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BUY
TP: Rs 46 | ↑ 24%

SOUTH INDIAN BANK | Banking | 25 March 2026

AQ improvement drives RoA recovery, supports re-rating

- **Portfolio recalibration towards granular retail and MSME segments; AQ improves as legacy stress eases and share of new book increases**
- **Improving earning profile largely driven by lower credit costs and operating leverage; RoA up to 1.0% in 9MFY26 vs low of 0.06% in FY21**
- **Initiate coverage on SIB with a BUY and TP of Rs 46 (0.9x FY28E ABV) vs 1YF P/ABV of 0.8x and 3Y avg P/ABV of 0.7x**

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Loan mix recalibration towards retail and MSME strengthens quality growth: South Indian Bank (SIB) continues to pivot towards high-yielding retail and MSME segments. Retail growth has remained robust at 22%+ YoY over the past few quarters, mainly led by gold loans, ramping up the share to 28.1% in Q3FY26 (vs 24.9% in FY21). MSME share declined sharply to 14.2% in Q1FY26 (vs 32.7% in FY21), due to asset quality (AQ) stress during Covid and Kerala floods. However, the share has stabilised since, with growth resuming from Q2FY26 and share inching up to 14.5% in Q3FY26. SIB aims reducing corporate share to ~33% over the medium term (vs 39.6% currently). Gold loans have scaled up to ~22% (vs ~15% in FY21), supporting secured growth. We expect overall loan growth to be driven by retail and MSME book, aiding portfolio granularity and yield improvement.

Legacy stress eases as robust new book drives AQ: AQ has improved significantly with total stressed assets falling to Rs 11.1bn or 1.2% of net loans as of Q3FY26 vs Rs 57.9bn or 9.7% in FY22. A focused clean-up, tighter & selective underwriting standard of new book from Sep'20 and accelerated write-offs have improved risk profile. New book accounts for 85% of gross loans as of Q3FY26 with a low GNPA ratio of 0.5% in the last few quarters vs. 15.1% in the old book. In addition, SIB improved its PCR excluding w/off to 83.5% in Q3FY26 from a low of 34% in FY21, indicating adequate cover to absorb any potential loan defaults.

Improving earnings profile mainly on lower credit costs: Improving AQ led to a sharp decline in credit costs to 0.6% in 9MFY26 from 2.6% in FY21. This normalisation, along with falling C/I ratio to 57.2% (Q3FY26) vs ~61-62% during FY22-24, led to an improvement in RoA to 1.0% (9MFY26) vs. low of 0.06% (FY21).

Valuation and key risks: SIB's strategic shift in the loan mix and improving AQ is expected to sustain earnings recovery. We expect SIB to deliver healthy return ratios with RoA/ RoE of 1.1%/ 13.2% by FY28E. We remain watchful of the management uncertainty (MD & CEO's term set to expire in Sep'26) and high share of NRI deposits (28.7% of total - Dec'25) amid West Asia war. Initiate coverage with BUY and TP of Rs 46 (0.9x FY28E ABV) vs 1YF P/ABV of 0.8x.

Ticker/Price	SIB IN/Rs 37
Market cap	US$ 1.0bn
Free float	100%
3M ADV	US$ 10.9mn
52wk high/low	Rs 47/Rs 22
Promoter/FPI/DII	0%/21%/14%

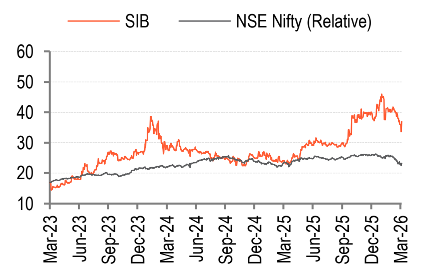
Source: NSE | Price as of 25 Mar 2026

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
NII (Rs mn)	34,856	33,982	39,990
NII growth (%)	4.6	(2.5)	17.7
Adj. net profit (Rs mn)	13,029	13,879	15,904
EPS (Rs)	5.0	5.3	6.1
Consensus EPS (Rs)	5.0	5.4	6.0
P/E (x)	7.4	7.0	6.1
P/BV (x)	1.0	0.9	0.8
ROA (%)	1.1	1.0	1.1
ROE (%)	13.8	12.9	13.1

Source: Company, Bloomberg, BOBCAPS Research

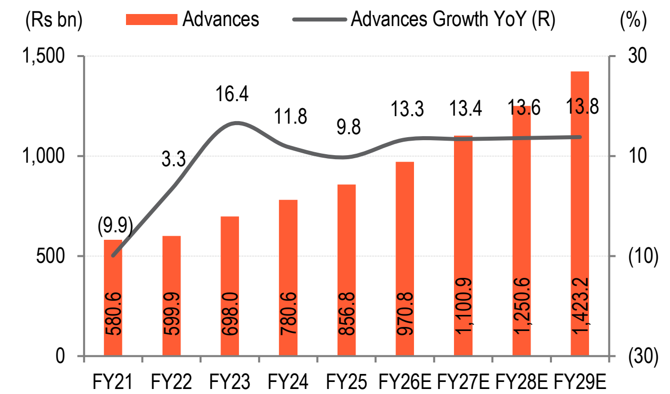
Stock performance



Source: NSE

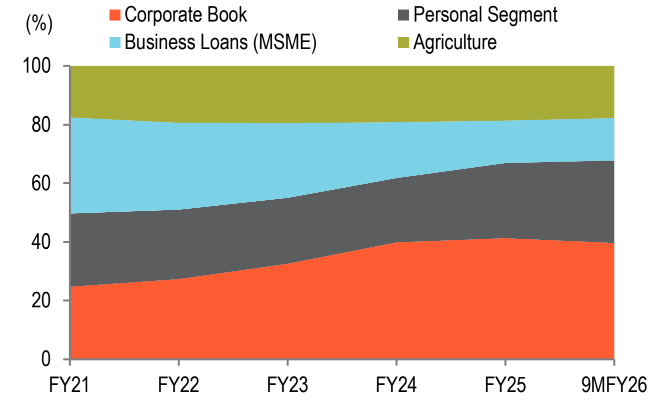
Story in charts

Fig 1 – Advances growth expected to improve…



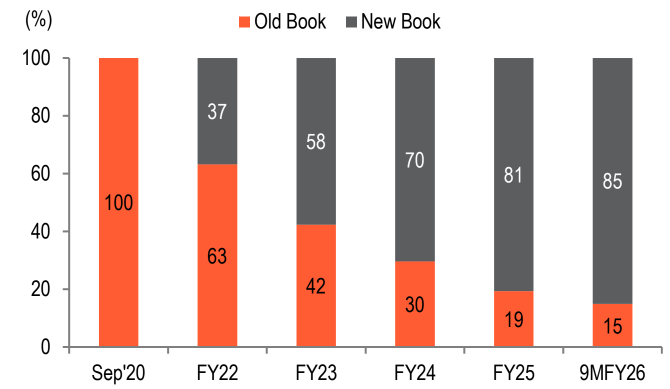
Source: Company, BOBCAPS Research

Fig 2 – …with focus on increasing share of retail and MSME segments



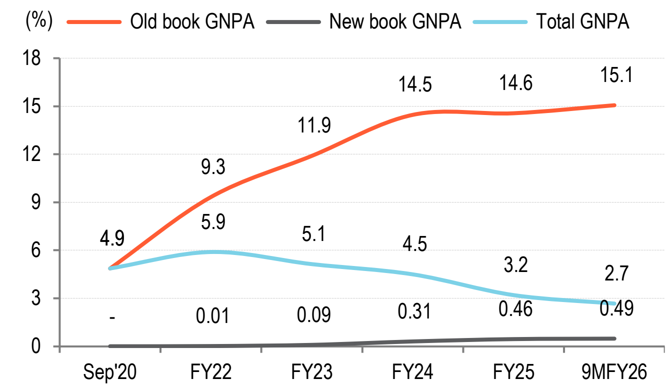
Source: Company, BOBCAPS Research

Fig 3 – Old legacy book share with relatively weak AQ on a declining trend



Source: Company, BOBCAPS Research

Fig 4 – New book has shown pristine AQ



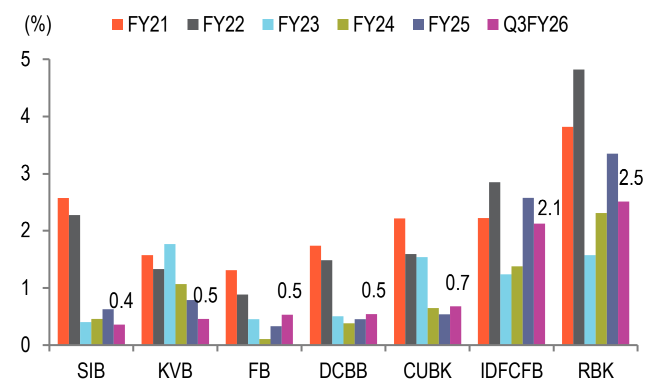
Source: Company, BOBCAPS Research

Fig 5 – Stress book on a declining trend

Stressed assets	FY21	FY22	FY23	FY24	FY25	Q3FY26
SMA2	NA	8.9	5.6	5.2	2.9	3.5
Rest Std Assets	12.8	24.2	15.2	7.7	3.2	2.2
Net SR	4.9	7.0	1.7	0.9	1.2	1.2
NNPA	27.3	17.8	12.9	11.3	7.9	4.3
Total stress (TS)	**45.0**	**57.9**	**35.3**	**25.2**	**15.1**	**11.1**
TS % of tier 1	74.6	95.7	51.9	28.4	15.9	12.0
TS % Net advances	7.8	9.7	5.1	3.2	1.8	1.2
TS % Standard advances	8.1	9.9	5.2	3.3	1.8	1.2

