

CMP: ₹ 29.4

Target: ₹ 38 (29%)

Target Period: 12 months

BUY

September 23, 2025

Alteration in asset mix to aid valuation structurally...

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

- Advances mix: Corporates – 42%, Retail – 27%, Agri – 17%, MSME – 14%.
- As of June 30, 2025, the bank operates 948 branches across 26 states and 4 union territories, complemented by 1,274 ATMs and CRMs for enhanced accessibility.

Investment Rationale

- De-risking legacy book and building healthy portfolio:** South Indian Bank's pre-2020 defaults in corporate exposures and Covid related delays spiked NPAs to 5.9% in FY22, forcing large provisions that hammered profitability. The bank has since de-risked sharply—legacy stressed book down from ₹65,349 crore (63% of advances in FY22) to ₹16,973 crore (19% in FY25) via recoveries/exits—driving GNPA to 3.2%, NNPA to 0.9%, and PCR to 85%, with ~98% of corporate book now being AAA/A+ rated. Newly originated granular retail/MSME and selective corporate lending shines pristine (GNPA 0.46%), backed by tighter underwriting, digital platforms, and robust collections, with fresh slippages easing to 1.5% for sustained turnaround.
- Recalibrating the mix remain core strategy:** Management is driving a structural rebalancing of the loan mix, targeting a reduction in the corporate share from 42% to ~35% by FY27E, while scaling up MSME & retail (~41% in FY25) to improve yields from current 8.9% levels. On the liabilities side, focus on granularity is evident — bulk deposits have fallen to 2.6% (vs. 5.2% in FY21) and the top 20 depositors now account for just 2.9% of total deposits. Coupled with a CASA base of 32% and sticky NRI franchise (28.7%), this has lowered the cost of funds to 4.8%, one of the best among peers, providing a strong cushion for margin expansion.
- Non-branch distribution to drive scale and quality:** South Indian Bank has embraced a digital-first model, with 98% of transactions now digital, supported by STP platforms, Video KYC, and fintech tie-ups that enable faster turnaround and strengthen asset quality (new book GNPA <0.5%). Non-branch distribution and partnerships have been key growth drivers, powering 26% retail loan growth in FY25. At the same time, strong employee productivity of ₹20.6 crore per head — ahead of most peers — underscores scalability without heavy branch expansion. With opex-to-assets steady at ~2.4% in FY25, we expect operating efficiency to remain intact even as the bank accelerates growth.

Rating and Target Price

- South Indian Bank offers a compelling re-rating opportunity, trading at just 0.8x P/B, a steep discount to regional private peers. Management's strategic pivot towards higher-yielding retail & MSME lending alongside gradual rundown in legacy book is set to reshape the asset mix and aid yield profile. We expect advances to grow at 11.5–12% CAGR over FY26–27E, broadly in-line with industry, while asset quality gains, margin stability, and digitisation-led efficiencies support a sustainable RoA of ~1%. We value the bank at ~0.85x FY27E ABV and initiate with a **BUY** rating.

Key Financial Summary

₹ crore	FY23	FY24	FY25	3 Year CAGR (FY22-FY25)	FY26E	FY27E	3 Year CAGR (FY25-FY27E)
NII	3,012	3,332	3,486	16%	3,532	4,134	9%
PPP	1,508	1,868	2,270	22%	2,232	2,624	8%
PAT	775	1,070	1,303	208%	1,196	1,393	3%
ABV (₹)	24.0	28.1	34.3		39.1	44.7	
P/E	7.7	7.0	5.7		6.3	5.4	
P/ABV	1.2	1.0	0.8		0.7	0.6	
RoA	0.7	1.0	1.1		0.9	0.9	
RoE	12.4	13.8	13.8		11.2	11.6	

Source: Company, ICICI Direct Research



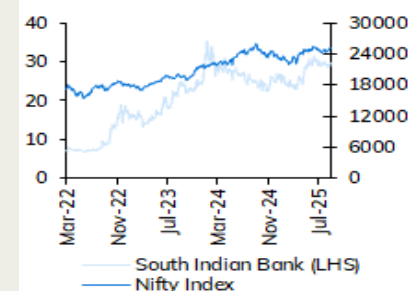
Particulars

Particulars	Amount
Market Capitalisation	₹ 7549 crore
52 week H/L	32.3/22.1
Net Worth	₹ 10404 crore
Face value	1.0

Shareholding pattern

	Sep-24	Dec-24	Mar-25	Jun-25
FII	11.5	11.5	12.0	17.6
DII	5.3	7.3	10.4	11.1
Others	83.3	81.3	77.6	71.3

Price Chart



Key risks

- Continued elevated proportion of corporate loans to keep margin
- Business growth trailing industry growth

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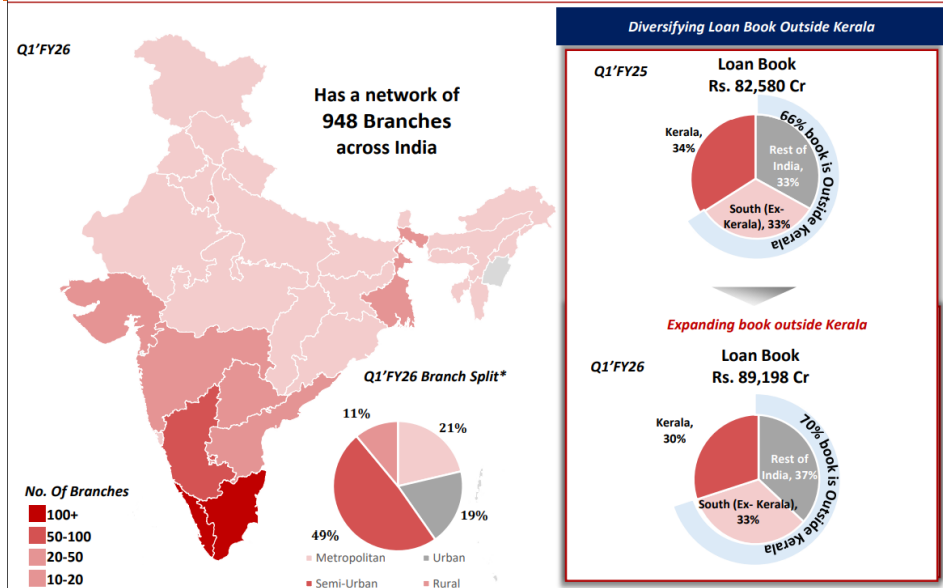
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Company Background

