

South Indian Bank Ltd.

Accumulate

Sector: Banking

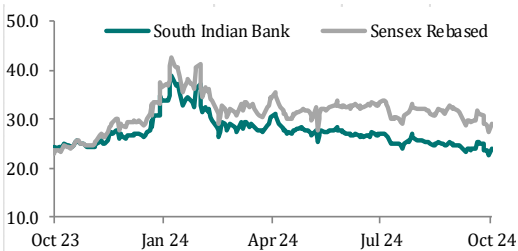
29th October 2024

Key Changes:	Target ▼	Rating ●	Earnings ▼	Target	Rs.27		
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	CMP	Rs.24
Small Cap	SIB:IN	80,005	SOUTHBANK	532218	12 Months	Return	+13%

Data as of: 28-10 2024

Company Data			
Market Cap (Rs. cr)	6,211.0		
52 Week High — Low (Rs.)	37-22		
Outstanding Shares (Rs cr)	261.6		
Free Float (%)	100		
Dividend Yield (%)	1.2		
6m average volume (cr)	0.3		
Beta	1.1		
Face value (Rs.)	1		
Shareholding (%)	Q4FY24	Q1FY25	Q2FY25
Promoters	-	-	-
FII's	15.2	13.4	11.5
MFs/Institutions	4.6	5.1	5.2
Public	77.7	81.5	83.3
Total	100.0	100.0	100.0
Promoter Pledge	-	-	-
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-11.3%	-21.7%	-1.6%
Absolute Sensex	-1.6%	8.5%	25.4%
Relative Return	-9.7%	-30.2%	-27.1%

*over or under performance to benchmark index



Standalone (Rs cr)	FY24A	FY25E	FY26E
NII	3,332	3,607	4,184
Growth(%)	10.6	8.3	16.0
NIM(%)	3.5	3.5	3.6
Provisions	339	390	406
Adj. PAT	1,070	1,214	1,392
Growth(%)	38.1	13.5	14.7
Adj. EPS	5.1	4.6	5.3
Growth(%)	37.4	-8.8	14.7
BVPS	33.7	37.9	42.6
Adj BVPS	28.7	33.2	38.0
P/E	4.7	5.1	4.5
P/B	0.7	0.6	0.6
ROA(%)	1.0	1.0	1.0
ROE(%)	13.8	13.0	13.2

Moving forward with steady growth

South Indian Bank (SIB), is a private sector bank headquartered in Kerala. The bank has 955 branches, with majority of them in South India. Currently, the bank has a loan book size of Rs.84,714cr and a deposit base of Rs.105,451cr.

- In Q2FY25, the bank reports a 11%YoY growth in interest income to Rs. 2354.7cr, driven by 10.5%YoY growth in interest from loans.
- Advances increased by 13% YoY during Q2FY25, driven by strong disbursements in personal loan book. Moreover, the corporate and personal loan books reported a 22.2% YoY and 22.9% YoY, growth, respectively.
- PAT grew by 18.2%YoY, aided by strong growth in fee income and lower provisions. Additionally, NIM stabilized at 3.2% as stress from the cost of deposits was passed on.
- Asset quality improved, with GNPA/NNPA at 4.4%/1.3%. The Provision Coverage Ratio (PCR) increased to 80.7% compared to 77.8% in Q2FY24.
- With stress from legacy books decreasing, the focus now shifts to profitability. We expect the bank to deliver ~1% ROA in the medium term.

Outlook & Valuation

Under the new management, SIB has been realigning their balance sheet with quality lending and an improved CASA mix. The new book has seen higher yields with low slippages. We expect credit growth of 12% during FY25-26. As the percentage of new book increases, ROE is expected to be ~13% by FY26. As a result, **we remain optimistic about the company's long-term growth and reiterate our Accumulate rating. However, since a moderation in advance growth is anticipated, we revise our target price to Rs.27 based on 0.63x FY26E BVPS.**