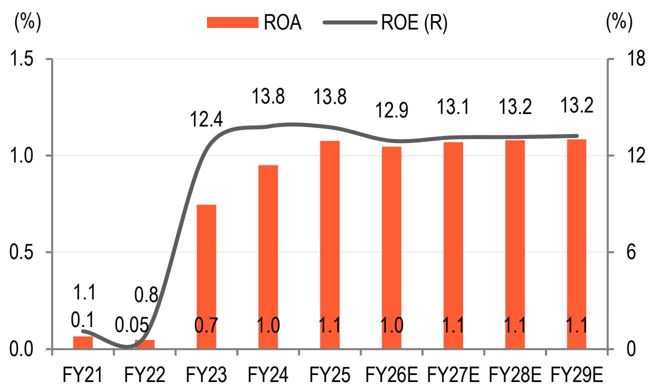
Source: Company, BOBCAPS Research

Fig 6 – Improved AQ led to better credit cost vs peers…



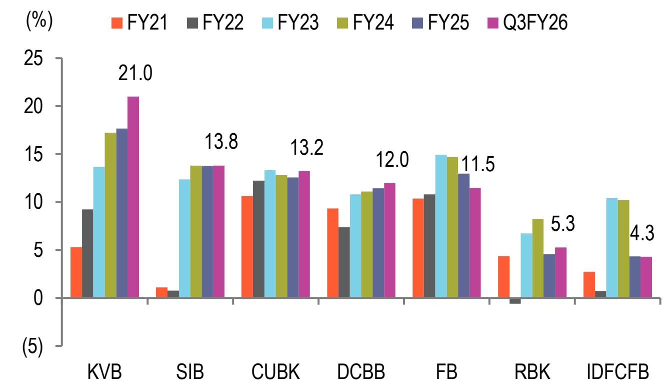
Source: Company, BOBCAPS Research

Fig 7 – …leading to sustained earnings recovery with ROA of ~1%



Source: Company, BOBCAPS Research

Fig 8 – SIB's ROE better vs peers



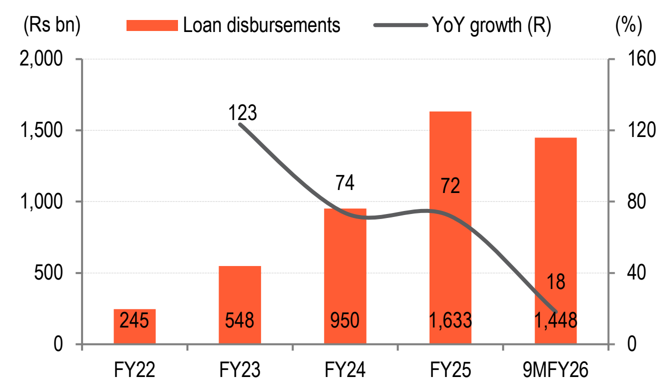
Source: Company, BOBCAPS Research

Advances growth improving with focus on retail and MSME

SIB's net advances growth was modest over the past few years, expanding at ~6% CAGR over FY20–FY25 compared to ~9%+ for peers. The moderate growth was driven by the bank's focus on balance-sheet repair and the cleanup of its legacy stressed assets. However, advances growth momentum has gradually picked up with net advances up by 12.2% YoY in Q3FY26, supported by traction in granular segments and revamping of its loan origination systems (LOS) for retail and MSME segments in collaboration with the Nucleus and Newgen teams. With the help of analytics compared to manual underwriting, turnaround time (TAT) reduced and resulted in higher disbursements of Rs 1.6trn (+72% YoY) in FY25 vs. Rs 245bn in FY22.

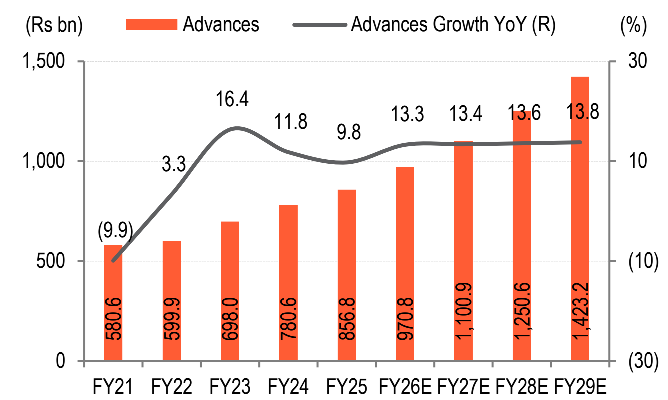
Strategically, the bank is rebalancing the loan mix towards higher-yielding retail (28% of gross loans as of Dec'25) and MSME (14.5%) segments, while gradually moderating its exposure to large corporates. Corporate loans accounted for ~40% of gross advances as of Dec'25, though management aims to reduce this to ~33% over the medium term as retail and MSME scales up. Meanwhile, gold loans (~22% of the book) have emerged as a key growth driver, while MSME portfolio gradually stabilising following a multi-year cleanup phase, positioning the advances book for more granular and risk-calibrated growth ahead.

Fig 9 – Disbursements rising with revamping of LOS…



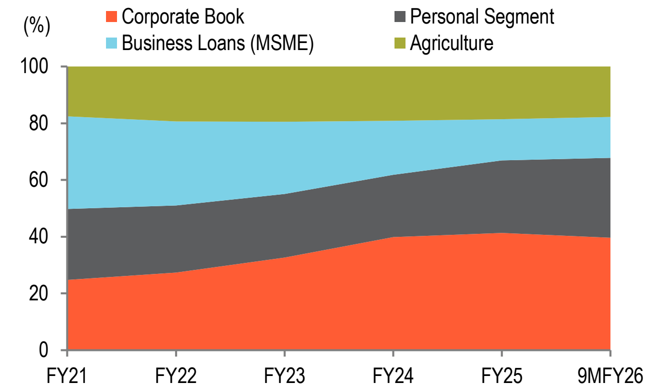
Source: Company, BOBCAPS Research

Fig 10 – …leading to gradual uptick in advances



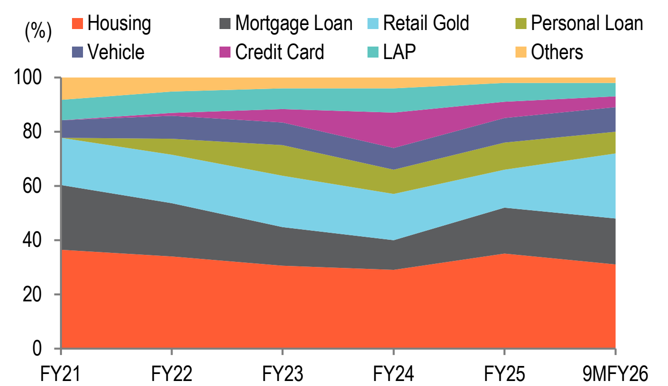
Source: Company, BOBCAPS Research

Fig 11 – Advances mix – focus on retail and MSME…



Source: Company, BOBCAPS Research

Fig 12 – …Retail mix – high emphasis on gold loans



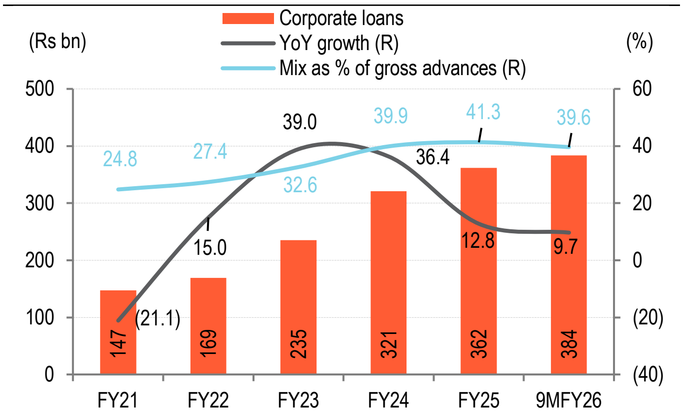
Source: Company, BOBCAPS Research

Corporate Book – target to reduce mix as elevated share of high rated book impacting margins

In the last five years, the bank ramped up its corporate book mix to 41.3% in FY25 from 24.8% in FY21. The increase was largely driven by its focus on high rated corporates, as the share of A and above rated increased to 100% in FY25 from 63% in FY21. While this helped manage the asset quality and improve capital efficiency, margins were impacted.