Founded in 1929 in Thrissur, Kerala, South Indian Bank (SIB) is among the earliest private sector banks in India. Over the decades, it has evolved from a regionally rooted institution into a digitally progressive, customer-centric bank with a growing national presence. The bank has undergone a strong digital transformation—over 98% of transactions are now conducted digitally—reflecting its focus on customer convenience and operational efficiency.

The bank today operates a network of 948 branches across 26 states and 4 union territories, giving it a strong national presence while retaining deep roots in South India. Importantly, ~70% of advances now come from outside Kerala, reflecting successful geographical diversification and reducing concentration risk. Its branch mix is skewed towards metropolitan and urban centres (~70%), enabling stronger CASA mobilisation and retail franchise building.

Exhibit 1: Expanding geographical footprints



Source: Company, ICICI Direct Research

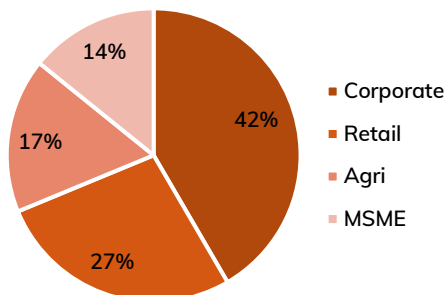
Diversification efforts evident with >70% of advances sourced outside Kerala.

On the business front, advances of ₹89,198 crore as on Jun'25 are diversified across corporates (42%), retail (27%), agriculture (17%), and MSME (14%). On the liabilities side, deposits of ₹1,12,922 crore remain anchored by term deposits (65%), but CASA forms a healthy 32%, while bulk deposits have been consciously reduced to just ~3%, underscoring granularity and stable funding.

South Indian Bank's peculiarity lies in its NRI franchise (28.7% of total deposits), particularly from the Gulf region. Its long-standing relationships and continued focus have helped the bank build a sticky NRI deposit base, providing a steady flow of low-cost funds and giving it a competitive edge versus peers.

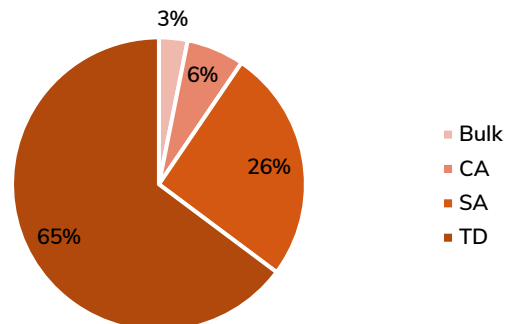
>28% NRI deposits, helps in building sticky, low-cost deposit base.

Exhibit 2: Advances break-up (₹ 89,198 crore) – Jun'25



Source: Company, ICICI Direct Research

Exhibit 3: Deposits break-up (₹ 1,12,922 crore) – Jun'25



Source: Company, ICICI Direct Research

In the past, the bank struggled with legacy stressed corporate exposures, which weighed on profitability and asset quality. Over the past few years, however, SIB has undergone a meaningful turnaround, with legacy stress steadily running down, provision coverage strengthening to 85%, and asset quality stabilising — GNPA at 3.2% and NNPA at 0.9% (FY25).

Investment Rationale

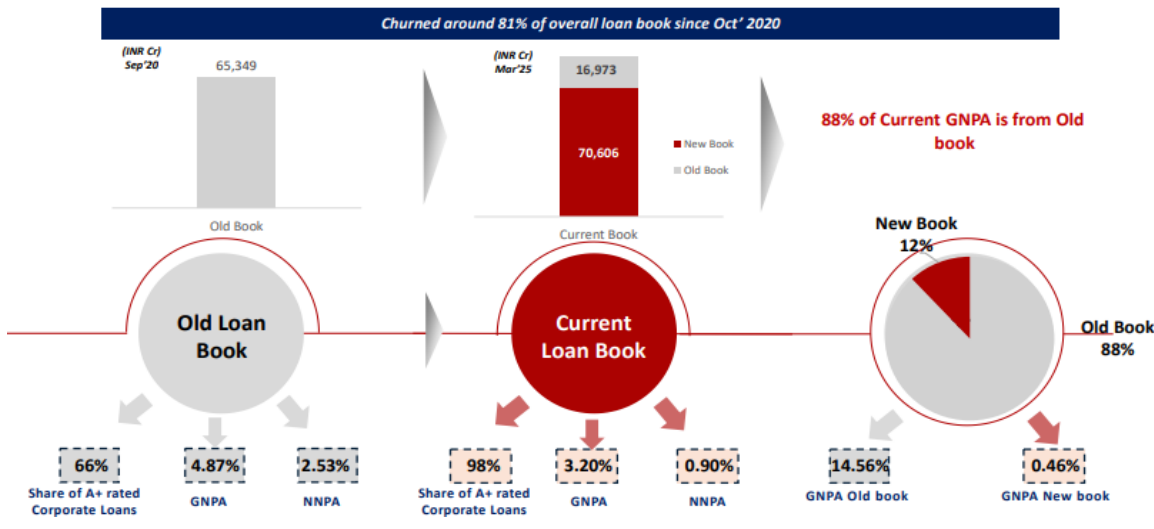
From legacy drag to structural stability

In the years before 2020, South Indian Bank’s heavy exposure to corporates, coupled with defaults from borrowers like IL&FS and DHFL, led to a sharp rise in NPAs. The situation worsened during COVID-19 pandemic, pushing GNPA and NNPA higher in 2021 and forcing the bank to make large provisions, which severely pressured profitability. To address this, the bank launched its 6C strategy, under the erstwhile MD & CEO, Mr. Murali Ramakrishnan with a focus on quality credit and de-risking the portfolio.

