	331	503	585	16	12
PAT	**1,267**	**763**	**879**	**163**	**653**	**934**	**1,016**	**730**	**951**	**1,105**	**16**	**18**
Asset Quality												
GNPA	**5,173**	**5,532**	**6,613**	**6,435**	**7,138**	**8,923**	**11,080**	**15,624**	**16,516**	**17,453**	**6**	**96**
NNPA	**3,105**	**3,184**	**3,796**	**3,571**	**4,640**	**5,496**	**7,160**	**11,853**	**11,918**	**12,064**	**1**	**120**
GNPA (%)	1.5	1.6	1.8	1.7	1.9	2.2	2.8	3.8	4.0	4.0	0	172
NNPA (%)	0.9	0.9	0.9	1.0	1.2	1.4	1.8	2.9	2.9	2.8	-12	138
PCR (Calculated, %)	40	42	43	45	35	38	35	24	28	31	304	-753
Credit Cost (bp)	94	29	57	65	44	92	84	189	90	157		
Ratios (%)												
Non Int. to Total Income	26.2	20.7	33.4	26.0	23.4	23.8	27.4	27.1	31.7	24.7		
Cost to Core Income	48.1	55.5	66.1	70.8	62.5	64.0	60.8	61.5	61.7	54.9		
Tax Rate	25.4	33.8	34.1	40.1	35.6	35.8	35.1	31.2	34.6	34.6		
Loan/Deposit	74.1	76.3	75.7	72.6	73.6	75.2	75.4	74.4	72.0	73.2		
CASA Reported	22.1	22.1	21.5	20.6	22.3	22.8	23.0	22.2	23.2	22.8		
CAR	12.2	12.1	11.4	12.0	11.4	11.9	11.7	11.8	11.7	11.1		
Tier I	10.6	10.7	10.0	10.4	10.0	9.6	9.4	9.8	9.9	9.5		
Reported NIMs (%) - Cumulative												
Yield on loans	12.1	11.9	11.5	11.6	11.5	11.4	11.4	11.2	10.9	10.7	-16	-70
Cost of Deposits	8.0	7.9	8.0	8.1	7.9	7.7	7.6	7.5	7.0	6.9	-12	-83
Margins	2.7	2.9	2.5	2.7	2.5	2.7	2.8	2.7	2.7	2.8	**1**	**8**
Balance Sheet (INR B)												
Gross Advances	345	356	367	377	385	399	403	415	417	441	6	10
Deposits	465	467	485	519	523	530	534	557	579	602	4	13
CASA Deposits	103	103	104	107	117	121	123	125	135	137	2	13

