

May 8, 2026

## Strong Q4, Profitability levers visible - execution remains key...

**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 – 38%, Retail – 29%, Agri – 19%, MSME – 14%

**Q4FY26 performance:** Gross advances grew 14.5% YoY (3.6% QoQ) to ₹1,00,274 crore, aided by robust growth in gold loans (46% YoY), mortgage (43% YoY) and auto (21% YoY), while deposits increased 14.7% YoY (4.3% QoQ) to ₹1,23,346 crore with CASA ratio improving 28 bps QoQ to 32.1%. NIM improved 9 bps QoQ to 2.95%, supporting NII growth of 5% YoY (3.9% QoQ) to ₹915 crore. Other income moderated due to absence of treasury gains, though lower provisions at ₹34 crore (-58% QoQ) aided PAT growth of 19% YoY to ₹408 crore. Asset quality improved materially with GNPA/NNPA down to 1.43%/0.29% (vs 2.67%/0.45% in Q3FY26), reflecting continued balance-sheet clean-up and improving recovery trends.

### Investment Rationale:

- Asset mix rebalancing underway:** Granularization of the loan book continued in Q4FY26, led by strong traction in gold loans, which grew ~46% YoY and increased their share to ~24.7% of advances (vs ~22% in Q3FY26), supporting yield stability. Management reiterated its medium-term strategy to reduce corporate exposure toward ~one-third of the book (from ~38.6% currently), while also lowering the share of ultra-short duration, low-yield corporate assets from ~20–25% to ~10%, with incremental growth redirected toward retail, MSME and agriculture. Management has guided for loan growth of ~15–16% in FY27; however, we model a relatively moderate ~13% CAGR over FY27–28E, factoring in likely moderation in gold loan growth and gradual execution of retail/MSME transition amid geopolitical and macro uncertainties.
- Margin drivers intact; Opex to rise gradually:** Building on the improving operating momentum, margins expanded 9 bps QoQ to 2.95% in Q4FY26. Management highlighted multiple levers supporting FY27 profitability: a) Favourable asset-mix transition toward higher-yielding retail/MSME segments and b) repricing of ~60–65% of deposits during FY27. Further, gradual improvement in non-interest income through higher retail/MSME fee generation, FX and trade-related initiatives is expected to support profitability. While opex may inch up with selective branch addition and investments toward distribution and technology, improving operating leverage and revenue growth should help absorb the incremental cost. Asset quality continues to remain a key positive, with slippages contained at ~15 bps, GNPA/NNPA improving sharply to 1.43%/0.29% and PCR strengthening further to 94.1%, providing strong comfort on downside risks.

### Rating and Target Price

- With gradual loan-mix realignment, improving margin trajectory and continued strengthening in asset quality, earnings visibility is improving. While we factor in normalisation of credit cost from exceptionally low levels, we remain constructive on medium-term profitability trajectory. We continue to value the stock at ~1x FY28E ABV, and thus maintain our target price of ₹52 and retain a BUY rating.



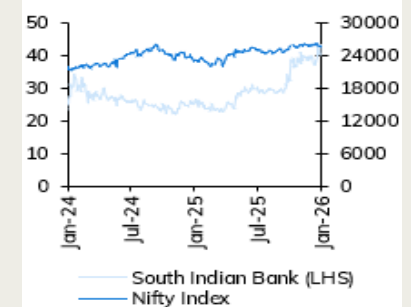
### Particulars

Particulars	Amount
Market Capitalisation	₹ 10,939 crore
52 week H/L	46.8 / 23.8
Net Worth	₹ 11,404 crore
Face value	1.0

### Shareholding pattern

	Jun-25	Sep-25	Dec-25	Mar-26
FII	17.6	17.9	20.9	24.2
DII	11.1	11.9	13.8	12.8
Others	71.3	70.2	65.3	63.0

### Price Chart



### Key risks

- (i) Slower than expected business growth
- (ii) Leadership succession to be key monitorable

### Research Analyst

Vishal Narnolia  
vishal.narnolia@icicisecurities.com

CA Parth Chintkindi  
parth.chintkindi@icicisecurities.com

### Key Financial Summary

₹ crore	FY23	FY24	FY25	FY26	3 Year CAGR (FY23-FY26)	FY27E	FY28E	2 Year CAGR (FY26-FY28E)
NII	3,012	3,332	3,486	3,437	5%	4,076	4,643	16%
PPP	1,508	1,868	2,270	2,373	16%	2,513	2,941	11%
PAT	775	1,070	1,303	1,455	23%	1,507	1,719	9%
ABV (₹)	24.0	28.1	34.3	41.2		46.8	53.0	
P/E	11.3	10.3	8.4	7.6		7.3	6.4	
P/ABV	1.7	1.5	1.1	1.0		0.9	0.8	
RoA	0.7	1.0	1.1	1.1		1.0	1.0	
RoE	12.4	13.8	13.8	13.5		12.4	12.5	

