

19 July 2025

South Indian Bank

Decent performance in a seasonally weak quarter; maintaining a Buy

Rating: Buy

Target Price (12-mth): Rs.42

Share Price: Rs.30

Higher Treasury income and moderate opex offset SIB's Q1 lower margins (down 18bps q/q), keeping overall operating performance stable. Q1 provisions were elevated (utilized for higher PCR). With stress from the legacy book largely recognized and further slippages normalising, the focus now shifts to profitability. We expect the bank to deliver a sustainable ~1% RoA in the medium term. We retain our Buy rating, with a 12-mth TP of Rs42, 0.9x P/ABV on the FY27e book.

Asset quality continues to improve. GNPA/NNPA declined 5bps/24bps q/q on lower slippages and decent recoveries. Slippages were Rs1.9bn (0.9% of loans), a multi-year low in a seasonally tough quarter for the bank. Lower slippages across RAM drove the overall improvement. The SMA-2 book was a moderate 0.5% of loans (up 20bps q/q). The standard restructured book was Rs2.8bn (down 12.6% q/q), 0.3% of loans. With stress from the legacy book largely run down and GNPA from the new book after Oct'20 (~Rs726.3bn) at 48bps, we believe stress formation for the bank has normalised and, accordingly, the slippage run-rate is expected to hold under 1.5%.

RoA sustainable near ~1% in the medium term. Q1 NIM was 3.03% (down 18bps q/q), the decline was more than we expected; on a steady-state basis, however, we expect NIM to stabilise at ~3.1% due to the focus on high yielding assets. Credit cost is expected to be moderate on the easing slippage run rate. Aided by stable margins, easing opex and modest provisioning, we expect profitability to be strong. We estimate a ~1% RoA and ~12% RoE through FY26-27.

Valuation. Our target price of Rs42 is based on the two-stage DDM model. This implies a 0.9x P/ABV multiple on the FY27e book. **Risks:** Higher stress arising from the corporate book and less-than-expected loan growth.

Key financials (YE Mar) (Rs m)	FY23	FY24	FY25	FY26e	FY27e
Net interest income	30,121	33,321	34,856	36,805	41,864
Pre-provisioning profit	15,073	18,677	22,701	23,932	27,452
Provisions	3,991	3,389	5,132	7,266	7,665
PAT	7,751	10,701	13,029	12,466	14,800
EPS (Rs)	3.7	4.1	5.0	4.8	5.7
NIM (%)	3.2	3.3	3.2	3.0	3.1
Cost-income (%)	60.6	61.5	57.8	58.4	57.5
RoE (%)	12.4	13.8	13.8	11.7	12.4
RoA (%)	0.7	1.0	1.1	0.9	1.0
Advances growth (%)	16.4	11.8	9.8	12.0	13.0
GNPA (%)	5.1	4.5	3.2	2.8	2.3
CAR (%)	17.3	19.9	19.3	19.6	19.2
P / E (x)	8.1	7.3	6.0	6.3	5.3
P / BV (x)	0.9	0.9	0.8	0.7	0.6
P / ABV (x)	1.1	1.0	0.8	0.7	0.6

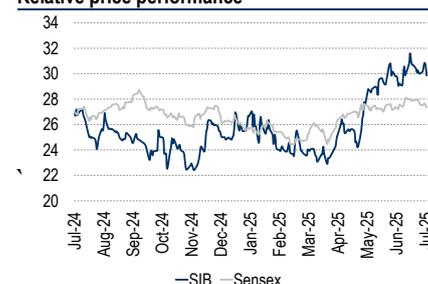
Source: Company, Anand Rathi Research

Key data	SIB IN / SIBK.BO
52-week high / low	Rs.32 / 22
Sensex / Nifty	81,758 / 24,968
Market cap	Rs.80bn
Shares outstanding	2,616m

Shareholding pattern (%)	Mar'25	Dec'24	Sep'24
Promoters	-	-	-
- of which, Pledged	-	-	-
Free float	100.0	100.0	100.0
- Foreign institutions	12.0	11.5	11.5
- Domestic institutions	10.4	7.3	5.3
- Public	77.6	81.2	83.2

Estimates revision (%)	FY26e	FY27e
Net interest income	(0.1)	(1.4)
Pre-provisioning profit	2.5	(1.6)
PAT	(1.9)	0.3

Relative price performance



Source: Bloomberg

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Quick Glance – Financials and Valuations