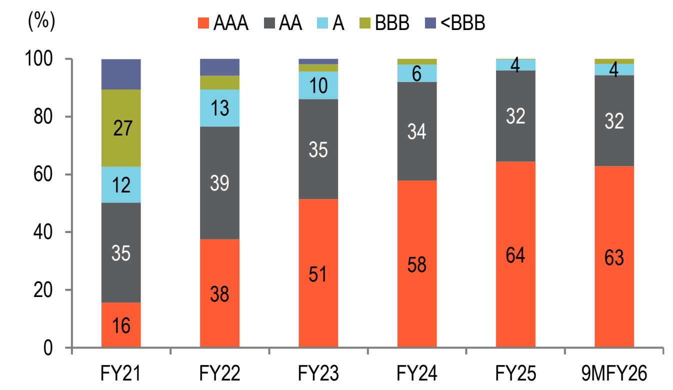
As a result, management plans to reduce the share of corporate segment to 33% in near term vs 39.6% in 9MFY26. This was evident in the disbursement trend wherein the share of corporate segment decreased to 75% of total disbursement in Q3FY26 vs 86% in Q3FY25. Management indicated that the underlying core corporate book was largely flat, with incremental activity concentrated in short-tenor transactional banking exposures. This ensures that the bank avoids being locked into low-yield, long-duration corporate loans, while retaining balance sheet agility to redeploy capital into higher-yield retail and MSME segments as they scale.

Fig 13 – Corporate loans targeted to reduce to 33% of total mix..



Source: Company, BOBCAPS Research

Fig 14 – Share of high rated corporate* improved over the years contributing to better AQ, but impacting NIMs…



Source: Company, BOBCAPS Research ; *Note: Standard advance above Rs 1bn

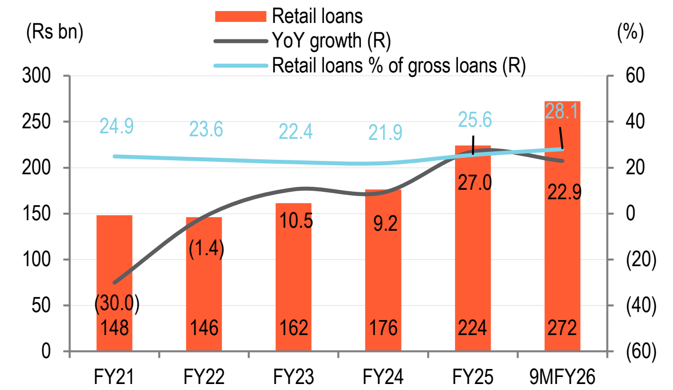
Retail segment – largely driven by focus on gold loans

Retail loans remain SIB's second largest segment with ~28% share of gross loans as of Q3FY26. Housing, mortgage loan and Retail gold segments accounted for ~72% of retail book. However, share of housing declined to 31% (Q3FY26) from 37% (Q3FY25), as the bank is not competing at lower yields offered by peers. Retail gold is driving growth in the retail segment, rising to Rs 65.3bn (+2.5x YoY) as of Q3FY26.

Gold loans (including agri) increased at 17% CAGR to Rs 169.8bn during FY21-FY25, thereby supporting both yield optimisation and risk-managed growth. Further, gold loans (including agri) increased at a high pace of 26% YoY to Rs 213bn as of Q3FY26. SIB also undertakes co-lending in the gold segment, which would be ~Rs 15bn or 7% of total gold book. Share of gold loans (including agri) rose to 22% of gross loans in Q3FY26 from 15% in FY21.

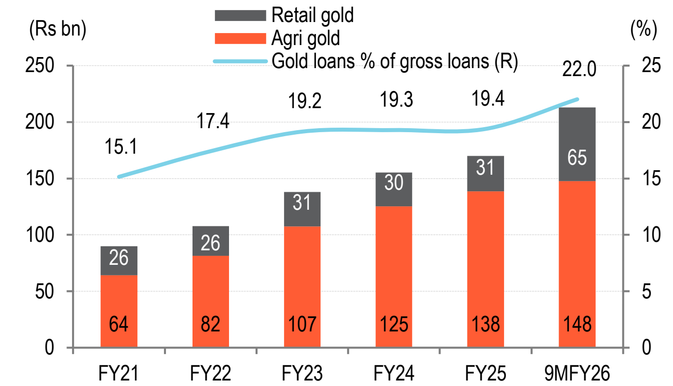
We note that share of retail gold to total gold loans increased at a high pace to 30.7% (Q3FY26) from 15.7% (Q3FY25), which has relatively higher yields at 14%+ on floating basis vs agriculture gold at 10%+ on fixed rate. Overall expansion in gold portfolio has been accompanied by a steady increase in average ticket size to Rs 0.25mn in Q3FY26 from Rs 0.16mn in FY23, while risk has been moderated through a low LTV to ~55% (Q3FY26) from ~78% (FY23), reinforcing the segment's low credit-risk profile. Further, gold loan attracts zero risk weight, which supports the bank's high capital ratios with Tier I of 16.9% (Dec'25).

Fig 15 – Retail loans grew ~11% CAGR in FY21-25 with focus on gold loans…



Source: Company, BOBCAPS Research

Fig 16 – …rising share of gold loans that accounted for 22% of gross loans as of 9MFY26



Source: Company, BOBCAPS Research

MSME – focus on high-yield segment

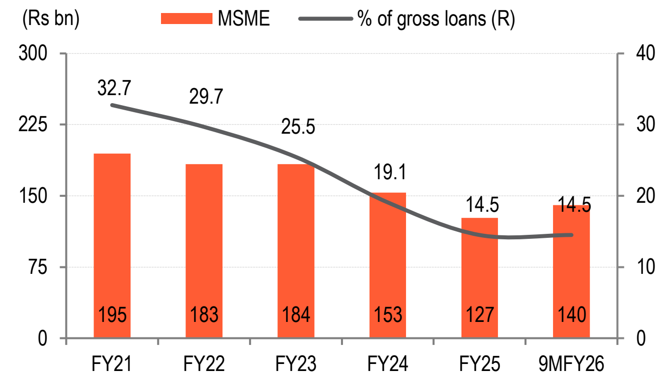
SIB has strengthened MSME franchise through a structured set of operational and product-led initiatives aimed at accelerating disbursements while maintaining portfolio quality. The bank has created a dedicated MSME vertical with relationship and sales managers, supported by performance-linked incentives to drive front-end sourcing. Growth is increasingly being directed through a sector-focused lending approach, enabling targeted expansion while managing risk concentrations. Operational efficiency is also improving through technology-enabled renewals and branch empowerment for small-ticket MSME loans, which should accelerate turnaround times and improve customer experience. On the product side, the bank has revamped its MSME loan offerings and upgraded its GST-based underwriting platform (GST Power), including an increase in the maximum loan eligibility from Rs 20mn to Rs 50mn, which should expand the addressable borrower base and support scaling up of MSME portfolio.

The rebuilt MSME strategy is now anchored on two-segment structure.

- **MSME Business Group (MBG) (<Rs 20mn):** Branch-originated, digitally underwritten loans using GST data, bank statement and tax data. The book is granular and **high-yielding (~4-5% NIMs)**, with diversified risk. The monthly disbursements peaked at ~Rs 3bn in the month of Dec'25, with further scale-up planned. In addition, we expect this segment to benefit from RBI's recent regulatory changes for collateral-free lending limits to MSMEs of Rs 2mn vs. Rs 1mn earlier.
- **Emerging Corporate (ECG)/ RM-led MSME (Rs 20–350 mn):** Dedicated verticals with relationship-manager driven exposures across working capital, term loans, LRD and brownfield expansion. While yields are lower than MBG, the segment offers superior credit quality and stable risk-adjusted returns, enabling growth without elevating portfolio risk.

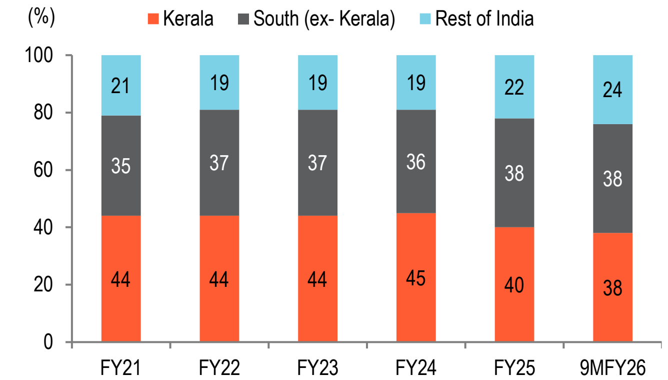
We note that MSME segment has undergone a transformation shift as its share declined to 14.2% (Q1FY26) from 32.7% (FY21). The segment witnessed tightened underwriting standards and undertook a prolonged legacy cleanup of stressed assets. However, with the cleanup largely behind, MSME loans have begun picking up on a YoY basis from Q2FY26 after several quarters of decline, signaling a structurally stronger risk profile and the early stages of a recovery-led growth phase. Further, average MSME loan increased to Rs 53.5mn in Q3FY26 from Rs 49.8mn in FY21. Although MSME sourcing continues to be concentrated in Kerala at 38% in 9MFY26, it has improved from 44% in FY21, indicating gradual geographic diversification. Management expects the segment share to increase and support margins.