## Concall highlights and outlook

### Performance and growth outlook

- Gross advances grew 14.5% YoY (3.6% QoQ) to ₹1,00,274 crore, aided by robust growth in gold loans (+46% YoY), mortgage loans (+43% YoY) and auto loans (+21% YoY), while deposits increased 14.7% YoY (4.3% QoQ) to ₹1,23,346 crore with CASA ratio improving 28 bps QoQ to 32.1%.
- Management guided for loan growth in-line with industry in FY27 and indicated an aspiration to grow at 15–16%, subject to industry growth and operating conditions.
- Management reiterated intent to reduce corporate exposure from ~38% currently to ~33% over the medium term.
- Within corporate, the bank also wants to reduce ultra-short duration, low-yield assets from ~20–25% of the book to ~10%, reallocating the freed-up book toward retail, MSME and agriculture. This shift is expected to support margins and improve overall return ratios.
- MSME book grew ~15% YoY, and management reiterated that focus remains on better yield, better mix and pricing discipline.
- Sequential dip in reported MSME was mainly due to ₹554 crore write-off; adjusted for this, management indicated the book grew QoQ.
- Gold loans remained a key growth driver; management highlighted that most of the book is organic, while portfolio buyout/co-lending is estimated at ~8–10%.
- Gold loan risk is managed using a 30-day moving average, standard deviation-based buffers and a VaR framework at portfolio level.

### Margins

- NIM improved 9 bps QoQ to 2.95%, supporting NII growth of 5% YoY (3.9% QoQ) to ₹915 crore.
- Management expects NIMs to continue widening, supported by:
  - Corporate loans remain very high quality but low yielding; reducing share of corporate loans shifting towards retail/MSME/agri is the key structural NIM driver.
  - Deposit repricing is another support, with 60–65% of deposits due for repricing in FY27, largely from earlier higher-cost deposit.
  - Management also highlighted that if rates rise, the bank would benefit materially as repo-linked assets reprice on a T+1 basis.

### Asset Quality & Opex

- Asset quality improved materially with GNPA/NNPA declining to 1.43%/0.29% (vs 2.67%/0.45% in Q3FY26), while PCR strengthened further to 94.1%.
- The ₹1,163 crore technical write-off was fully provided and had no P&L impact; Q4 GNPA reduction included ~₹1,048 crore of technical write-offs, with the balance from recoveries.
- Management expects slippages and credit cost may normalise upward from current lows, especially if macro/geopolitical risks emerge, though no material deterioration in customer behaviour is visible currently.
- Q4 credit cost was very low at 3 bps; management indicated this is likely the trough and should not be extrapolated. Q4FY26 slippage ratio was only 15 bps on a non-annualised basis.
- Q4 employee expenses benefited from a one-off actuarial valuation write-back of ~₹80 crore.
- Management clarified that expenses cannot remain flat indefinitely, as the bank will need to invest in distribution, technology and growth capabilities.
- Branch expansion will resume selectively in key markets such as Tamil Nadu, Andhra Pradesh, Telangana, Karnataka, Maharashtra, Gujarat and New Delhi.

**Other updates**

- Management confirmed that the Board is actively searching for a successor to the MD & CEO, whose term ends on 30 September 2026, with plans to complete the process in time for RBI approval and a smooth transition.
- The bank is also enhancing FX and trade platforms, including SIB TF Online, to deepen non-funded engagement with corporate and MSME customers and improve fee income streams.
- Management expects non-interest income to improve as the bank shifts toward retail and MSME, which offer higher fee opportunities than corporate loans.
- Management broadly expects MSME exposure to qualify under the new ECLGS framework. Further, Management highlighted that past ECLGS experience was mixed: first 75% guarantee recovery was generally easier, while the remaining 25% was more challenging where settlements were involved.
- Management expects minimal impact from the ECL transition due to improving asset quality, with combined SMA-1 and SMA-2 levels at only 0.6% of advances and robust 80% PCR (ex-w/offers).

**Exhibit 1: Variance Analysis**

	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Comments
NII	915.3	868.3	5.4	880.7	3.9	Growth in personal and agri offset pressure of repo cut
NIM (%)	2.95	3.21	-26 bps	2.86	9 bps	NIMs improvement sequentially was on the back of fixed rate gold loan segment (~16% QoQ)
Other Income	386.0	572.3	-32.6	485.9	-20.6	Weak non-interest income amid treasury losses
Net Total Income	1,301.3	1,440.7	-9.7	1,366.6	-4.8	
Staff cost	351.8	404.0	-12.9	428.7	-17.9	Improvement due to reduced employee count
Other Operating	368.2	353.2	4.2	353.6	4.1	Steady opex
PPP	581.3	683.4	-14.9	584.3	-0.5	
Provision	34.4	224.2	-84.7	80.4	-57.2	Sharp moderation due to write-offs and lower slippages
PBT	547.0	459.3	19.1	503.9	8.5	
Tax Outgo	139.4	116.8	19.3	129.6	7.6	
PAT	407.6	342.4	19.0	374.3	8.9	Aided by business traction and lower credit cost
<b>Key Metrics</b>						
GNPA	1.4	3.2	-177 bps	2.7	-124 bps	GNPA improved by 124 bps QoQ to 1.43%
NNPA	0.3	0.9	-63 bps	0.5	-16 bps	
Gross Advances	100,274	87,579	14.5	96,764	3.6	Driven by gold (46% YoY) and Agri (13.7% YoY)
Deposit	123,346	107,526	14.7	118,211	4.3	CASA improved by 28 bps QoQ to 32.1%