South Indian Bank’s balance sheet today stands on a much stronger footing compared to a few years ago. The bank has steadily de-risked its portfolio, with the legacy stressed corporate book running down through recoveries and exits. This has driven a marked improvement in asset quality — GNPA declined from 5.9% in FY22 to 3.2% in FY25, NNPA from 3% to 0.9%, while provision coverage strengthened to 85%. The old stressed book that once weighed heavily on performance has reduced sharply from ₹65,349 crore in FY20 to ₹16,973 crore in FY25, and its share of advances has fallen from 63% in FY22 to just 19% in FY25.

Importantly, South Indian Bank has also transformed the quality of its corporate portfolio. The share of high-quality exposures has risen dramatically, with AAA and A+ rated corporates now comprising ~98% of the corporate book in FY25, compared to just 66% in FY20.

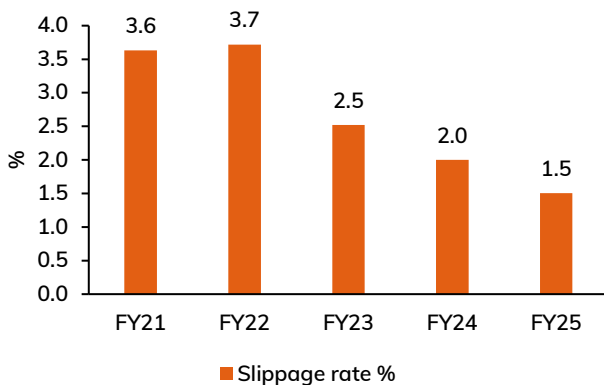
Exhibit 4: GNPA largely from vintage boo; gradually running off



Source: Company, ICICI Direct Research

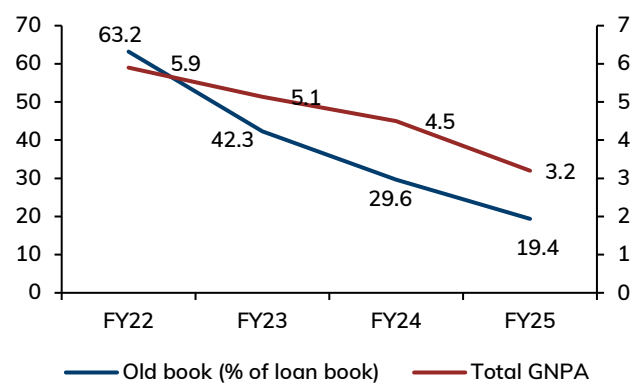
At the same time, the newly originated book is pristine, anchored in granular retail, MSME, and selective high-rated corporates. This book is showing best-in-class credit quality with GNPA at 0.46%, supported by tighter underwriting standards, digital origination platforms, and robust collection frameworks. Fresh slippages have also come down consistently, easing from 3.6% in FY21 to 1.5% in FY25, reinforcing the sustainability of this turnaround.

Exhibit 5: Slippages trend improving...



Source: Company, ICICI Direct Research

Exhibit 6: Legacy run-off, asset quality improving...



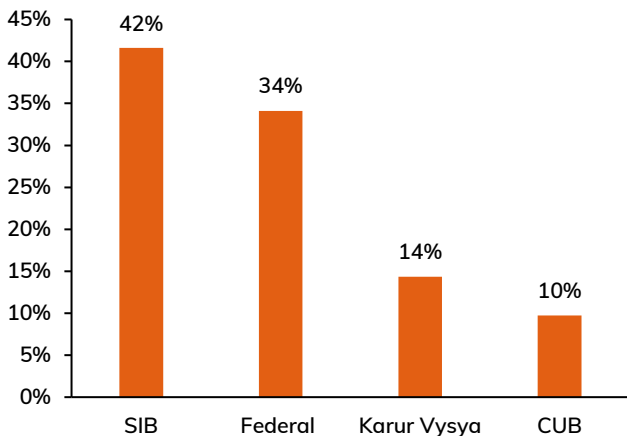
Source: Company, ICICI Direct Research

Recalibrating the mix: yield uplift on the horizon

Corporate loans currently account for ~42% of South Indian Bank’s loan book, largely comprising AAA-rated exposures. While this portfolio anchors asset quality and carries lower credit risk, it is inherently shorter-tenured and lower-yielding, thereby limiting return ratios. Recognising this structural drag, the bank has outlined a strategy to reduce corporate share to ~35% by FY27 and simultaneously expand into MSME and retail segments.

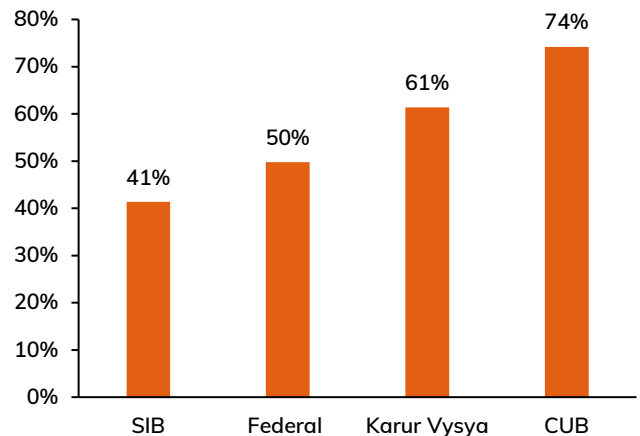
To drive this shift, management is focusing on affordable housing, personal loans, and gold loans, while also strengthening co-lending partnerships and digital acquisition platforms to scale reach. Compared to peers, SIB’s MSME + Retail share of ~41% remains significantly lower, explaining its yield profile at 8.9% versus peer levels of 9.5–10%. The planned increase in RAM (Retail, Agri, MSME) share is therefore central to improving the yield curve. Execution, however, will be key, requiring robust underwriting, strong collections, and deeper distribution capabilities to build a sustainable, high-quality granular book.