Quarterly Financials

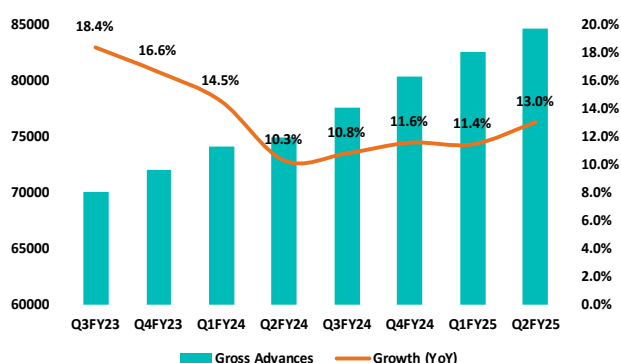
Rs.cr	Q2FY25	Q1FY25	QoQ(%)	Q2FY24	YoY(%)	H1FY25	H1FY24	YoY(%)
Net Interest Income	882	866	1.9	831	6.2	1,748	1,638	6.7
Total Income	1,332	1,287	3.4	1,186	12.3	2,619	2,355	11.2
Expenditure	782	780	0.2	726	7.7	1,561	1,405	11.1
Pre-Provision Profit	550	508	8.4	460	19.5	1,058	950	11.3
Provision	110	113	-2.6	51	114.7	223	250	-10.7
PBT	440	395	11.5	409	7.6	835	701	19.2
Rep. PAT	325	294	10.4	275	18.2	619	477	29.8
Adj.PAT	325	294	10.4	275	18.2	619	477	29.8
Diluted EPS (Rs)	1.2	1.1	10.7	1.3	-5.3	2.4	2.3	3.5



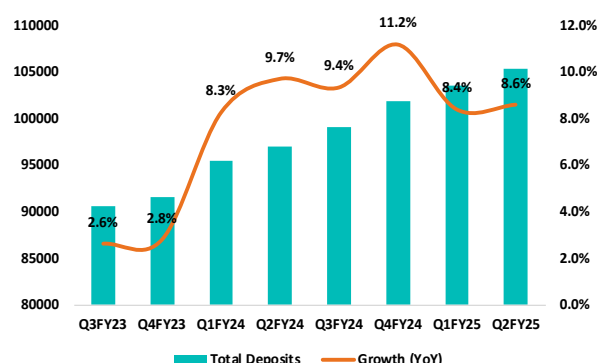
Key Highlights

- SIB's advances increased by 2.6%QoQ to Rs. 84,714cr, primarily driven by a robust growth in the personal segment (+11.5%QoQ). However, business loans experienced a decline of 3.8%QoQ. The bank continues to expand its gold loan portfolio, which now stands at Rs.16,609cr with an average LTV of 72%.
- The bank has introduced two innovative systems to enhance loan processing efficiency. PowerDrive facilitates straight-through processing of auto loan applications, while LAP Power streamlines the processing of mortgage loan applications.
- Deposits increased 1.9%QoQ to Rs. 1,05,451cr. The bank's CASA ratio slipped 26bps QoQ to 31.8% in Q2FY25, from 32.1% in Q1FY25.
- Asset quality improved in Q2FY25, with gross non-performing assets (NPA) and net NPA ratios decreasing to 4.4% and 1.31%, respectively (vs. 4.5% and 1.44% in Q2FY25). The provision-coverage ratio stood at 80.7%.
- The capital adequacy ratio was 18.0% and its Tier-I ratio was 16.6%, both well above the regulatory requirements.
- The bank declared a ROA of 1.07% and a ROE of 13.7% in Q2FY25.

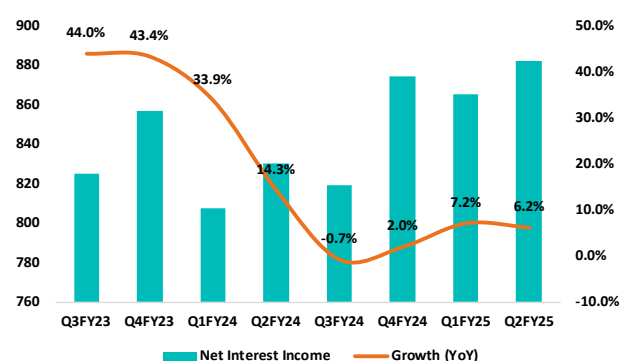
Gross Advances



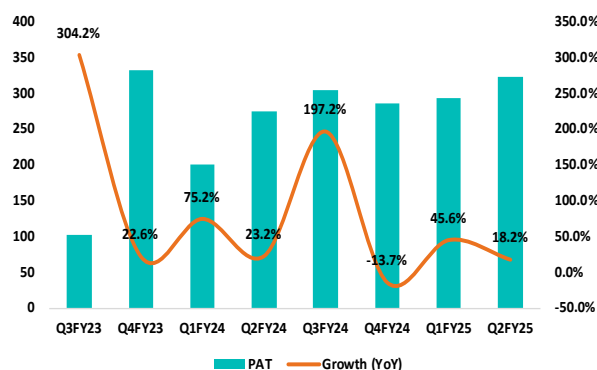
Total deposits



Net Interest Income



PAT



Change in Estimates

Year / Rs cr	Old Estimate		New Estimate		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Net Interest Income (NII)	3,799	4,175	3,607	4,184	-5.1	0.2
Net Interest Margin (%)	3.46	3.34	3.46	3.59	0bps	25bps
Pre-Provision Profit	1,862	2,178	2,150	2,424	15.5	11.3
Adj. PAT	1097	1,260	1214	1392	10.7	10.5
EPS (Rs)	5.2	6.0	4.6	5.3	-11.5	-11.7