Fig 17 – MSME advances share declined over the past few years, stabilising now with renewed focus…



Source: Company, BOBCAPS Research

Fig 18 – …with geographical concentration improving as Kerala's share declines



Source: Company, BOBCAPS Research

AQ improves on better quality new book

SIB's asset quality (AQ) has improved significantly with total stressed assets (NNPA+ restructured standard assets + SMA 2+ net SRs) falling to Rs 11.1bn or 1.2% of net loans and 12% of Tier I capital as of Q3FY26 vs a high of Rs 57.9bn or 9.7% of net loans and 95.7% of Tier I capital in FY22. This improvement was largely driven by its new underwriting strategy since Sep'20, which includes a) incremental disbursement to high rated corporates with credit rating of A and above, b) granular and selective MSME disbursement with revamping of LOS, c) focus on increasing share of gold and retail loans. Hence, the disbursements post Sep'20 are termed as new book.

We note that the new book forms a majority share of its gross loans at 85%, as of Q3FY26 with a low GNPA ratio of 0.5% in the last few quarters compared to 15.1% in the old book. However, share of old book declined to 15% as of Q3FY26 vs 63% in FY22. The low GNPA ratio in the new book is supported by better underwriting and rising share of A+ rated corporates at 96% (Dec'25) vs. 66% (Sep'20). As a result, the slippage ratio improved to 0.9% (annualised) in 9MFY26 compared to 1.5% in FY25, driven by improvement across segments. Hence, the bank's GNPA ratio improved to 2.7% in Q3FY26 compared to 7.0% in FY21, also supported by high write-off of Rs 10.4bn (+3.2x YoY) in FY25. The high write-off included one-time technical write-off of Rs 9bn, mainly related to legacy MSME exposures. A focused clean-up and tighter risk framework have since improve portfolio quality.

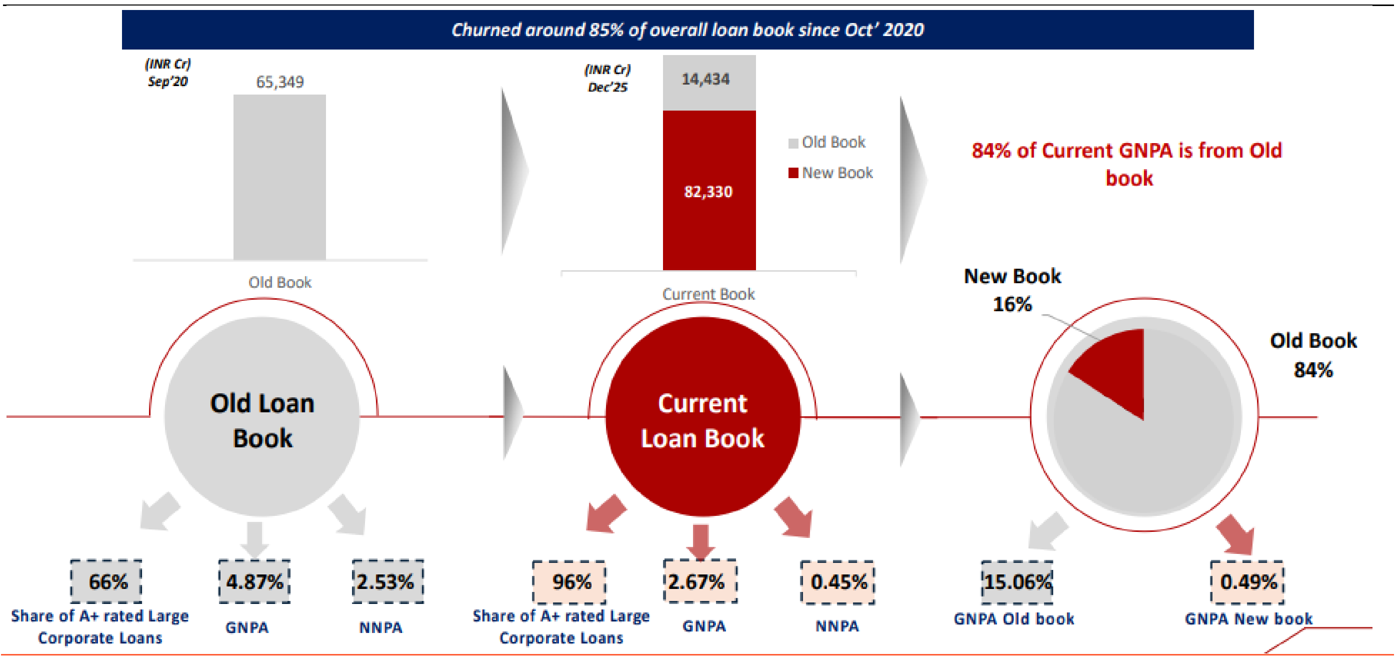
As the legacy-related drag continues to improve, the SMA 2 book remains marginal at 0.4% of gross loans. The bank has significantly improved its provision coverage ratio excluding write-off to 83.5% in Q3FY26 from a low of 34% in FY21, indicating adequate cover to absorb any potential loan defaults.

Fig 19 – Stress book indicating lower stress pipeline

Stressed assets	FY21	FY22	FY23	FY24	FY25	Q1FY26	Q2FY26	Q3FY26
SMA2	NA	8,920	5,590	5,210	2,880	4,150	3,060	3,470
Restructured Standard Assets	12,770	24,170	15,160	7,720	3,170	2,770	2,410	2,150
Net Security Receipts (SR) NAV	4,885	7,030	1,660	900	1,193	1,193	1,193	1,193
NNPA	27,345	17,778	12,936	11,346	7,905	5,914	5,058	4,259
Total Stress (TS)	**45,000**	**57,898**	**35,346**	**25,175**	**15,148**	**14,027**	**11,721**	**11,072**
TS % of tier 1	**74.6**	**95.7**	**51.9**	**28.4**	**15.9**	**14.8**	**12.7**	**12.0**
TS % Net advances	**7.8**	**9.7**	**5.1**	**3.2**	**1.8**	**1.6**	**1.3**	**1.2**
TS % Standard advances	**8.1**	**9.9**	**5.2**	**3.3**	**1.8**	**1.6**	**1.3**	**1.2**