Exhibit 7: Relatively higher proportion of corporate loans...



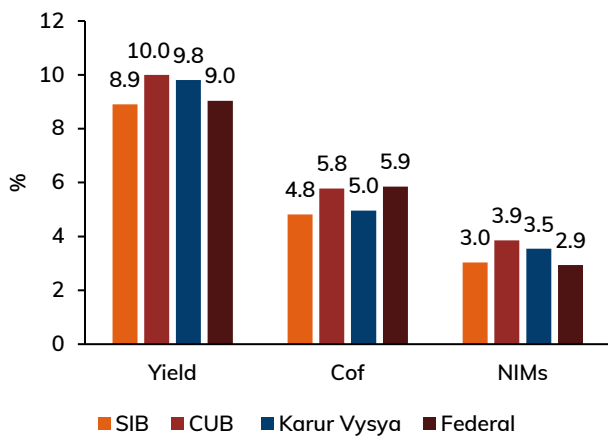
Source: Company, ICICI Direct Research

Exhibit 8: ... and thus lower MSME + retail pie



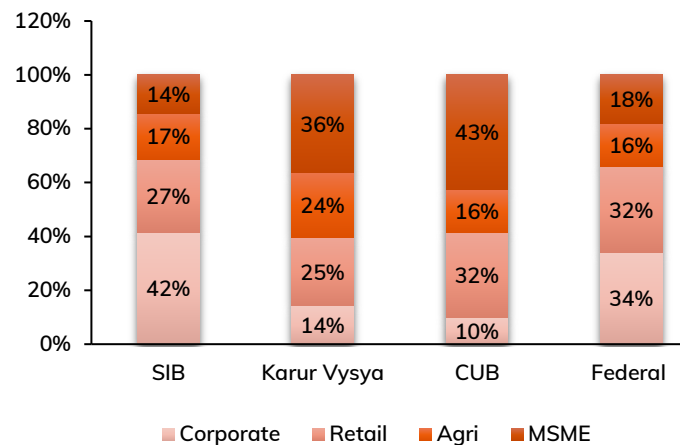
Source: Company, ICICI Direct Research

Exhibit 9: ... draged yield and thus NIMs



Source: Company, ICICI Direct Research

Exhibit 10: Advances break-up



Source: Company, ICICI Direct Research

Multitude of digital initiatives & building ‘Frictionless Processes’











South Indian Bank remains committed to enhancing digital empowerment and prioritizing customer-centric banking by leveraging a blend of innovation, strategic partnerships, and operational automation. This transformation is founded on three key pillars:

1. Strong digital channels for loans, deposits, and payments.
2. Seamless banking processes.
3. Strategic collaborations with fintech companies and non-branch distribution models.

South Indian Bank redefined its operating model by embedding digital-first, frictionless processes across the value chain, with over 98% of transactions now digital. Legacy, paper-heavy journeys have been replaced with straight-through processing (STP) platforms like GST Power, AWAAS

Power, LAP Power, and Quick PL/FD, enabling instant, 24x7 credit and deposit access. At the same time, solutions such as SIB SWIFTe, Video KYC, digital documentation, and the ACE platform simplify onboarding, servicing, and approvals, reducing branch dependency and turnaround times from days to minutes. Complemented by analytics-driven loan origination systems and strategic fintech partnerships (Upswing, ArkNeo, Rupeek, CapFloat), the Bank has not only scaled efficiently and improved asset quality (new book GNPA at 0.46%) but also transformed customer experience.

Exhibit 11: Loading digital transformation

	Digital auto loan financing through integration with Maruti Suzuki MSSF platform		UPI linked credit line enabling seamless P2M payments, expanding our credit base by tapping into everyday consumer transactions & diverse customer categories
	New feature in Mirror+ enabling customers to access their CIBIL credit score , fostering greater financial awareness & credit growth opportunities for the Bank		Aawas Power – In house developed Loan Origination System for Affordable Housing Finance
	Customer inheritance of existing Amazon-Axio checkout finance customers to SIB in a co-lending mode		Power Consol – s/w for consolidating existing multiple debts of customers at other banks/financial institutions into a manageable payment loan(s) with SIB
	Mobile Number update through registered Email ID for NRI customers		Edu Power – STP based Loan Origination System for Education Loan Processing
	Authenticated Customer Engagement module in SIBerNet to secure remote customer authentication for branch-initiated requests		Money Mule Identification during CASA account opening