Source: Company, ICICI Direct Research

## Financial Summary

### Exhibit 2: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Interest Earned	9,413	9,847	11,372	12,715
Interest Expended	5,928	6,409	7,296	8,072
Net Interest Income	3,486	3,437	4,076	4,643
Growth (%)	4.6%	-1.4%	18.6%	13.9%
Non Interest Income	1,813	2,009	1,947	2,092
Net Income	5,299	5,447	6,023	6,735
Employee cost	1,671	1,621	1,848	2,008
Other operating Exp.	1,357	1,453	1,662	1,786
Operating expenses	3,028	3,073	3,510	3,794
Operating Income	2,270	2,373	2,513	2,941
Provisions	513	417	490	634
PBT	1,757	1,956	2,022	2,307
Taxes	454	501	516	588
Net Profit	1,303	1,455	1,507	1,719
Growth (%)	21.8%	11.7%	3.5%	14.1%
EPS (₹)	4.98	5.56	5.76	6.57

Source: Company, ICICI Direct Research

### Exhibit 3: Key ratios ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
No. of shares (crore)	262	262	262	262
EPS (₹)	5.0	5.6	5.8	6.6
BV (₹)	37.3	42.3	48.1	54.6
ABV (₹)	34.3	41.2	46.8	53.0
P/E	8.4	7.6	7.3	6.4
P/BV	1.1	1.0	0.9	0.8
P/ABV	1.2	1.0	0.9	0.8
<u>Yields &amp; Margins (%)</u>				
Net Interest Margins	3.3	2.9	3.0	3.1
Avg. cost on funds	5.4	5.4	5.4	5.3
Yield on average advances	9.0	8.4	8.4	8.4
<u>Quality and Efficiency (%)</u>				
Cost to income ratio	57.2	56.4	58.3	56.3
Credit/Deposit ratio	79.7	80.5	81.9	83.1
GNPA %	3.2	1.4	1.5	1.6
NNPA %	0.9	0.3	0.3	0.3
RoE	13.8	13.5	12.4	12.5
RoA	1.1	1.1	1.0	1.0

Source: Company, ICICI Direct Research

### Exhibit 4: Balance sheet ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
<u>Sources of Funds</u>				
Capital	262	262	262	262
ESOP O/s	7.7	12.0	12.0	12.0
Reserves and Surplus	9,839	11,142	12,648	14,366
Networth	10,108	11,415	12,921	14,639
Deposits	107,522	123,346	136,936	152,497
Borrowings	4,300	3,927	6,169	6,337
Other Liabilities & Provisions	2,724	3,068	3,728	3,968
Total	124,655	141,756	159,755	177,442

#### Application of Funds

Cash and balances with RBI	5,098	6,183	6,162	6,100
Balances with banks at call	7,162	3,958	4,394	4,893
Investments	21,777	27,328	31,495	33,549
Advances	85,682	99,260	112,164	126,745
Fixed Assets	1,018	1,043	1,116	1,227
Other Assets	3,918	3,985	4,424	4,927
Total	124,655	141,756	159,755	177,442

Source: Company, ICICI Direct Research

### Exhibit 5: Growth (%)

(% growth)	FY25	FY26	FY27E	FY28E
Total assets	6.2	13.7	12.7	11.1
Advances	9.8	15.8	13.0	13.0
Deposit	5.5	14.7	11.0	11.4
Total Income	9.3	2.8	10.6	11.8
Net interest income	4.6	-1.4	18.6	13.9
Operating expenses	1.7	1.5	14.2	8.1
Operating profit	21.5	4.5	5.9	17.0
Net profit	21.8	11.7	3.5	14.1
Net worth	14.5	12.9	13.2	13.3
EPS	21.7	11.6	3.5	14.1

Source: Company, ICICI Direct Research

## RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

Pankaj Pandey

Head – Research

[pankaj.pandey@icicisecurities.com](mailto:pankaj.pandey@icicisecurities.com)

ICICI Direct Research Desk,  
ICICI Securities Limited,  
Third Floor, Brillanto House,  
Road No 13, MIDC,  
Andheri (East)  
Mumbai – 400 093  
[research@icicidirect.com](mailto:research@icicidirect.com)

## ANALYST CERTIFICATION

I/We, Vishal Narnolia MBA, (Finance), Parth Parmeshwar Chintkindi, CA, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

## Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com).

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by Sebi and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: [complianceofficer@icicisecurities.com](mailto:complianceofficer@icicisecurities.com)

For any queries or grievances: Mr. Jeetu Jawrani Email address: [headsservicequality@icicidirect.com](mailto:headsservicequality@icicidirect.com) Contact Number: 18601231122

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit [icicidirect.com](http://icicidirect.com) to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as an entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

ICICI Securities Limited has not used any Artificial Intelligence tools for preparation of this Research Report