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
Net interest income	30,121	33,321	34,856	36,805	41,864
<i>NII growth (%)</i>	34.5	10.6	4.6	5.6	13.7
Non-interest income	8,126	15,155	18,908	20,723	22,743
Total income	38,247	48,476	53,764	57,528	64,608
<i>Total inc. growth (%)</i>	16.8	26.7	10.9	7.0	12.3
Operating expenses	23,174	29,799	31,063	33,596	37,156
PPoP	15,073	18,677	22,701	23,932	27,452
<i>PPoP growth (%)</i>	20.8	23.9	21.5	5.4	14.7
Provisions	3,991	3,389	5,132	7,266	7,665
PBT	11,082	15,287	17,569	16,666	19,787
Tax	3,331	4,587	4,540	4,200	4,986
PAT	7,751	10,701	13,029	12,466	14,800
<i>PAT growth (%)</i>	1,623.6	38.1	21.8	-4.3	18.7
EPS (Rs)	3.7	4.1	5.0	4.8	5.7
DPS (Rs)	0.3	0.3	0.4	0.5	0.6

Source: Company, Anand Rathi Research

Fig 2 – Balance sheet (Rs m)

Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
Share capital	2,093	2,616	2,616	2,616	2,616
Reserves & surplus	64,654	85,646	98,460	1,09,680	1,23,000
Deposits	9,16,514	10,19,203	10,75,256	11,93,534	13,36,758
Borrowings	69,939	39,121	43,005	45,155	47,413
Total liabilities	10,76,982	11,74,128	12,46,551	13,78,124	15,36,090
Advances	6,98,044	7,80,606	8,56,821	9,59,639	10,84,392
Investments	2,46,418	2,39,770	2,17,772	2,33,016	2,51,657
Cash & bank bal.	70,805	1,00,222	1,22,601	1,32,409	1,43,002
Fixed & other assets	61,714	53,529	49,358	53,060	57,039
Total assets	10,76,982	11,74,128	12,46,551	13,78,124	15,36,090
No. of shares, m	2,093	2,616	2,616	2,616	2,616
<i>Deposits growth, %</i>	2.8	11.2	5.5	11.0	12.0
<i>Advances growth, %</i>	16.4	11.8	9.8	12.0	13.0

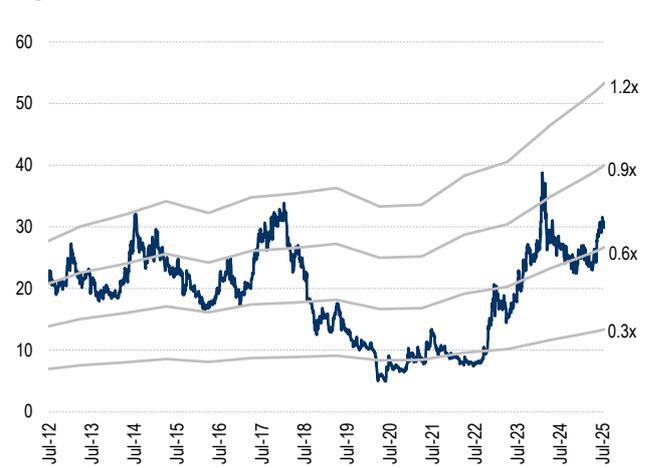
Source: Company, Anand Rathi Research

Fig 3 – Ratio analysis, %

Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
NIM	3.2	3.3	3.2	3.0	3.1
Other inc. / total inc.	21.2	31.3	35.2	36.0	35.2
Cost-income	60.6	61.5	57.8	58.4	57.5
Provision coverage	65.1	68.7	71.8	76.0	76.0
Dividend payout	8.1	7.3	8.0	10.0	10.0
Credit-deposit	76.2	76.6	79.7	80.4	81.1
Investment-deposit	26.9	23.5	20.3	19.5	18.8
Gross NPA	5.1	4.5	3.2	2.8	2.3
Net NPA	1.9	1.5	0.9	0.7	0.6
BV (Rs)	31.9	33.7	38.6	42.9	48.0
Adj. BV (Rs)	27.6	30.7	36.5	41.2	46.4
CAR (%)	17.3	19.9	19.3	19.6	19.2
- Tier 1	14.7	17.7	18.0	18.4	18.1
RoE	12.4	13.8	13.8	11.7	12.4
RoA	0.7	1.0	1.1	0.9	1.0