Source: Company, ICICI Direct Research

Exhibit 12: Implemented digital initiatives

GST Power STP model for MSME OD proposals (₹10-500 lakhs) Live Since Apr 2024	Power Drive STP flow for vehicle loans Live Since Sep 2024	Digital Deposits Sourcing of Term Deposits from various market places through partnership with M/s.Upswing Financial Technologies Pvt Ltd. Live Since July 2024	Micro Power STP Flow for small loans upto ₹25 lakh Live Since Mar 2025
Gold Loan Digitalisation Fully digital onboarding with e-sign Live Since Mar 2025	LAP Power Automated loan against property platform Live Since Sep 2024	Credit Line on UPI Overdraft linked with UPI Live Since Mar 2025	Co-Lending Platform Integrated with M/s Nothern Arc Capital (nPOS) for tech platform for Colending activities Live Since Oct 2024
SIB Quick FD & SIB Quick PL 100% digital FD and personal loan processes Live Since Jan 2025	Composite Power Retail MSME STP for multi-facility proposals Live Since Apr 2025	Digital Loan against Securities Digital Loan against Mutual Fund in partnership with M/s. ArkNeo Financial Services Pvt Ltd Live Since Mar 2025	Power CONSOL STP flow for Debt Consolidation upto Rs.300Lakh Live Since June 2025
Edu Power Digital journey for overseas education loans Live Since May 2025	Auto-renewal for Agri KCC Renewal process for Agri KCC loans up to ₹50 lakh Live Since Nov 2024	Check out Finance Check out finance for Amazon customers in partnership with M/s Capfloat Financial Services Pvt Ltd Live Since Dec 2024	AWAAS POWER STP flow for Affordable Housing Loan upto ₹50Lakh Live Since June 2025
		Gold Loan Co-Lending Collaborative Gold Loan Solutions with M/s Fedfina Financial Services via Co-Lending Model. Live Since Oct 2024	
		Gold Loan Co-Lending Offering Gold Loans through Strategic Co-Lending Partnership with M/s Rupeek Capital Live Since Feb 2025	
		ArkNeo Loan against Mutual Fund Live Since Mar 2025	

Source: Company, ICICI Direct Research

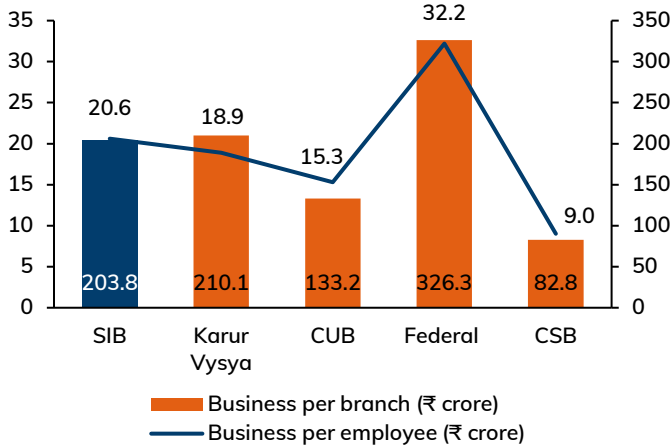
Non branch distribution and leveraging partnerships

South Indian Bank is leveraging non-branch distribution and fintech partnerships to scale efficiently beyond branch led expansion, diversify sourcing, and reduce customer acquisition costs. Tie-ups with players in digital deposits, co-lending, gold loans, and checkout finance are widening access to both digitally savvy and underserved segments, while in-house digital products like Quick FD and Quick PL enhance reach among new-to-bank customers, translating into stronger retail growth and healthier asset quality. In FY25, retail advances contributed ~26%

of overall loan growth, supported by digital/partner-sourced leads, while the new book GNPA remains just ~0.5%, highlighting superior underwriting via digital channels.

By combining partner-led sourcing with straight-through digital journeys, the bank is achieving faster turnaround, healthier asset quality, and rising productivity per branch and employee. With per-employee productivity at ₹20.6 crore, the bank ranks just behind Federal (₹32.2 crore) and ahead of peers like KVB (₹18.9 crore), CUB (₹15.3 crore), and CSB (₹9 crore), highlighting its ability to strengthen competitiveness without proportionate branch expansion

Exhibit 13: Digital led branch and employee productivity



Source: Company, ICICI Direct Research

Exhibit 14: Strategic partnerships

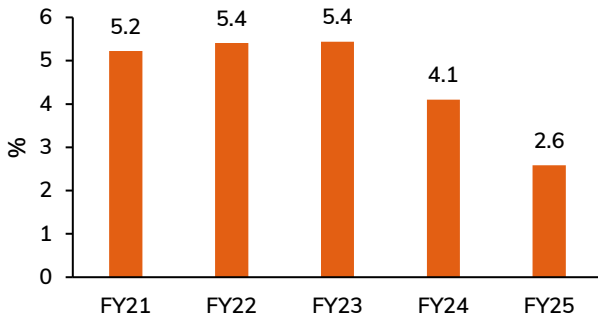


Source: Company, ICICI Direct Research

Leveraging NRI relationship to build stable liabilities franchise

South Indian Bank has consciously reshaped its liabilities profile to reduce reliance on volatile and high-cost funding sources. Bulk deposits, which formed 5.2% of the deposit base in FY21, have steadily declined to just 2.6% in FY25, reflecting the bank’s focus on stability over scale. A similar trend is visible in depositor concentration — the share of top 20 depositors has reduced from 4.87% in FY22 to 2.87% in FY25, significantly lowering concentration risk. These shifts indicate a deliberate strategy to build granularity and resilience in the funding base, which will serve as a structural cushion against market-linked rate volatility.

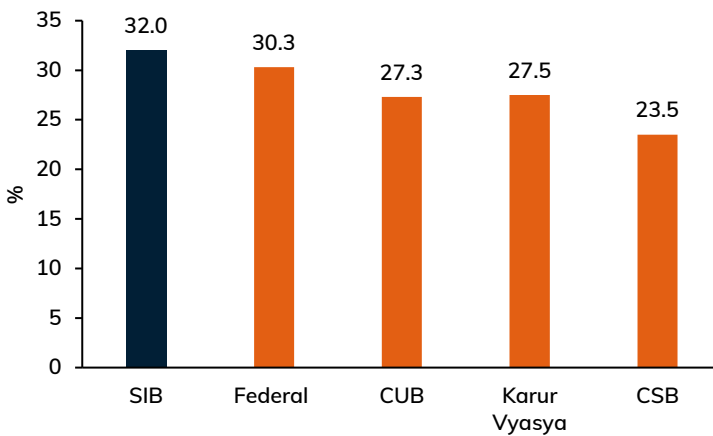
Exhibit 15: Moderating relevance of bulk deposits as % of total deposits