Consolidated Financials

Profit & Loss

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Interest Income	6,587	7,233	8,613	9,590	10,681
Interest Expense	4,347	4,221	5,281	5,983	6,497
Net Int. Income	2,240	3,012	3,332	3,607	4,184
% Change	-6.9%	34.5%	10.6%	8.3%	16.0%
Non Int. Income	1,034	813	1,516	1,841	2,022
Operating Income	3,274	3,825	4,848	5,449	6,205
% Change	-10.0%	16.8%	26.7%	12.4%	13.9%
Operating Exp.	2,026	2,317	2,980	3,299	3,782
Pre Prov. Profit	1,248	1,507	1,868	2,150	2,424
Prov. & Conting.	1340	399	339	390	406
PBT	-92	1,108	1,529	1,759	2,018
% Change	-	1304.9%	37.9%	15.1%	14.7%
Tax	-137	333	459	545	626
Tax Rate	-	30%	31%	31%	31%
Reported PAT	45	775	1,070	1,214	1,392
Adj*	-	-	-	-	-
Adj. PAT	45	775	1,070	1,214	1,392
% Change	-	1622.8%	38.1%	13.5%	14.7%
No. of shares (Cr)	209	209	262	262	262
EPS (Rs)	0.2	3.7	5.1	4.6	5.3
% Change	-27.4%	1622.7%	37.4%	-8.8%	14.7%
DPS (Rs)	0.00	0.30	0.30	0.50	0.60

Balance Sheet

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	3,677	4,639	6,660	6,352	7,872
Loans & Advances	59,993	69,804	78,061	87,080	98,246
Investments	21,445	24,642	23,977	25,698	25,198
Gross Fixed Assets	1417	1468	1591	1825	2030
Net Fixed Assets	752	754	821	961	1069
CWIP	59	124	145	100	100
Intangible Assets	-	-	-	-	-
Def. Tax (Net)	234	21	-	-	-
Other Assets	13,892	7,713	7,749	8,098	8,842
Total Assets	100,052	107,698	117,413	128,289	141,328
Deposits	89,142	91,651	101,920	111,731	123,129
Debt Funds	3294	6,994	3,912	4,022	4,135
Other Liabilities	1,761	2,378	2,754	2,629	2,922
Provisions	-	-	-	-	-
Equity Capital	211	209	264	262	262
Reserves & Surplus	5644	6,465	8,562	9,645	10,880
Shareholder's Funds	5,854	6,675	8,826	9,907	11,142
Total Liabilities	100,052	107,698	117,413	128,289	141,328
BVPS (Rs)	28.0	31.9	33.7	37.9	42.6
% Change	0.8%	14.0%	5.8%	12.3%	12.5%
Adj. BVPS (Rs)	14.3	25.7	28.7	33.2	38.0
% Change	-2.4%	79.5%	11.5%	15.7%	14.5%

Ratios

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profitab. & Return					
Interest yield (%)	8.2	8.2	9.1	9.2	9.2
Cost of funds (%)	4.8	4.4	5.2	5.4	5.3
Spread (%)	3.4	3.8	3.9	3.8	3.8
NIM (%)	2.8	3.4	3.5	3.5	3.6
ROE (%)	0.8	12.4	13.8	13.0	13.2
ROA (%)	0.05	0.8	1.0	1.0	1.0
Business Growth					
Loans & Advances (%)	3.3	16.4	11.8	11.6	12.8
Deposits (%)	7.8	2.8	11.2	9.6	10.2
Operating Ratios					
Cost to Income (%)	61.9	60.6	61.5	60.5	60.9
CASA (%)	33.2	34.4	32.1	30.0	29.0
Asset Quality					
GNPA (%)	5.9	5.1	4.5	4.6	4.8
NNPA (%)	2.9	1.8	1.4	1.4	1.4
Capital Adequacy					
CAR (%)	15.9	17.3	15.6	15.6	15.6
Valuation					
P/E (x)	110.8	6.4	4.7	5.1	4.5
P/B (x)	0.9	0.7	0.7	0.6	0.6
Adj. P/B (x)	1.7	0.9	0.8	0.7	0.6



Recommendation Summar (last 3 years)



Dates	Rating	Target
28.Oct.21	Accumulate	11
28.Jan.22	Accumulate	10
31.Oct.22	Accumulate	15
31.May.23	Buy	21
12.Feb.24	Buy	40
25.Jul.24	Accumulate	32
29.Oct.24	Accumulate	27

Ratings	Large caps	Midcaps	Small caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

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

Symbols definition: ▲ Upgrade ● No Change ▼ Downgrade

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

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