Source: Company, Anand Rathi Research

Fig 4 – Price-to-book band



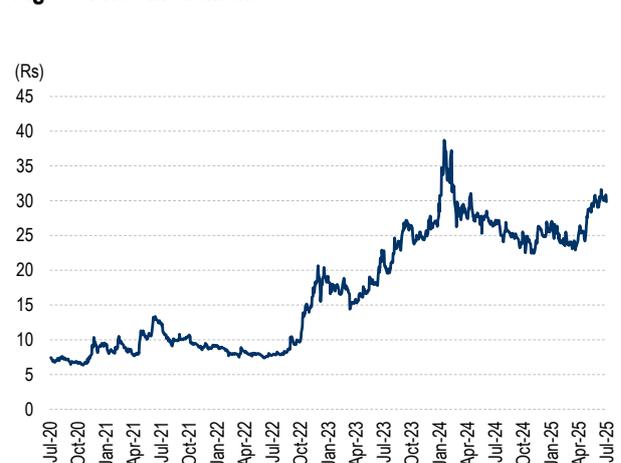
Source: Bloomberg

Fig 5 – One-year-forward price-to-book value



Source: Company, Anand Rathi Research

Fig 6 – Price movement



Source: Bloomberg

Quarterly snapshot

Fig 7 – Income statement

(Rs m)	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Q1 FY26
Interest income						
Interest expense	22,747	23,144	23,547	23,707	23,734	23,624
NII	14,000	14,486	14,724	15,015	15,051	15,299
Y/y growth, %	8,747	8,658	8,823	8,693	8,683	8,326
Non-interest income	2.0	7.2	6.2	6.1	-0.7	-3.8
Total Income	3,460	4,217	4,495	4,472	5,724	6,219
Y/y growth, %	12,207	12,875	13,318	13,165	14,407	14,545
Operating expenses	1.5	10.1	12.3	3.5	18.0	13.0
Of which, staff cost	7,872	7,798	7,815	7,876	7,574	7,823
PPOP	4,127	4,187	4,213	4,149	3,978	4,204
Y/y growth, %	4,335	5,077	5,503	5,288	6,833	6,722
Total provisions	-22.8	3.6	19.5	9.4	57.6	32.4
PBT	406	1,130	1,100	660	2,242	2,393
Tax	3,929	3,947	4,402	4,628	4,591	4,329
PAT	1,054	1,006	1,156	1,209	1,169	1,110
Y/y growth, %	2,876	2,941	3,247	3,419	3,422	3,220

Source: Company, Anand Rathi Research

Fig 8 – Balance sheet

(Rs m)	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Q1 FY26
Equity capital	2,616	2,616	2,616	2,616	2,616	2,616
Reserves & Surplus	85,646	88,960	91,381	94,802	98,460	1,01,514
Deposits	10,19,203	10,35,324	10,54,515	10,53,866	10,75,256	11,29,216
Borrowings	39,121	29,572	26,092	29,558	43,005	17,281
Other liabilities	27,543	23,405	29,034	27,757	27,214	27,076
Total Liabilities	11,74,128	11,79,877	12,03,638	12,08,600	12,46,551	12,77,703
Deposits y/y growth, %	11.2	8.4	8.6	6.3	5.5	9.1
Deposits q/q growth, %	2.8	1.6	1.9	-0.1	2.0	5.0
Cash and cash balances	1,00,222	98,138	1,09,448	78,322	1,22,601	1,18,857
Advances	7,80,607	8,01,292	8,21,742	8,43,964	8,56,821	8,70,948
Investments	2,39,770	2,28,241	2,17,888	2,34,163	2,17,772	2,38,093
Other assets	53,529	52,207	54,560	52,151	49,358	49,806
Total Assets	11,74,128	11,79,877	12,03,638	12,08,600	12,46,551	12,77,703
Advances y/y growth, %	11.8	11.7	13.2	12.0	9.8	8.7
Advances q/q growth, %	3.6	2.6	2.6	2.7	1.5	1.6

Source: Company, Anand Rathi Research

Fig 9 – Asset quality movement

Break-up of GNPA (Rs m)	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Q1 FY26
Opening balance	36,824	36,203	37,199	37,313	37,356	27,998
Slippages	2,890	3,460	3,210	2,970	2,130	1,920
Reductions	3,511	2,465	3,096	2,928	11,487	1,853
Closing balance	36,203	37,199	37,313	37,356	27,998	28,066
GNPA (%)	4.5	4.5	4.4	4.3	3.2	3.2
Gross slippage ratio (%)	1.5	1.8	1.6	1.4	1.0	0.9