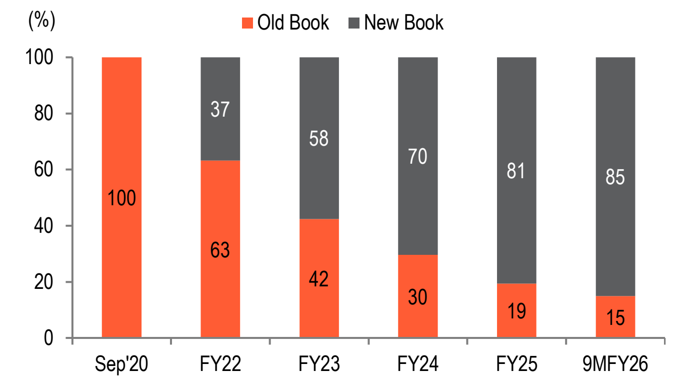
Source: Company, BOBCAPS Research

Fig 20 – New vs old book- Significant business transformation since Sep 2020



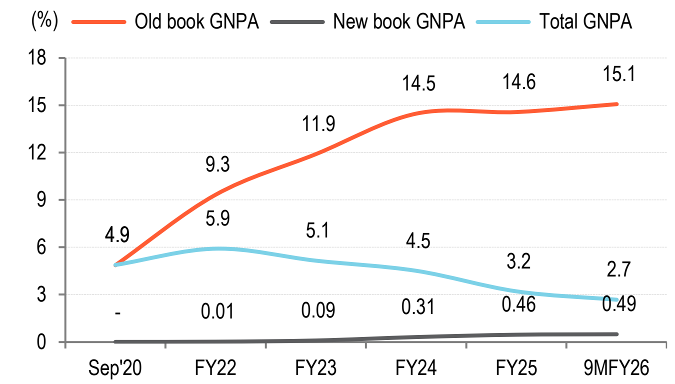
Source: Company

Fig 21 – Declining share of stressed Old book to benefit asset quality…



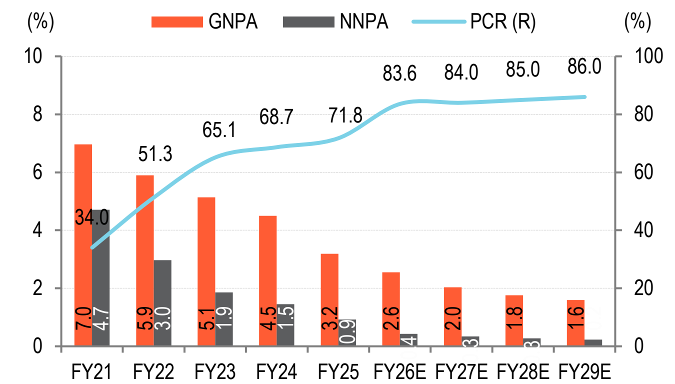
Source: Company, BOBCAPS Research

Fig 22 – Total GNPA declining as share of low delinquent new book increases



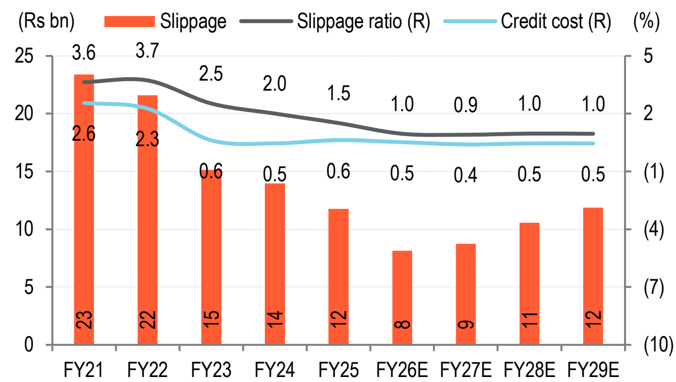
Source: Company, BOBCAPS Research

Fig 23 – Overall AQ improving



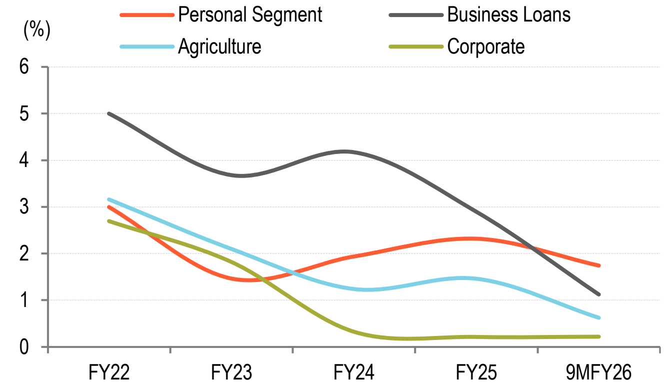
Source: Company, BOBCAPS Research

Fig 24 – Slippages trend lower, remaining below 1% in recent quarters



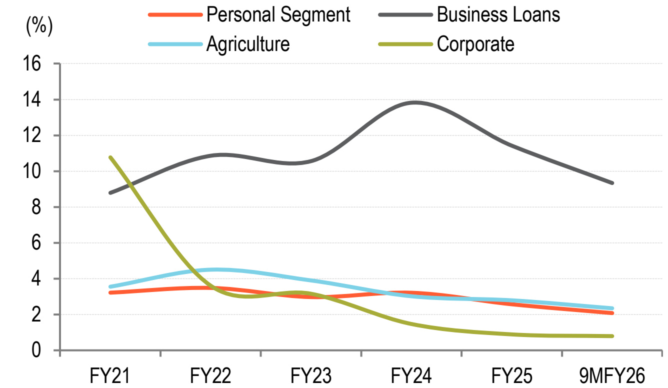
Source: Company, BOBCAPS Research

Fig 25 – Slippage ratios improved meaningful across sectors over the years



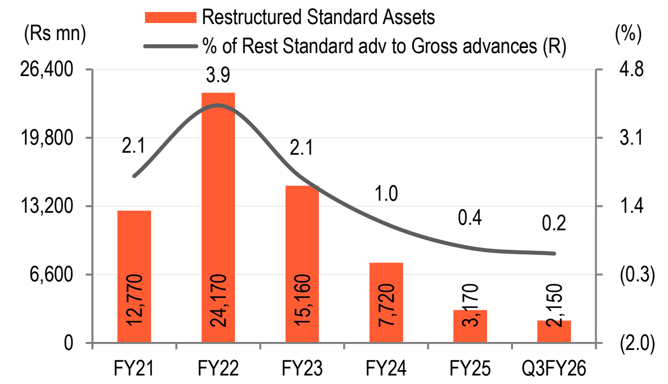
Source: Company, BOBCAPS Research

Fig 26 – GNPA ratios for all segments improved



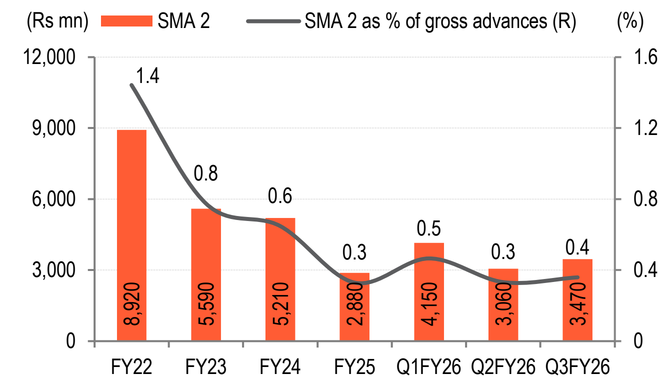
Source: Company, BOBCAPS Research

Fig 27 – Legacy restructured pool continues to shrink



Source: Company, BOBCAPS Research

Fig 28 – Early buckets indicating stress is behind



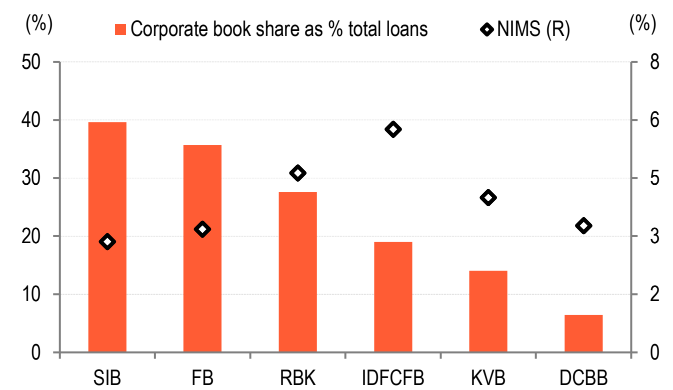
Source: Company, BOBCAPS Research

Structural RoA expansion mainly on benign credit costs

SIB's profitability was impacted adversely during FY20-22 mainly due to elevated credit costs (2.3%-2.6%) arising from legacy MSME stress portfolio. With rise in share of better-quality new book to 85% of gross loans in 9MFY26 vs. 37% in FY22, the credit cost improved significantly to 0.6% in 9MFY26. SIB's NIMs at 2.86% (Q3FY26) remains lower than peers given its relatively high share of corporate book (39.6% in Q3FY26) and repo rate cuts & its pass-through policy of T+1 days. However, the rise in share of new book towards high-yielding portfolio (MSME, retail and gold) along with lower cost of deposit (5.34% in Q3FY26) vs peers is expected to support its margins.

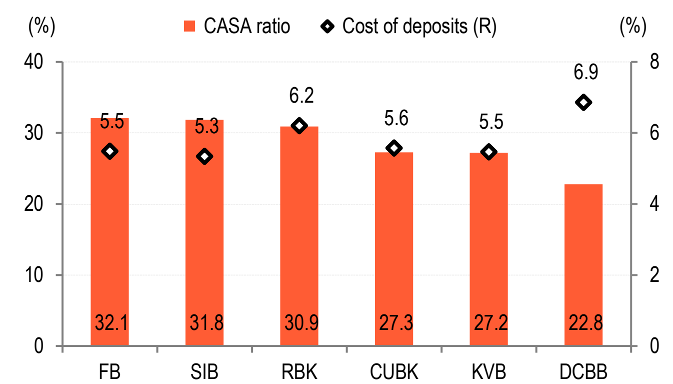
Return ratios were also supported by operating leverage as witnessed by a decline in the cost to income ratio to 57.2% (Q3FY26) vs ~61-62% during FY22-24. This benefitted from headcount rationalisation (9,448 in Q3FY26 vs 9,836 in FY24), branch reduction (948 in Q3FY26 vs 955 in FY24) and productivity initiatives, including the Branch Sales Value Added[1] framework (189% in Q3FY26 vs 100% in FY24). In addition, to improve productivity, the bank is reassigning staff to customer-facing roles vs backend support functions and aspires for a tooth-to-tail ratio of 85:15 vs 79:21 as of Q3FY26. The improvement in credit cost and operating leverage playing out, resulted in RoA/RoE improvement to 1%/12.6% in 9MFY26 from 0.1%/1.1% in FY21. Management expects RoA to increase to 1.15% - 1.2% by FY26E, supported by high-yielding portfolio growth and benign credit costs. We believe that as the legacy book runs down and growth largely to be led by the new book, credit costs should remain structurally lower, supporting sustainable RoA expansion and valuation re-rating.

Fig 29 – NIMs relatively lower vs peers, given the high share of corporate book (Q3FY26); but focus on high-yielding new book to support margins…



Source: Company, BOBCAPS Research

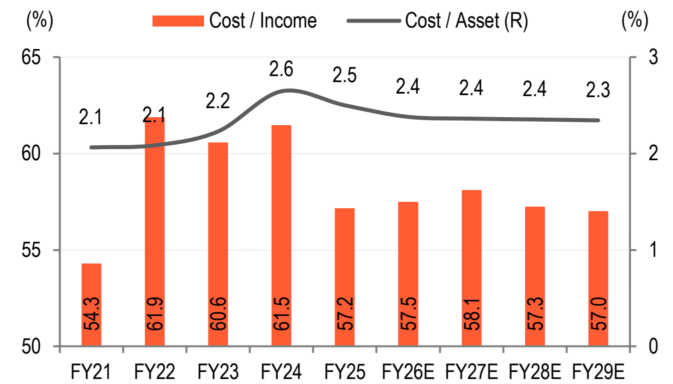
Fig 30 – …along with cushion from high CASA & lower CoD vs peers (Q3FY26)



Source: Company, BOBCAPS Research

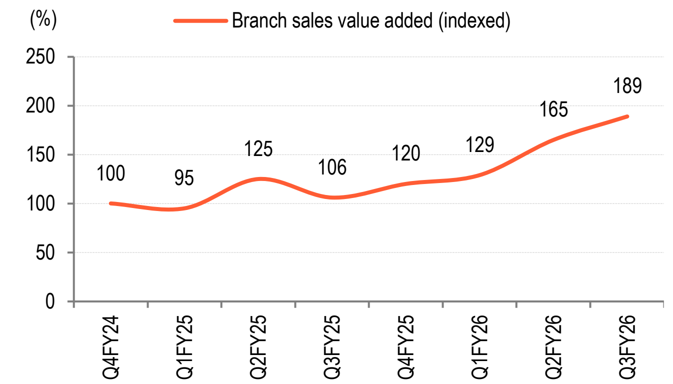
[1] *Same Store Sales are compared by computing the NPV of new product sales / incremental balances in existing accounts basis historical trends.*

Fig 31 – Operating leverage playing out with improvement in C/I ratio...



