

Shubh **Nivesh**



CMP: ₹ 39

Target: ₹ 52 (33%)

Target Period: 6-12 months

BUY

April 27, 2026

Structural transformation on track...

About the stock: Established in 1929, South Indian Bank is old south based private sector bank headquartered in Thrissur, Kerala. Digitization, product & process innovation and granular sustainable growth remains key focus, enabling resilient performance amid change in asset mix.

- Advances mix: Corporates – 40%, Retail – 28%, Agri – 17%, MSME – 15%

Investment Rationale

- Structural shift toward granular segments to drive sustainable growth:** South Indian Bank is steadily transitioning towards a more granular and diversified loan book, with increasing focus on Retail, MSME and Gold segments, which offer superior yields and lower concentration risk. The bank's strategy to gradually reduce corporate exposure to ~one-third of the book (vs ~40% currently) is expected to improve portfolio quality over time. Strong capabilities in gold loan, a growing MSME franchise supported by digital underwriting, and a branch-led sourcing model provides a stable foundation for sustainable double-digit growth (>12%) while enhancing earnings visibility.
- Margin recovery cycle supported by mix improvement and liabilities discipline:** After multiple quarters of pressure from rate transmission, management indicated that NIMs are close to a trough, with Q3 showing early signs of stabilisation (up 6 bps QoQ to 2.86%). While near term margins may remain range-bound amid repo-linked repricing, mitigation levers—including controlled corporate growth, TD repricing, and a gradual tilt towards higher-yielding retail/MSME assets—are expected to support recovery over the medium term.
- Strong asset quality framework underpinning improving return ratios:** Bank has built robust asset quality framework, reflected in high provision coverage (~90%+), improving GNPA/NNPA trajectory, and a focus on recoveries exceeding incremental slippages. With credit cost guidance below 1% and legacy stress largely recognised, downside risk to earnings appears limited. Additionally, conservative underwriting, increased share of granular assets, and controlled exposure to riskier segments provide further resilience. As operating leverage improves and margins stabilise, RoA is expected to gradually improve towards ~1.1–1.2%, supporting a structurally stronger return profile.

Rating and Target Price

- Margin pressures are easing, asset quality remains resilient and execution on gradual loan-mix realignment continues, supporting sustained earnings growth and return ratio at ~1% in FY26-28E.
- Factoring improving fundamentals and sustained return ratios, we value the bank at ~1x FY28E ABV, assigning target of ₹52 per share. Recommend a BUY rating.



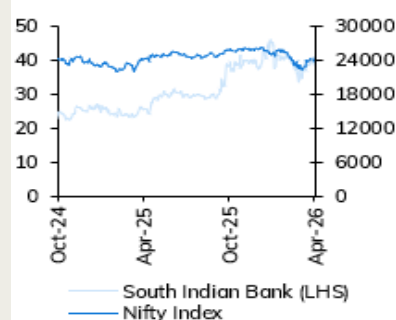
Particulars

Particulars	Amount
Market Capitalisation	₹ 10,125 crore
52 week H/L	46.8 / 23.8
Net Worth	₹ 11,011 crore
Face value	1.0

Shareholding pattern

	Jun-25	Sep-25	Dec-25	Mar-26
FII	17.6	17.6	20.9	24.2
DII	11.1	11.1	13.8	12.8
Others	71.3	71.3	65.3	63.0

Price Chart



Key risks

- Slower than expected change in business mix or liabilities accretion
- Appointment of new MD & CEO remains monitorable

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Key Financial Summary

₹ crore	FY23	FY24	FY25	3 Year CAGR (FY22-FY25)	FY26E	FY27E	FY28E	3 Year CAGR (FY25-FY28E)
NII	3,012	3,332	3,486	16%	3,418	3,993	4,541	9%
PPP	1,508	1,868	2,270	22%	2,312	2,450	2,862	8%
PAT	775	1,070	1,303	208%	1,365	1,425	1,639	8%
ABV (₹)	24.0	28.1	34.3		40.8	46.0	52.1	
P/E	11.9	10.8	8.8		8.4	8.1	7.0	
P/ABV	1.8	1.6	1.3		1.1	1.0	0.8	
RoA	0.7	1.0	1.1		1.0	1.0	1.0	
RoE	12.4	13.8	13.8		12.7	11.7	11.9	

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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