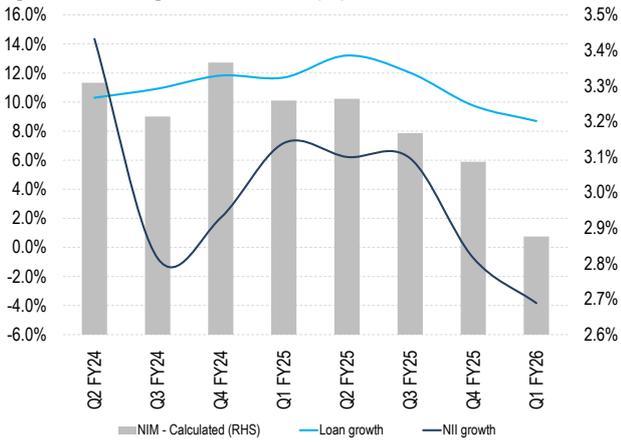
Source: Company, Anand Rathi Research

Fig 10 – Break-up of advances (%)

Break-up of GNPA (Rs m)	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Q1 FY26
Corporate	40.0	41.0	40.0	40.0	41.0	42.0
Retail	22.0	23.0	25.0	26.0	26.0	27.0
Agri	19.0	20.0	20.0	19.0	19.0	17.0
MSME	19.0	16.0	15.0	15.0	14.0	14.0

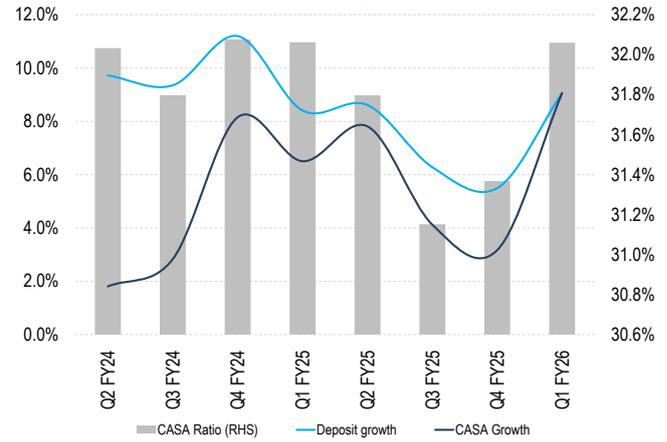
Source: Company, Anand Rathi Research

Fig 11 – Credit growth vs. NIM (%)