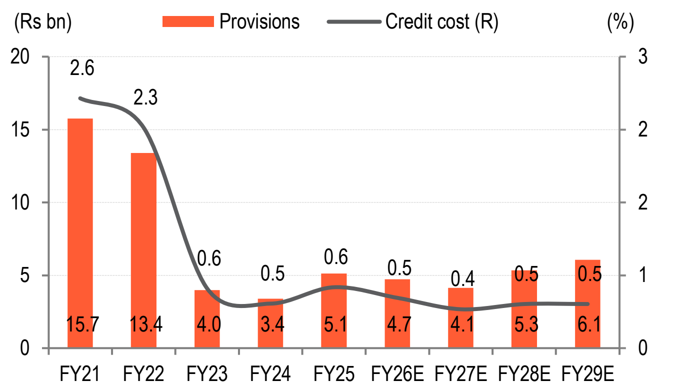
Source: Company, BOBCAPS Research

Fig 32 – …as witnessed by sustained traction in Branch sales value added (indexed)



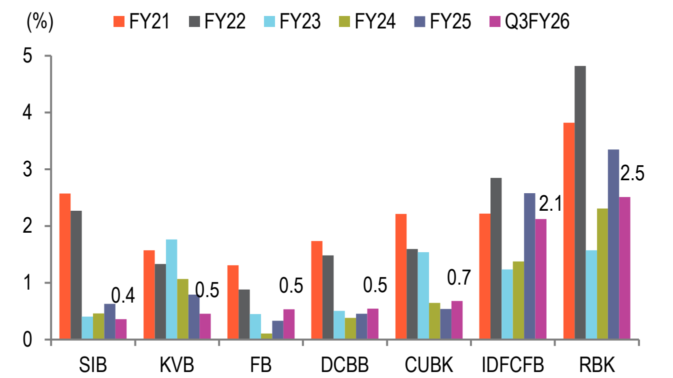
Source: Company, BOBCAPS Research | Figures are rebased to 100 as on Q4 FY24

Fig 33 – Steep improvement in credit costs with run-down in stressed legacy book…



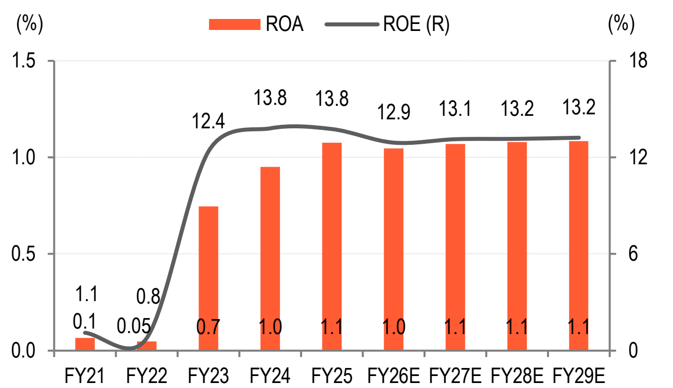
Source: Company, BOBCAPS Research

Fig 34 – …resulting in the lowest credit cost vs peers



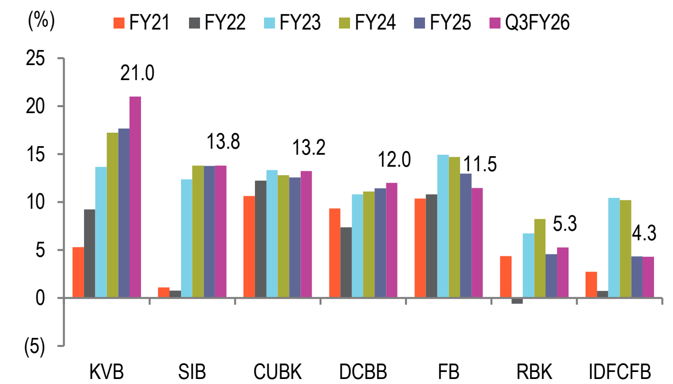
Source: Company, BOBCAPS Research

Fig 35 – Operating leverage and low credit cost resulted in an improvement in RoA profile..



Source: Company, BOBCAPS Research

Fig 36 – …Improved RoE profile vs peers



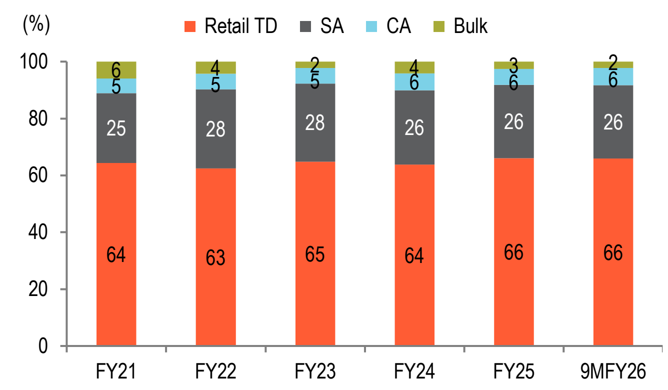
Source: Company, BOBCAPS Research

Deposit base remains granular, aiding margins

Deposit base grew by 12.2% YoY to Rs 1,182bn as of Dec'25 and remains granular in nature with steady CASA inflows and strong NRI franchise. Share of retail deposits (CASA + retail term deposits) remained strong at 97.8%, as of Dec'25 vs 97.2% as of Dec'24. Of which, CASA deposits remained steady in the ~31-32% range in the last few quarters. Also, the bank has a relatively high share of NRI deposits, which accounted for 28.7% of total deposits as of Dec'25. The top 20 deposits as percentage of total deposits at 2.7% in FY25 were the lowest among peers, reflecting granular deposit base.

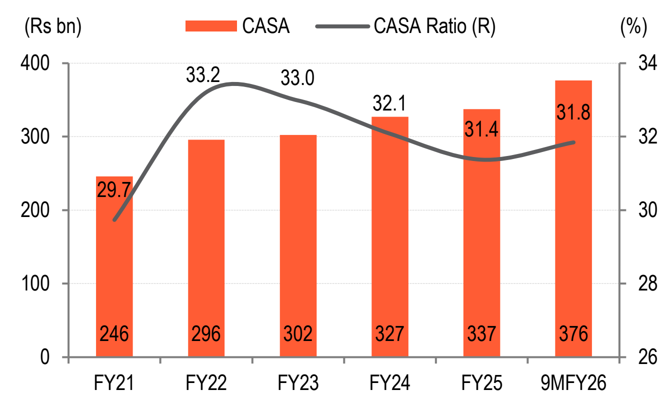
We note that the bank's high share of retail granular deposits results in a low cost of deposits amongst peers at 5.3% in Q3FY26 (5.4% in FY25) and supports margins. In addition, around 20% of deposits are expected to be repriced in Q4FY26, which is likely to result in lower CoF in a softening cycle, thus aiding the margins. SIB has a trusted liability franchise with sticky customer base; though the adverse impact of West Asia war will continue being monitorable on its NRI deposits.