Source: MOSL, Company

Exhibit 11: Financials: Valuation metrics

	Rating	CMP	Mcap	EPS (INR)		P/E (x)		BV (INR)		P/BV (x)		RoA (%)		RoE (%)	
		(INR)	(USDb)	FY17	FY18	FY17	FY18	FY17	FY18	FY17	FY18	FY17	FY18	FY17	FY18
ICICIBC*	Buy	251	22.1	17.3	20.0	11.1	8.6	145	160	1.26	1.08	1.13	1.18	10.5	11.2
HDFCB	Buy	1,281	49.1	58.4	70.2	21.9	18.2	332	386	3.86	3.32	1.90	1.89	18.9	19.6
AXSB	Buy	533	19.3	31.8	37.4	16.7	14.3	243	274	2.19	1.95	1.32	1.31	13.8	14.4
KMB*	Buy	780	21.7	26.8	34.0	29.2	23.0	208	240	3.76	3.25	1.61	1.82	14.2	15.4
YES	Buy	1,275	8.1	79.0	101.2	16.1	12.6	390	471	3.27	2.71	1.80	1.86	22.0	23.5
IIB	Buy	1,221	11.0	48.3	61.1	25.3	20.0	333	385	3.67	3.17	1.83	1.87	15.5	17.0
IDFC Bk	Under Review	74	3.8	3.4	4.2	21.6	17.6	43	46	1.72	1.60	1.24	1.13	8.2	9.4
FB	Buy	73	1.9	4.3	5.2	16.9	14.1	50	54	1.45	1.35	0.75	0.75	8.9	9.9
DCBB	Under Review	125	0.5	7.7	8.7	16.3	14.3	69	78	1.80	1.60	1.02	0.95	11.7	11.9
JKBK	Neutral	87	0.6	17.7	21.4	4.9	4.1	146	162	0.60	0.54	1.00	1.06	12.8	13.9
SIB	Buy	24	0.5	2.8	3.3	8.6	7.3	30	32	0.81	0.75	0.55	0.57	9.7	10.6
Private Aggregate			**138.6**			**20.3**	**17.0**			**2.70**	**2.39**				
SBIN (cons)*	Buy	258	30.4	14.7	24.3	17.5	10.6	234	253	1.28	1.17	0.47	0.54	7.9	9.5
PNB	Neutral	143	4.3	10.8	12.8	13.3	11.2	189	200	0.76	0.71	0.31	0.34	5.8	6.6
BOI	Neutral	117	1.7	-10.8	21.6	-10.9	5.4	239	255	0.49	0.46	-0.16	0.29	-4.6	8.7
BOB	Buy	164	5.7	14.1	20.0	11.6	8.2	157	173	1.04	0.95	0.47	0.60	9.3	12.1
CBK	Neutral	328	2.7	26.8	36.8	12.2	8.9	498	527	0.66	0.62	0.25	0.31	5.5	7.2
UNBK	Buy	149	1.6	22.4	39.1	6.7	3.8	314	348	0.48	0.43	0.37	0.58	7.4	11.8
OBC	Neutral	130	0.7	16.7	24.2	7.8	5.3	410	428	0.32	0.30	0.23	0.30	4.2	5.8
INBK	Buy	220	1.6	25.3	31.4	8.7	7.0	300	324	0.73	0.68	0.57	0.64	8.7	10.0
ANDB	Buy	59	1.8	1.5	6.4	38.5	9.1	109	114	0.54	0.52	0.08	0.31	1.4	5.8
Public Aggregate			**50.4**			**16.0**	**10.4**			**0.80**	**0.76**				
Banks Aggregate			**189.0**			**18.9**	**14.5**			**1.66**	**1.52**				
HDFC*	Buy	1,406	33.6	34.5	37.8	28.6	22.7	194	217	4.44	3.52	1.84	1.82	19.4	19.0
LICHF	Buy	602	4.6	39.5	49.6	15.2	12.1	213	253	2.83	2.38	1.49	1.55	20.1	21.3
IHFL	Buy	855	5.5	67.6	84.0	12.7	10.2	280	315	3.05	2.72	3.68	3.78	25.3	28.3
GRHF	Buy	357	2.0	8.2	10.3	43.7	34.6	28	35	12.64	10.22	2.31	2.31	32.0	32.7
REPCO	Buy	824	0.8	30.4	39.7	27.1	20.8	180	215	4.59	3.84	2.15	2.20	18.3	20.1
DEWH	Buy	293	1.3	30.2	38.4	9.7	7.6	201	230	1.45	1.27	1.27	1.39	16.4	17.8
Housing Finance			**47.8**			**22.7**	**19.1**			**4.53**	**4.00**				
RECL	Neutral	131	3.9	29.4	33.4	4.5	3.9	168	194	0.78	0.68	2.63	2.54	18.8	18.5
POWF	Neutral	123	4.9	24.0	25.5	5.1	4.8	149	167	0.83	0.74	2.37	2.12	16.8	16.2
Infra Finance			**8.8**			**4.8**	**4.4**			**0.81**	**0.71**				
SHTF	Buy	1,190	4.1	70.5	93.8	16.9	12.7	505	579	2.36	2.06	2.43	2.75	14.8	17.2
MMFS	Buy	381	3.3	14.6	18.1	26.1	21.0	118	131	3.22	2.90	2.02	2.19	12.9	14.5
BAF	Buy	1,083	1.8	34.6	44.2	31.3	24.5	166	204	6.51	5.31	3.48	3.38	22.8	23.9
MUTH	Buy	340	2.1	28.0	33.6	12.1	10.1	159	180	2.14	1.89	3.66	3.57	18.7	19.9
SKSM	Buy	882	1.8	50.4	48.8	17.5	18.1	206	255	4.28	3.46	6.73	4.25	32.9	21.2
Asset Finance			**13.0**			**14.1**	**11.4**			**2.33**	**2.07**				
NBFC Aggregate			**69.6**			**14.3**	**12.3**			**2.58**	**2.27**				
Financials			**258.6**			**17.4**	**13.8**			**1.83**	**1.67**				

*Multiples adj. for value of key ventures/Investments; For ICICI Bank and HDFC Ltd BV is adjusted for investments in subsidiaries