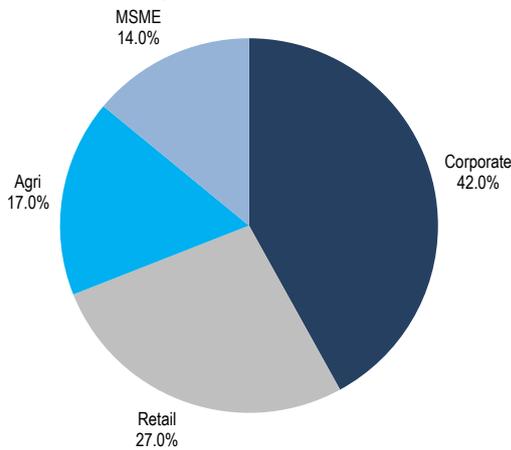
Source: Company, Anand Rathi Research

Fig 12 – CASA ratio vs. Deposits growth



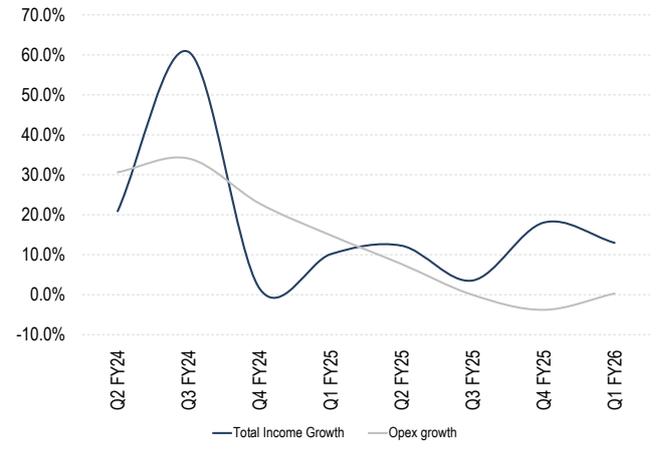
Source: Company, Anand Rathi Research

Fig 13 – Loan break-up



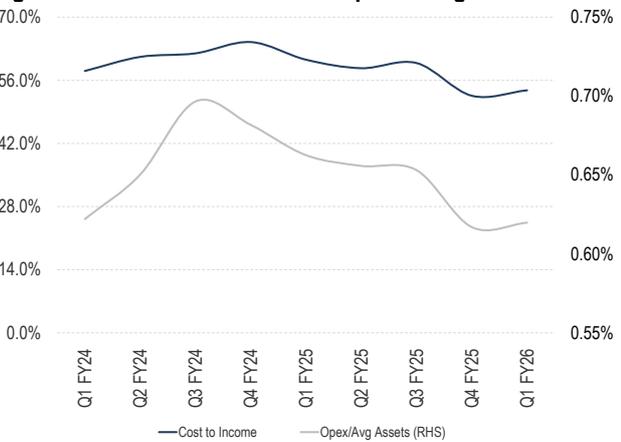
Source: Company, Anand Rathi Research

Fig 14 – Income vs. Opex growth



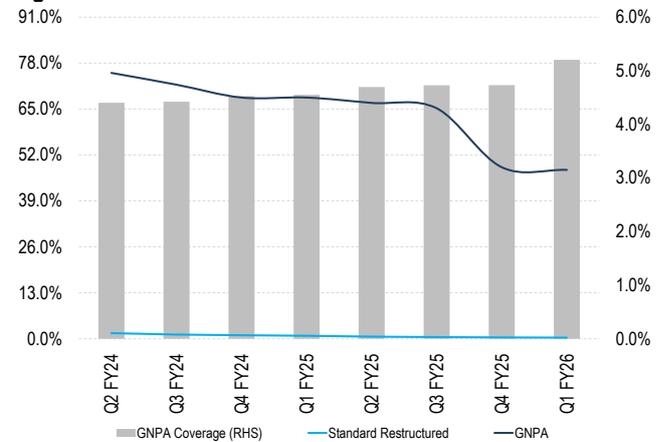
Source: Company, Anand Rathi Research

Fig 15 – Cost-to-income ratio vs. Opex-to-avg. asset



Source: Company, Anand Rathi Research

Fig 16 – Restructured assets vs. GNPA



Source: Company, Anand Rathi Research

Valuation

- Our target price of Rs42 is based on the two-stage DDM model. This implies a ~0.9x P/ABV multiple on the FY27e book.

Fig 17 – Change in estimates

(Rs m)	FY26e			FY27e		
	New	Old	Chg (%)	New	Old	Chg (%)
Net interest income	36,805	36,854	(0.1)	41,864	42,439	(1.4)
Pre-provisioning profit	23,932	23,342	2.5	27,452	27,901	(1.6)
PAT	12,466	12,705	(1.9)	14,800	14,755	0.3

Source: Anand Rathi Research

Risks

- **Higher credit cost.** Higher slippages and lower recoveries could lead to increased credit cost.
- **Slow loan growth.** Slower loan growth may notably affect our forecasts.

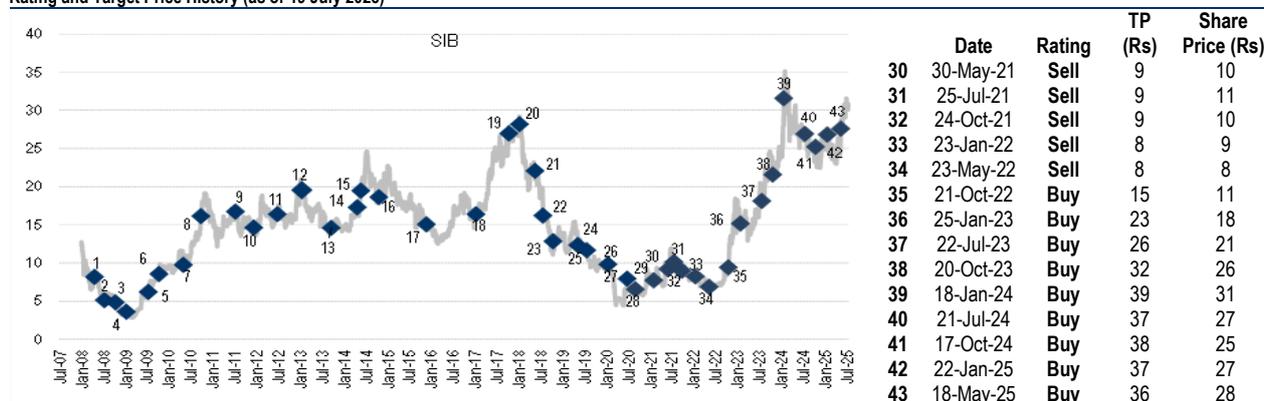
Appendix

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