Source: Company, ICICI Direct Research

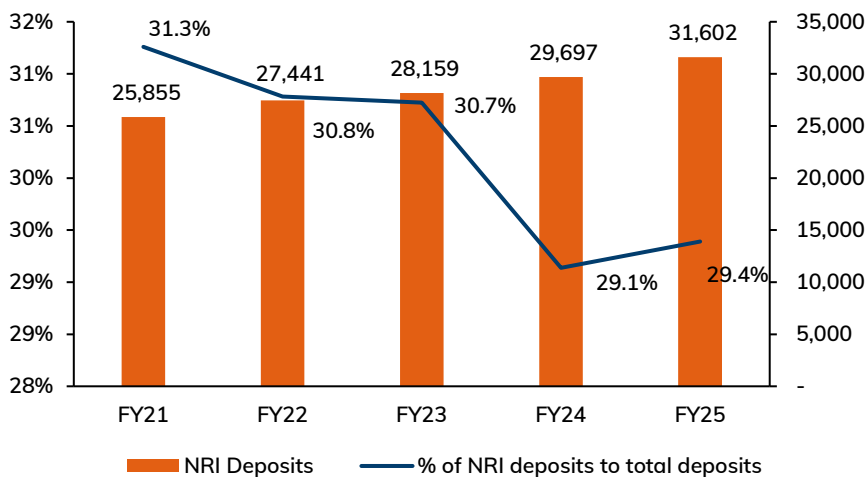
Complementing this, the bank has been actively strengthening its CASA franchise, leveraging its strong urban and metro presence (70% of branches) and deep NRI relationships. CASA now contributes a meaningful share of liabilities, providing a steady stream of low-cost deposits. This has translated into a cost of funds of 4.8%, amongst the lowest in the peer set — notably better than Karur Vysya Bank’s 5.8%, largely peers CoF range around 5-6%, which positions South Indian Bank advantageous on cost front. The combination of lower bulk reliance, improving CASA, and competitive funding costs creates a liabilities structure that not only supports profitability but also provides headroom to fund growth sustainably.

Exhibit 16: Healthy CASA share (Q1FY26)



Source: Company, ICICI Direct Research

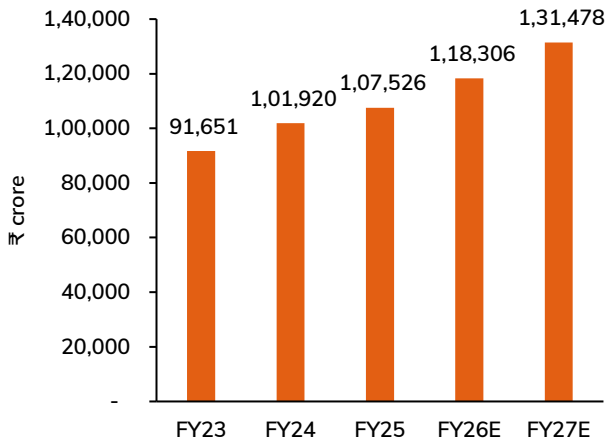
Exhibit 17: Sustained NRI deposits



Source: Company, ICICI Direct Research

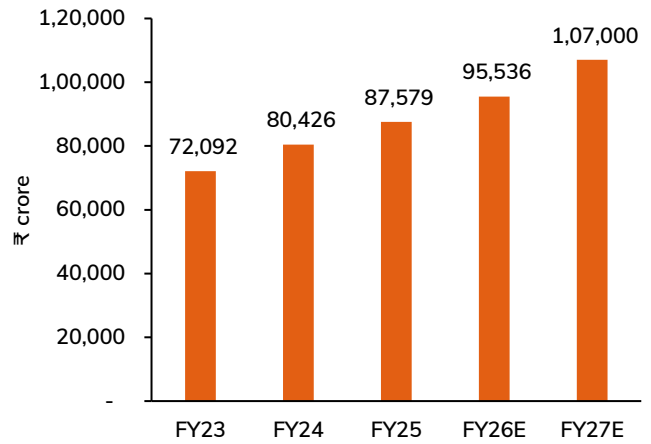
Financial Outlook

Exhibit 18: Focus on liabilities accretion...



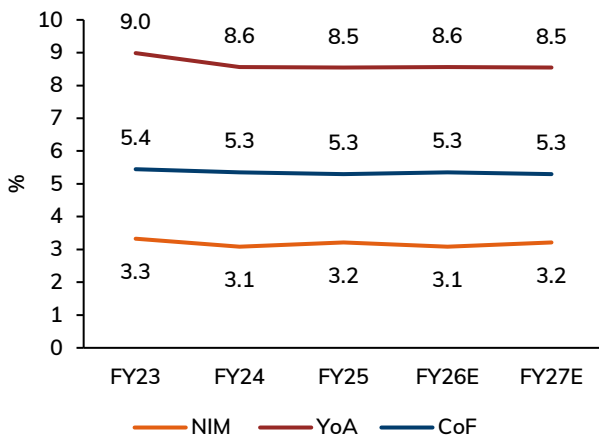
Source: Company, ICICI Direct Research

Exhibit 19: ..to aid continued healthy credit growth



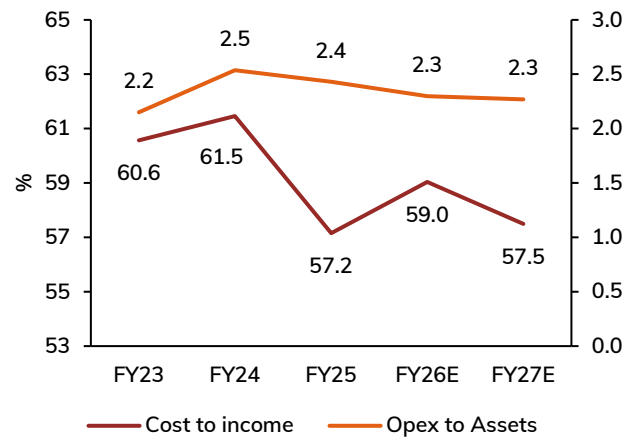
Source: Company, ICICI Direct Research

Exhibit 20: Steady margins amid gradual asset mix change...