Financials and valuations

Income Statement								(INR Million)
Y/E March	**2012**	**2013**	**2014**	**2015**	**2016**	**2017E**	**2018E**	**2019E**
Interest Income	35,834	44,343	50,151	52,862	55,572	59,153	66,624	78,028
Interest Expense	25,617	31,535	36,163	39,200	40,475	42,120	46,560	54,527
Net Interest Income	**10,217**	**12,808**	**13,988**	**13,662**	**15,097**	**17,033**	**20,064**	**23,501**
Change (%)	29.2	25.4	9.2	-2.3	10.5	12.8	17.8	17.1
Non Interest Income	2,471	3,349	3,685	4,971	5,174	6,280	6,537	7,293
Net Income	**12,688**	**16,158**	**17,672**	**18,633**	**20,271**	**23,313**	**26,601**	**30,793**
Change (%)	28.4	27.3	9.4	5.4	8.8	15.0	14.1	15.8
Operating Expenses	6,173	7,672	8,829	9,813	11,478	12,142	13,711	15,498
Pre Provision Profits	**6,515**	**8,486**	**8,843**	**8,820**	**8,793**	**11,170**	**12,890**	**15,295**
Change (%)	24.0	30.2	4.2	-0.3	-0.3	27.0	15.4	18.7
Provisions (excl tax)	792	1,927	1,554	4,570	3,696	5,074	5,448	6,418
PBT	**5,723**	**6,559**	**7,289**	**4,250**	**5,097**	**6,096**	**7,442**	**8,878**
Tax	1,707	1,536	2,214	1,608	1,764	2,109	2,530	3,018
Tax Rate (%)	29.8	23.4	30.4	37.8	34.6	34.6	34.0	34.0
Extra Ordinary Item	0	0	0	-430	0	0	0	0
Profits Post EO	**4,017**	**5,023**	**5,075**	**3,072**	**3,333**	**3,987**	**4,911**	**5,859**
Change (%)	37.3	25.1	1.0	-39.5	8.5	19.6	23.2	19.3
Equity Dividend (Incl tax)	791	1,094	1,258	980	813	929	1,144	1,365
Core PPP*	**6,107**	**7,909**	**8,145**	**7,180**	**7,427**	**9,270**	**11,390**	**13,795**
Change (%)	25.7	29.5	3.0	-11.8	3.4	24.8	22.9	21.1

Balance Sheet								(INR Million)
Y/E March	**2012**	**2013**	**2014**	**2015**	**2016**	**2017E**	**2018E**	**2019E**
Equity Share Capital	1,134	1,339	1,344	1,350	1,350	1,350	1,350	1,350
Reserves & Surplus	20,570	28,724	32,360	34,544	37,106	41,301	45,068	49,562
Net Worth	**21,704**	**30,062**	**33,704**	**35,894**	**38,456**	**42,651**	**46,418**	**50,912**
Deposits	**365,005**	**442,623**	**474,911**	**519,125**	**557,207**	**646,360**	**756,242**	**892,365**
Change (%)	22.8	21.3	7.3	9.3	7.3	16.0	17.0	18.0
of which CASA Dep	**71,793**	**82,328**	**98,249**	**106,863**	**124,590**	**146,421**	**172,093**	**202,282**
Change (%)	12.1	14.7	19.3	8.8	16.6	17.5	17.5	17.5
Borrowings	5,882	12,846	27,308	22,325	23,150	26,808	29,582	32,483
Other Liabilities & Prov.	11,109	12,420	13,937	13,819	12,936	14,460	16,230	18,234
Total Liabilities	**403,701**	**497,950**	**549,860**	**591,163**	**631,749**	**730,279**	**848,471**	**993,995**
Current Assets	26,405	43,359	32,179	35,951	30,995	39,800	45,244	53,937
Investments	93,999	125,235	143,518	140,861	146,189	157,884	170,515	187,567
Change (%)	5.3	33.2	14.6	-1.9	3.8	8.0	8.0	10.0
Loans	**272,807**	**318,155**	**362,299**	**373,916**	**410,857**	**484,812**	**581,774**	**698,129**
Change (%)	33.1	16.6	13.9	3.2	9.9	18.0	20.0	20.0
Fixed Assets	3,775	3,961	4,122	4,790	4,870	5,838	5,638	5,438
Other Assets	6,714	7,240	7,742	35,644	38,837	41,944	45,300	48,924
Total Assets	**403,701**	**497,950**	**549,860**	**591,163**	**631,749**	**730,279**	**848,471**	**993,995**