Fig 37 – Deposit mix remains largely retail and granular…



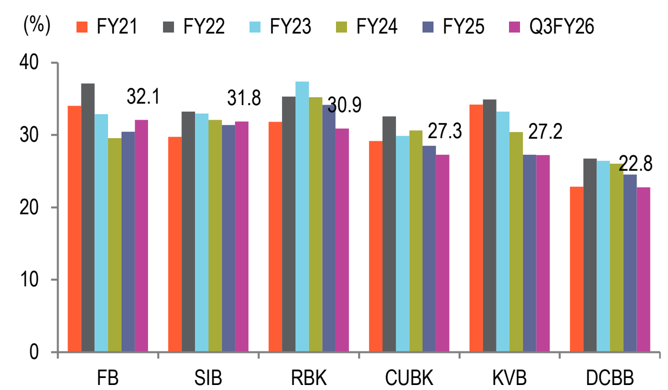
Source: Company, BOBCAPS Research

Fig 38 – …CASA base remains sticky at ~31-32%



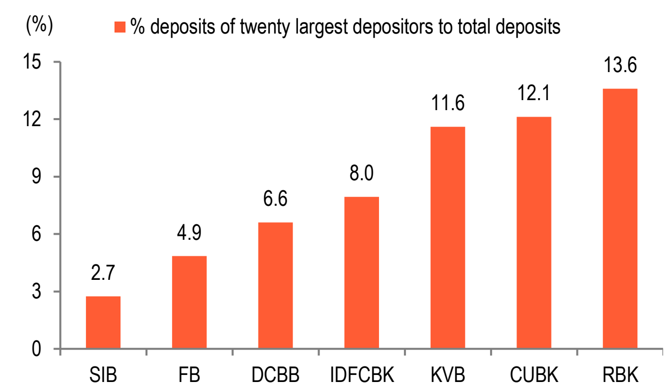
Source: Company, BOBCAPS Research

Fig 39 – CASA share remains relatively better vs peers



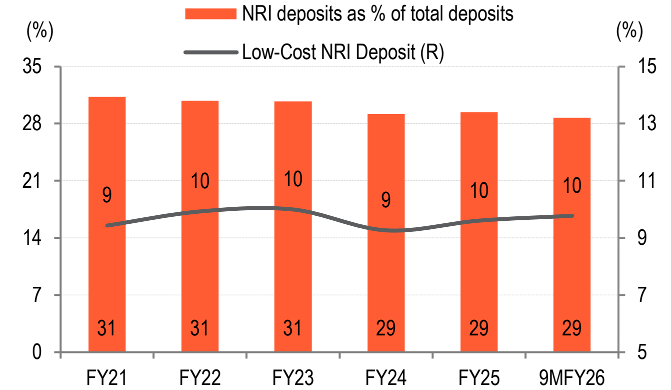
Source: Company, BOBCAPS Research

Fig 40 – Top 20 depositors share stays the lowest amongst peers (FY25), indicating granular deposit base…



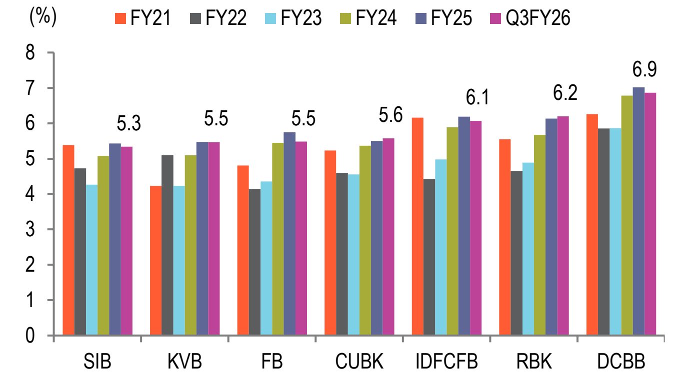
Source: Company, BOBCAPS Research

Fig 41 – Further aided by stable low-cost NRI deposits…



Source: Company, BOBCAPS Research

Fig 42 – …aiding in lowest CoD amongst peers



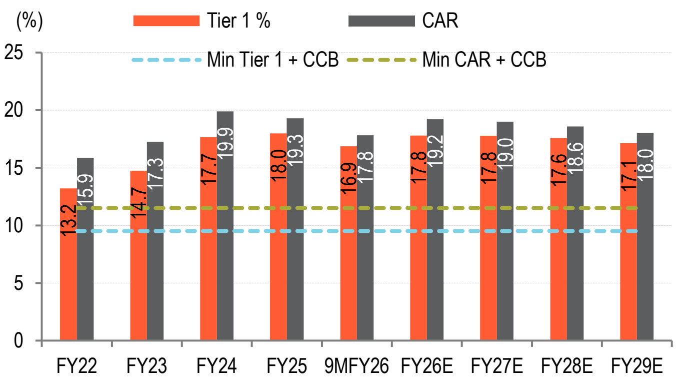
Source: Company, BOBCAPS Research

Adequate capital aided by equity infusion and internal accruals

SIB strengthened its capital base through a rights issue of Rs 11.5bn in FY24. Following the capital infusion, Tier-1 capital ratio improved to 17.65% in Q4FY24 vs 13.37% in Q3FY24, providing a strong buffer to support the balance sheet growth. The strengthened capital base, along with improving profitability, helped sustain adequate capital ratios.

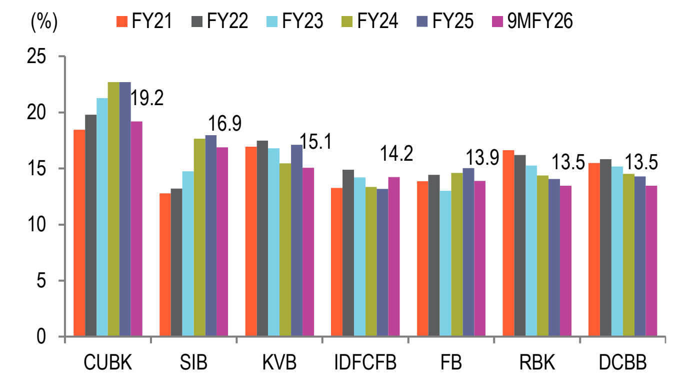
Further, the bank's Tier-I improved to 16.88% as of Dec'25 (16.68% as of Dec'24), supported by healthy return ratios and favourable loan mix in terms of high share of gold loans and rising share of high rated corporate portfolio (98% of corporate is rated A and above). Notably, gold (jewel) loans accounted for ~22% of gross advances, which attract nil risk weights, thereby resulting in the lowest RWA-to-total assets vs peers at ~39.6% in Q3FY26. We believe that SIB's capital profile will remain adequate in the medium term and supports future credit growth while maintaining comfortable regulatory headroom, backed by improving profitability and a favourable risk-weight assets profile.

Fig 43 – Capital ratios remain adequate, supported by internal accruals and favourable RWA profile



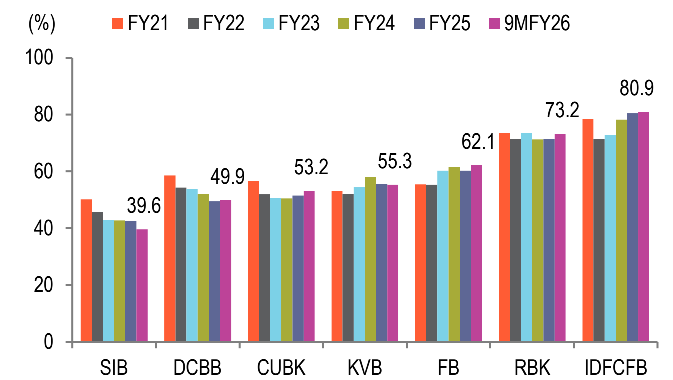
Source: Company, BOBCAPS Research

Fig 44 – Tier 1 remains relatively better vs peers



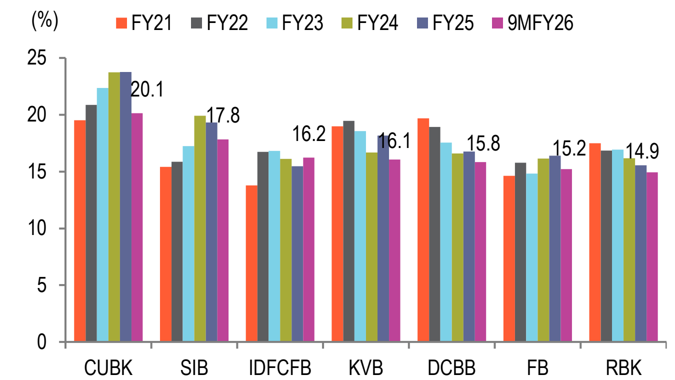
Source: Company, BOBCAPS Research

Fig 45 – RWA/Asset the lowest amongst peers, supported by high share of gold loans and high rated corporate book



Source: Company, BOBCAPS Research

Fig 46 – CAR remains relatively better vs peers



Source: Company, BOBCAPS Research

About the bank

Established in 1929, South Indian Bank (SIB) is a private sector bank based in Kerala. The bank operates with a network of 948 branches and 1,269 ATMs across the country, as of Dec'25. SIB has a strong presence in South India which accounted for 63% of total advances as of Dec'25. The bank does not have any identified promoter and is owned by FII (20.9%), DII (13.8%) and public (65.3%) as of Dec'25.

Management

SIB's Board of Directors consists of 10 directors, of which 6 are independent directors (including a women director) as of Mar'25. We note that Mr. P R Seshadri (MD & CEO) is set to retire by Sep'26. Hence, the Board decided to take necessary steps to identify his successor and will also obtain RBI and shareholders' approval. A brief profile of the key management personnel is as below.

Fig 47 – Management profile

Name	Position	Background & Experience
Mr. Jose Joseph Kattoor	Non-Executive Part-Time Chairman (Independent Director)	He has over 3 decades of experience with the RBI, where he last served as Executive Director until June 2023. During his tenure at RBI, he handled key functions including enforcement, corporate strategy, currency management, and HR. He academic credentials include B.Sc, PGDRM (IRMA), LLB, CAIIB, and AMP from Wharton. He has been serving as an Independent Director since July 2024. He has been appointed as Non-Executive Part-Time Chairman (Independent Director) for a 3Y term w.e.f. March 23, 2026.
Mr. P R Seshadri	MD & CEO	He joined the bank as MD & CEO in Oct 2023. Former MD&CEO of Karur Vysya Bank, he has also headed many positions at Citibank group of companies. He holds Bachelor's degree in Electrical Engineering from the Delhi College of Engineering and a PGDM from IIM, Bangalore. His current tenure is set to conclude on September 30, 2026, and he has opted not to seek reappointment thereafter.
Mr. Dolphy Jose	Executive Director	He is a seasoned banker with 25+ years of experience. Of which, almost two decades of experience was at Kotak Mahindra Bank across the retail and commercial banking segments. Prior to SIB, he served as Chief General Manager & Group Head – Consumer Banking at Karur Vysya Bank.