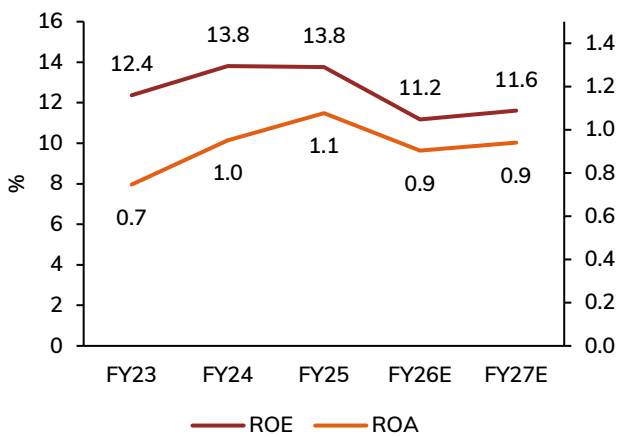
Source: Company, ICICI Direct Research

Exhibit 21: ... steady efficiency



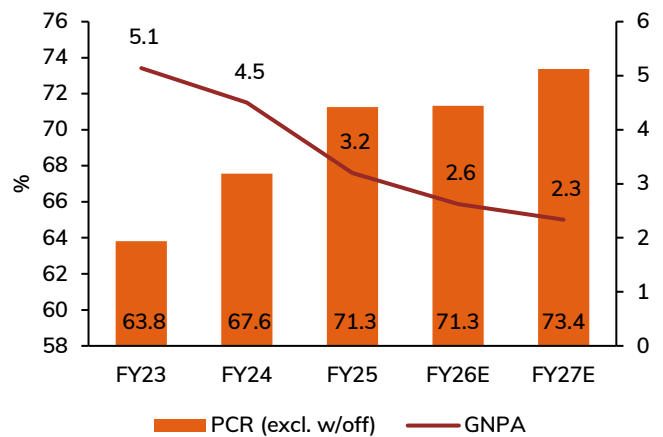
Source: Company, ICICI Direct Research

Exhibit 22:is to keep RoA steady



Source: Company, ICICI Direct Research

Exhibit 23: Asset quality resilience with healthy PCR



Source: Company, ICICI Direct Research

Valuation

Exhibit 24: Valuation matrix

Stocks	CMP	Mkt Cap (₹ crore)	EPS (₹)			BVPS (₹)			P/E (x)			P/B (x)			RoA (%)			RoE (%)		
			FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
SIB	29	7,554	5.0	4.6	5.3	37.3	41.9	47.2	5.8	6.3	5.5	0.8	0.7	0.6	1.1	0.9	0.9	13.8	11.2	11.6
Karur Vysya	210	20,252	24.1	21.3	24.5	125.0	143.0	165.0	8.7	9.9	8.6	1.7	1.5	1.3	1.7	1.6	1.6	16.3	15.8	15.8
CUB	205	15,177	15.2	16.3	18.8	125.9	141.6	160.1	13.5	12.6	10.9	1.6	1.4	1.3	1.6	1.6	1.6	13.6	13.1	13.3
Federal	197	48,347	16.5	15.9	20.4	136.1	144.7	160.9	11.9	12.4	9.7	1.4	1.4	1.2	1.2	1.1	1.2	13.0	11.3	13.4
CSB	371	6,347	34.2	36.6	49.5	250.5	286.1	334.0	10.8	10.1	7.5	1.5	1.3	1.1	1.4	1.2	1.5	14.3	13.2	16.8

Source: Bloomberg, ICICI Direct Research

South Indian Bank (SIB), one of the oldest private sector banks in India, reported advances and deposits of ₹87,578 crore and ₹1,07,526 crore respectively as of Mar'2025. What sets the bank apart is its revived balance sheet — the legacy stressed corporate book has steadily run down, while the newly originated portfolio is pristine with a GNPA of 0.46%, reflecting stronger underwriting standards and robust risk management practices.

SIB operates with a moderately risk on balance sheet (RWA to assets at 42.5%) and is consciously reshaping its credit mix by reducing the corporate share (~42% currently) towards ~35% by FY27 while expanding MSME and retail loans. This strategic pivot is expected to improve yield and aid margin. On growth, we model 11.5–12% improvement CAGR in advances over FY26–27E, in line with system credit growth, supported by housing, gold, and MSME segments.

Despite this progress, valuations remain at a steep discount to regional private peers, with SIB trading at 0.8x P/B versus 1.2–1.7x for peers such as Karur Vysya, CUB, Federal, and CSB Bank. We believe this gap offers significant re-rating potential as execution with regards to change in asset mix is gradually undertaken and return ratios improve. With digitisation driving operating efficiency, a stronger liabilities franchise, and asset quality now structurally stable, we see a path towards 1% RoA delivery over the medium term.

We value SIB at ~0.85x FY27E ABV and initiate with a **BUY** rating, as the bank combines improving fundamentals, attractive valuations, and visible drivers for re-rating.