Asset Quality								(%)
GNPA (INR m)	2,672	4,339	4,326	6,435	15,624	18,600	21,379	24,330
NNPA (INR m)	765	2,495	2,817	3,602	11,853	12,298	12,311	11,642
GNPA Ratio	0.97	1.36	1.19	1.71	3.77	3.84	3.67	3.49
NNPA Ratio	0.28	0.78	0.78	0.96	2.88	2.54	2.12	1.67
PCR (Excl Tech. write off)	71.4	42.5	34.9	44.0	24.1	33.9	42.4	52.1

E: MOSL Estimates

Financials and valuations

Ratios

Y/E March	2012	2013	2014	2015	2016	2017E	2018E	2018E
Spreads Analysis (%)								
Avg. Yield-Earning Assets	**10.6**	**10.5**	**10.2**	**10.1**	**10.2**	**9.8**	**9.5**	**9.4**
Avg. Yield on loans	12.0	12.1	11.6	11.3	11.1	10.1	9.8	9.8
Avg. Yield on Investments	6.8	6.8	7.1	6.7	7.0	7.8	7.5	7.3
Avg. Cost-Int. Bear. Liab.	**7.6**	**7.6**	**7.6**	**7.5**	**7.2**	**6.7**	**6.4**	**6.4**
Avg. Cost of Deposits	7.6	7.6	7.5	7.4	7.1	6.6	6.3	6.3
Interest Spread	**2.9**	**2.8**	**2.6**	**2.6**	**3.0**	**3.0**	**3.1**	**3.1**
Net Interest Margin	**3.0**	**3.0**	**2.8**	**2.6**	**2.8**	**2.8**	**2.8**	**2.8**
Profitability Ratios (%)								
RoE	21.6	20.5	16.6	7.9	9.3	10.3	11.7	12.7
RoA	1.1	1.1	1.0	0.5	0.5	0.6	0.6	0.6
Int. Expense/Int.Income	71.5	71.1	72.1	74.2	72.8	71.2	69.9	69.9
Fee Income/Net Income	16.3	17.2	16.9	17.9	18.8	18.8	18.9	18.8
Non Int. Inc./Net Income	19.5	20.7	20.8	26.7	25.5	26.9	24.6	23.7
Efficiency Ratios (%)								
Cost/Income*	50.3	49.2	52.0	57.7	60.7	56.7	54.6	52.9
Empl. Cost/Op. Exps.	60.6	61.6	59.9	64.6	60.3	57.0	58.1	59.1
Busi. per Empl. (INR m)	96.9	109.6	112.4	116.9	119.6	141.4	157.4	177.2
NP per Empl. (INR lac)	6.8	7.9	7.1	4.2	4.3	5.4	6.3	7.1
* ex treasury and recoveries								
Asset-Liability Profile (%)								
Loans/Deposit Ratio	74.7	71.9	76.3	72.0	73.7	75.0	76.9	78.2
CASA Ratio	19.7	18.6	20.7	20.6	22.4	22.7	22.8	22.7
Investment/Deposit Ratio	25.8	28.3	30.2	27.1	26.2	24.4	22.5	21.0
G-Sec/Investment Ratio	87.4	79.7	80.2	87.7	94.7	98.3	106.4	114.2
CAR	14.0	14.0	12.2	11.8	10.7	11.5	10.9	10.2
Tier 1	11.5	12.1	11.0	10.7	9.8	10.5	9.9	9.3

Valuation

Book Value (INR)	17.9	21.4	24.1	25.6	27.5	29.8	32.5	35.9
Change (%)	19.1	19.9	12.5	6.1	7.6	8.2	9.4	10.2
Price-BV (x)	**1.3**	**1.1**	**1.0**	**0.9**	**0.9**	**0.8**	**0.7**	**0.7**
Adjusted BV (INR)	17.4	20.2	22.7	23.8	21.8	23.8	26.6	30.3
Price-ABV (x)	**1.4**	**1.2**	**1.1**	**1.0**	**1.1**	**1.0**	**0.9**	**0.8**
EPS (INR)	3.5	3.8	3.8	2.3	2.5	3.0	3.6	4.3
Change (%)	36.8	5.9	0.6	-39.7	8.5	19.6	23.2	19.3
Price-Earnings (x)	**6.8**	**6.4**	**6.3**	**10.5**	**9.7**	**8.1**	**6.6**	**5.5**
Dividend Per Share (INR)	0.6	0.7	0.8	0.6	0.5	0.6	0.7	0.9
Dividend Yield (%)	**2.5**	**2.9**	**3.3**	**2.5**	**2.1**	**2.5**	**3.0**	**3.6**