Source: Company, BOBCAPS Research

Key Risks

- **Regional concentration risk –** SIB loan book is concentrated in South India, which accounted for ~63% of total gross loans as of Q3FY26, with Kerala alone contributing 31%. While this concentration has improved from a high of ~78% in FY21, it remains elevated and exposes the bank to local economic environment and regulatory changes.

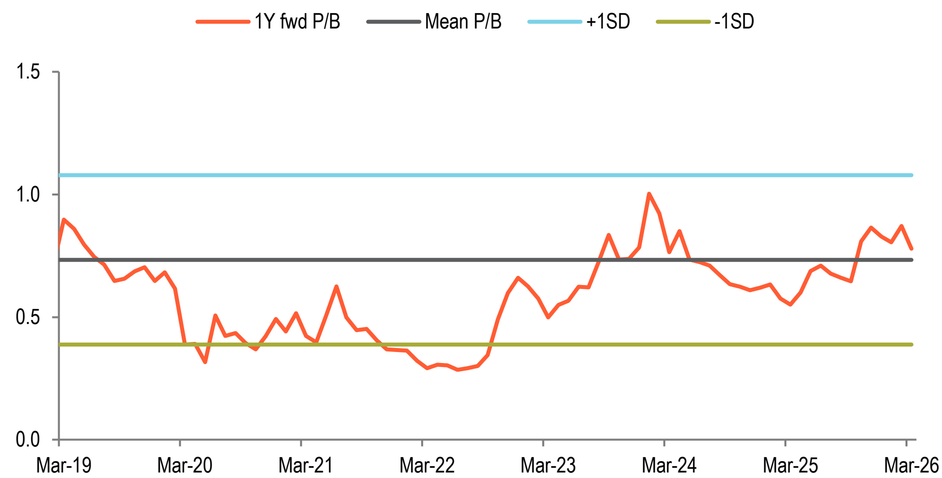
- **Management transition risk –** Mr. P.R. Seshadri (MD & CEO) has opted not to seek reappointment after his current term ending Sep'26. While he will continue until the completion of his tenure, the Board has initiated the process to identify a successor, subject to RBI and shareholder approvals.

- **High share of NRI deposits:** NRI deposits accounted for a high share at 28.7% of total deposits, as of Dec'25. Of which, a large part accrues from Gulf countries, which could be a cause of concern in terms of deposit mobilisation amid the ongoing West Asia war.

Valuation Methodology

SIB's adequate capital position (CET I of 16.9% as of Dec'25), strategic shift in the high-yielding granular loan mix to retail and MSME segments and improving AQ is expected to sustain its earnings recovery. We expect SIB to deliver healthy return ratios with RoA/ RoE of 1.1%/ 13.2% by FY28E. We remain watchful on management uncertainty (MD & CEO's term set to expire in Sep'26) and high share of NRI deposits (28.7% of total - Dec'25) amid West Asia war. Initiate coverage with BUY and TP of Rs 46 (0.9x FY28E ABV) vs. 1Y fwd P/ABV of 0.8x and 3Y avg P/ABV of 0.7x.

Fig 48 – SIB trades at 1YF P/ABV of 0.8x



Source: Company, BOBCAPS Research

Fig 49 – Key assumptions

Parameter	FY24	FY25	FY26E	FY27E	FY28E	FY29E
Advances (Growth YoY %)	11.8	9.8	13.3	13.4	13.6	13.8
Net Interest Income (Growth YoY %)	10.6	4.6	-2.5	17.7	16.6	15.4
PPoP (Growth YoY %)	23.9	21.5	2.9	8.5	15.6	13.6
PAT (Growth YoY %)	38.1	21.8	6.5	14.6	13.1	13.6
NIM (%)	3.3	3.2	2.9	3.0	3.1	3.2
GNPA (%)	4.5	3.2	2.6	2.0	1.8	1.6
CAR (%)	19.9	19.3	19.2	19.0	18.6	18.0

Source: Company, BOBCAPS Research

Fig 50 – Valuation summary

Parameter	(%)
Cost of equity (%)	12.5
Blended ROE (%)	11.5
Initial high growth period (yrs)	10.0
Payout ratio of high-growth phase (%)	15.0
Long-term growth (%)	2.9
Long term dividend payout ratio (%)	75.0
Justified P/BV Multiple (x)	0.9

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26E	FY27E	FY28E	FY29E
Net interest income	**34,856**	**33,982**	**39,990**	**46,638**	**53,835**
NII growth (%)	4.6	(2.5)	17.7	16.6	15.4
Non-interest income	18,134	20,986	20,530	21,935	23,624
Total income	52,991	54,968	60,520	68,573	77,459
Operating expenses	30,290	31,609	35,169	39,259	44,161
PPOP	22,701	23,359	25,351	29,315	33,297
PPOP growth (%)	21.5	2.9	8.5	15.6	13.6
Provisions	5,132	4,730	4,146	5,339	6,071
PBT	17,569	18,629	21,205	23,976	27,226
Tax	4,540	4,750	5,301	5,994	6,807
Reported net profit	**13,029**	**13,879**	**15,904**	**17,982**	**20,420**
Adjustments	0	0	0	0	0
Adjusted net profit	**13,029**	**13,879**	**15,904**	**17,982**	**20,420**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26E	FY27E	FY28E	FY29E
Equity capital	2,616	2,617	2,617	2,617	2,617
Reserves & surplus	98,460	1,11,184	1,25,810	1,42,362	1,61,211
Net worth	1,01,077	1,13,801	1,28,427	1,44,979	1,63,828
Deposits	10,75,256	12,08,456	13,53,471	15,29,422	17,31,306
Borrowings	43,005	57,521	52,919	53,449	53,983
Other liab. & provisions	27,214	27,187	33,596	37,031	50,724
Total liab. & equities	**12,46,551**	**14,06,966**	**15,68,413**	**17,64,880**	**19,99,841**
Cash & bank balance	1,22,601	91,571	90,308	1,00,901	1,14,941
Investments	2,17,772	2,91,464	3,18,012	3,46,754	3,90,706
Advances	8,56,821	9,70,778	11,00,862	12,50,579	14,23,159
Fixed & Other assets	49,358	53,153	59,232	66,646	71,034
Total assets	**12,46,551**	**14,06,966**	**15,68,413**	**17,64,880**	**19,99,841**
Deposit growth (%)	5.5	12.4	12.0	13.0	13.2
Advances growth (%)	9.8	13.3	13.4	13.6	13.8

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26E	FY27E	FY28E	FY29E
EPS	5.0	5.3	6.1	6.9	7.8
Dividend per share	0.4	0.5	0.5	0.5	0.6
Book value per share	38.6	43.5	49.1	55.4	62.6

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26E	FY27E	FY28E	FY29E
P/E	7.4	7.0	6.1	5.4	4.7
P/BV	1.0	0.9	0.8	0.7	0.6
Dividend yield (%)	1.1	1.2	1.3	1.5	1.6

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26E	FY27E	FY28E	FY29E
Net interest income	2.9	2.6	2.7	2.8	2.9
Non-interest income	1.5	1.6	1.4	1.3	1.3
Operating expenses	2.5	2.4	2.4	2.4	2.3
Pre-provisioning profit	1.9	1.8	1.7	1.8	1.8
Provisions	0.4	0.4	0.3	0.3	0.3
PBT	1.5	1.4	1.4	1.4	1.4
Tax	0.4	0.4	0.4	0.4	0.4
ROA	1.1	1.0	1.1	1.1	1.1
Leverage (x)	12.8	12.3	12.3	12.2	12.2
ROE	13.8	12.9	13.1	13.2	13.2

Ratio Analysis

Y/E 31 Mar	FY25A	FY26E	FY27E	FY28E	FY29E
YoY growth (%)					
Net interest income	4.6	(2.5)	17.7	16.6	15.4
Pre-provisioning profit	21.5	2.9	8.5	15.6	13.6
EPS	9.6	6.5	14.6	13.1	13.6
Profitability & Return ratios (%)					
Net interest margin	3.2	2.9	3.0	3.1	3.2
Fees / Avg. assets	37.5	39.5	34.5	32.9	31.4
Cost-Income	57.2	57.5	58.1	57.3	57.0
ROE	13.8	12.9	13.1	13.2	13.2
ROA	1.1	1.0	1.1	1.1	1.1
Asset quality (%)					
GNPA	3.2	2.6	2.0	1.8	1.6
NNPA	0.9	0.4	0.3	0.3	0.2
Slippage ratio	1.5	1.0	0.9	1.0	1.0
Credit cost	0.6	0.5	0.4	0.5	0.5
Provision coverage	71.8	83.6	84.0	85.0	86.0
Ratios (%)					
Credit-Deposit	79.7	80.3	81.3	81.8	82.2
Investment-Deposit	20.3	24.1	23.5	22.7	22.6
CAR	19.3	19.2	19.0	18.6	18.0
Tier-1	18.0	17.8	17.8	17.6	17.1

Source: Company, BOBCAPS Research

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

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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