E: MOSL Estimates

Corporate profile: South India Bank

Company description

One of the earliest banks in southern part of India, South Indian Bank (SIB) was incorporated in 1928 at Thrissur in Kerala. Under the RBI Act, SIB was the first private sector bank in Kerala to become a Scheduled Commercial Bank in 1946. Currently, the bank is led by Mr. V. G. Mathew, MD & CEO. The bank has a strong presence in South India (80%+ branches). As on June 2016, the bank had a network of 838 branches and 1,291 ATMs.

Exhibit 12: Sensex rebased

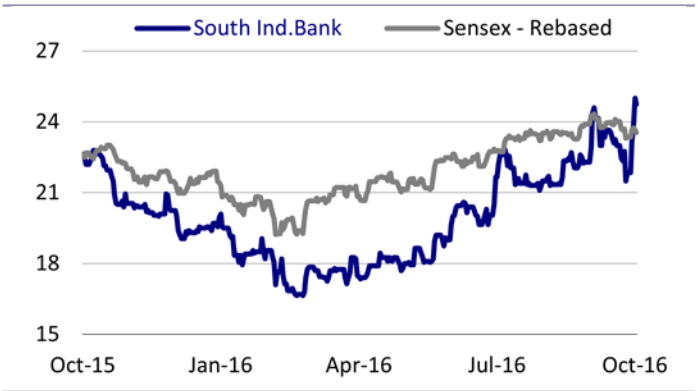


Exhibit 12: Shareholding pattern (%)

	Jun-16	Mar-16	Jun-15
Promoter	0.0	0.0	0.0
DII	13.1	18.7	12.9
FII	38.4	33.0	28.2
Others	48.5	48.4	59.0

Note: FII Includes depository receipts

Exhibit 13: Top holders

Holder Name	% Holding
Yusuffali Musaliam Veetil Abdul Kader	4.9
First Carlyle Ventures Mauritius	4.9
Life Insurance Corporation Of India	4.8
Cx Securities Limited	3.2
Gkff Ventures	3.0

Exhibit 14: Top management

Name	Designation
Amitabha Guha	Chairman
V G Mathew	Managing Director & CEO
Jimmy Mathew	Company Secretary

Exhibit 15: Directors

Name	Name
Amitabha Guha	Mohan Alapatt*
Cheryan Varkey	Parayil George John Tharakan*
Francis Alapatt*	Ranjana Salgaocar*
John Joseph Alapatt*	Salim Gangadharan*
K Thomas Jacob*	V G Mathew*

*Independent

Exhibit 16: Auditors

Name	Type
Deloitte Haskins & Sells	Statutory

Exhibit 17: MOSL forecast v/s consensus

EPS (INR)	MOSL forecast	Consensus forecast	Variation (%)
FY17	3.0	3.0	-
FY18	3.6	3.8	-4.9

NOTES

Disclosures

This document has been prepared by Motilal Oswal Securities Limited (hereinafter referred to as Most) to provide information about the company (ies) and/sector(s), if any, covered in the report and may be distributed by it and/or its affiliated company(ies). This report is for personal information of the selected recipient/s and does not construe to be any investment, legal or taxation advice to you. This research report does not constitute an offer, invitation or inducement to invest in securities or other investments and Motilal Oswal Securities Limited (hereinafter referred as MOSt) is not soliciting any action based upon it. This report is not for public distribution and has been furnished to you solely for your general information and should not be reproduced or redistributed to any other person in any form. This report 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, investors should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. 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.

MOSt and its affiliates are a full-service, integrated investment banking, investment management, brokerage and financing group. We and our affiliates have investment banking and other business relationships with a some companies covered by our Research Department. Our research professionals may provide input into our investment banking and other business selection processes. Investors should assume that MOSt and/or its affiliates are seeking or will seek investment banking or other business from the company or companies that are the subject of this material and that the research professionals who were involved in preparing this material may educate investors on investments in such business . The research professionals responsible for the preparation of this document may interact with trading desk personnel, sales personnel and other parties for the purpose of gathering, applying and interpreting information. Our research professionals are paid on twin parameters of performance & profitability of MOSt.

MOSt generally 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, MOSt generally 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 or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are 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. MOSt and its affiliated company(ies), their directors and employees and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the affiliates of MOSt even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report

Reports based on technical and derivative analysis center on studying charts company's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamental analysis. In addition MOST has different business segments / Divisions with independent research separated by Chinese walls catering to different set of customers having various objectives, risk profiles, investment horizon, etc, and therefore may at times have different contrary views on stocks sectors and markets.
Unauthorized disclosure, use, dissemination or copying (either whole or partial) of this information, is prohibited. The person accessing this information specifically agrees to exempt MOSt or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOSt or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOSt or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays. The information contained herein is based on publicly available data or other sources believed to be reliable. Any statements contained in this report attributed to a third party represent MOSt's interpretation of the data, information and/or opinions provided by that third party either publicly or through a subscription service, and such use and interpretation have not been reviewed by the third party. This Report is not intended to be a complete statement or summary of the securities, markets or developments referred to in the document. While we would endeavor to update the information herein on reasonable basis, MOSt and/or its affiliates are under no obligation to update the information. Also there may be regulatory, compliance, or other reasons that may prevent MOSt and/or its affiliates from doing so. MOSt or any of its affiliates or employees shall not be in any way responsible and liable for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. MOSt or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This report is intended for distribution to institutional investors. Recipients who are not institutional investors should seek advice of their independent financial advisor prior to taking any investment decision based on this report or for any necessary explanation of its contents.

Most and it's associates may have managed or co-managed public offering of securities, may have received compensation for investment banking or merchant banking or brokerage services, may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.
Most and it's associates have not received any compensation or other benefits from the subject company or third party in connection with the research report.
Subject Company may have been a client of Most or its associates during twelve months preceding the date of distribution of the research report
MOSt and/or its affiliates and/or employees may have interests/positions, financial or otherwise of over 1 % at the end of the month immediately preceding the date of publication of the research in the securities mentioned in this report. To enhance transparency, MOSt has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.
Motilal Oswal Securities Limited is registered as a Research Analyst under SEBI (Research Analyst) Regulations, 2014. SEBI Reg. No. INH000000412

Pending Regulatory inspections against Motilal Oswal Securities Limited:
SEBI pursuant to a complaint from client Shri C.R. Mohanraj alleging unauthorized trading, issued a letter dated 29th April 2014 to MOSL notifying appointment of an Adjudicating Officer as per SEBI regulations to hold inquiry and adjudge violation of SEBI Regulations; MOSL replied to the Show Cause Notice whereby SEBI granted us an opportunity of Inspection of Documents. Since all the documents requested by us were not covered we have requested to SEBI vide our letter dated June 23, 2015 to provide pending list of documents for inspection.
List of associate companies of Motilal Oswal Securities Limited -Click here to access detailed report

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report. The research analysts, strategists, or research associates principally responsible for preparation of MOSt research receive compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors and firm revenues

Disclosure of Interest Statement	SOUTH INDIAN BANK
▪ Analyst ownership of the stock	No
▪ Served as an officer, director or employee -	No

A graph of daily closing prices of securities is available at www.nseindia.com and http://economictimes.indiatimes.com/markets/stocks/stock-quotes

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOSt & its group companies to registration or licensing requirements within such jurisdictions.
For Hong Kong: This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Kong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

For U.S.

Motilal Oswal Securities Limited (MOSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the"1934 act") and under applicable state laws in the United States. In addition MOSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOSL, including the products and services described herein are not available to or intended for U.S. persons.
This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.
The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

For Singapore

Motilal Oswal Capital Markets Singapore Pte Limited is acting as an exempt financial advisor under section 23(1)(f) of the Financial Advisers Act(FAA) read with regulation 17(1)(d) of the Financial Advisors Regulations and is a subsidiary of Motilal Oswal Securities Limited in India. This research is distributed in Singapore by Motilal Oswal Capital Markets Singapore Pte Limited and it is only directed in Singapore to accredited investors, as defined in the Financial Advisers Regulations and the Securities and Futures Act (Chapter 289), as amended from time to time.
In respect of any matter arising from or in connection with the research you could contact the following representatives of Motilal Oswal Capital Markets Singapore Pte Limited:

Varun Kumar
Varun.kumar@motilaloswal.com
Contact : (+65) 68189232
Office Address:21 (Suite 31),16 Collyer Quay,Singapore 04931

Kadambari Balachandran
kadambari.balachandran@motilaloswal.com
(+65) 68189233 / 65249115