Exhibit 25: Fundamental comparison

Stocks	Advances (₹ crore)		Deposits (₹ crore)		YoA (%)		CoD (%)		NIMs (%)		Opex to Assets (%)		RoA (%)		RoE (%)		CAR (%)		GNPA (%)		NNPA (%)		PCR (%)	
	FY24	FY25	FY24	FY25	FY24	FY25	FY24	FY25	FY24	FY25	FY24	FY25	FY24	FY25	FY24	FY25	FY24	FY25	FY24	FY25	FY24	FY25	FY24	FY25
SIB	80,426	87,578	101,920	107,526	9.3	9.0	5.3	5.6	3.2	3.4	2.5	2.4	1.0	1.1	13.1	13.7	19.9	19.3	4.5	3.2	1.5	0.9	79.1	85.0
Karur Vysya	74,423	84,491	89,113	102,078	10.0	10.2	5.2	5.6	4.2	4.1	2.7	2.6	1.6	1.7	16.0	16.3	16.7	18.2	1.4	0.8	0.4	0.2	94.8	96.8
CUB	46,482	53,066	55,657	63,526	9.7	9.8	5.6	5.9	3.7	3.6	2.0	2.1	1.5	1.6	14.0	14.7	23.7	23.8	4.0	3.1	2.0	1.3	72.0	78.0
Federal	214,576	242,773	207,522	230,152	9.5	9.3	5.9	6.0	3.2	3.1	2.0	2.1	1.2	1.2	12.8	12.8	16.1	16.4	2.1	1.8	0.6	0.4	71.0	75.4
CSB	24,572	31,842	29,719	36,861	11.4	11.1	5.4	6.2	5.1	4.1	3.6	3.2	1.8	1.5	17.6	18.8	24.5	22.5	1.5	1.6	0.5	0.5	86.4	83.7

Source: Bloomberg, ICICI Direct Research

Risk and Concerns

Legacy portfolio continues to weigh on asset quality

South Indian Bank has undertaken significant loan book restructuring since FY20, with ~81% of the overall book churned to improve asset quality. However, the residual legacy portfolio, which still constitutes ~22% of the current book, remains a key risk factor as it contributes ~88% of the reported GNPA (overall GNPA at 3.15%). This legacy book carries a GNPA of ~14.8%, and although much of the stress has already been recognized and is gradually running off, the volatile macroeconomic environment poses the risk of fresh slippages from this pool. Any incremental stress emerging from this book could elevate credit costs, thereby delaying the bank's asset quality normalization and impacting profitability.

Business momentum trailing industry growth

South Indian Bank's credit growth stood at 9.8% in FY25, trailing the overall banking industry growth of 11.1%. Deposit growth was also weaker at 5.5% compared to 10.6% for the industry. While net profit rose 21.8% YoY, sustaining growth amid intensifying competition remains a challenge. The bank has rolled out several strategic initiatives including technology integration, qualified lead referral programs for mortgage loans, co-lending arrangements, fintech partnerships, and new product launches to accelerate business momentum. However, failure to scale these initiatives could result in slower-than-anticipated growth, constraining revenue and profitability.

Geographic concentration in Kerala

South Indian Bank continues to carry regional concentration risk, with ~30% of its loan book in Kerala as of FY25, albeit reduced from 43.1% in FY20. While the bank has diversified incrementally, loan share outside Kerala has improved and the branch network has expanded modestly across South India and the rest of India, though footprints remain heavily tilted towards Kerala, with 499 branches still located in the state. This concentration leaves the bank exposed to state-specific macroeconomic, political, or environmental shocks, which could impair loan quality and affect deposit mobilization. Although strong local market penetration offers franchise stability, expansion beyond Kerala will be a monitorable.

Low-yield corporate book remains a drag on return ratios

Corporate loans form ~42% of South Indian Bank's loan book, predominantly AAA-rated exposures. While this portfolio anchors asset quality and carries lower credit risk, it is structurally characterized by shorter tenures and lower yields, thereby constraining return ratios. The bank has highlighted its intent to rebalance the book and bring corporate loan share down to ~35% by FY27, while increasing focus on MSME and retail. Several initiatives are underway, including the launch of affordable housing products, personal loans, and expansion in gold loans, alongside efforts to build co-lending partnerships and increase digital acquisition. However, execution remains a critical challenge as building scale in MSME and retail requires robust underwriting, strong collection architecture, and distribution capabilities. If these strategic pivots are not executed at the targeted pace, the anticipated improvement in RoA could fall short, leaving the bank reliant on its low-margin corporate book for longer than expected.

Financial Summary

Exhibit 26: Profit and loss statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Interest Earned	8,613	9,413	9,807	11,004
Interest Expended	5,281	5,928	6,275	6,870
Net Interest Income	3,332	3,486	3,532	4,134
Growth (%)	10.6%	4.6%	1.3%	17.0%
Non Interest Income	1,515	1,813	1,916	2,041
Net Income	4,847	5,299	5,448	6,175
Employee cost	1,705	1,671	1,757	1,971
Other operating Exp.	1,274	1,357	1,460	1,579
Operating expenses	2,979	3,028	3,216	3,550
Operating Income	1,868	2,270	2,232	2,624
Provisions	339	513	621	749
PBT	1,529	1,757	1,611	1,875
Taxes	459	454	415	483
Net Profit	1,070	1,303	1,196	1,393
Growth (%)	38.0%	21.8%	-8.2%	16.4%
EPS (₹)	4.09	4.98	4.57	5.32

Source: Company, ICICI Direct Research

Exhibit 27: Key ratios ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
No. of shares (crore)	262	262	262	262
EPS (₹)	4.1	5.0	4.6	5.3
BV (₹)	32.4	37.3	41.9	47.2
ABV (₹)	28.1	34.3	39.1	44.7
P/E	7.3	6.0	6.5	5.6
P/BV	1.1	0.9	0.8	0.7
P/ABV	1.1	0.9	0.8	0.7
<u>Yields & Margins (%)</u>				
Net Interest Margins	3.4	3.3	3.1	3.2
Avg. cost on funds	5.2	5.4	5.3	5.3
Yield on average advances	8.8	9.0	8.6	8.5
<u>Quality and Efficiency (%)</u>				
Cost to income ratio	61.5	57.2	59.0	57.5
Credit/Deposit ratio	76.6	79.7	80.8	81.4
GNPA %	4.5	3.2	2.6	2.3
NNPA %	1.5	0.9	0.8	0.6
RoE	13.8	13.8	11.2	11.6
RoA	1.0	1.1	0.9	0.9

Source: Company, ICICI Direct Research

Exhibit 28: Balance sheet ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
<u>Sources of Funds</u>				
Capital	262	262	262	262
ESOP O/s	2.6	7.7	7.7	7.7
Reserves and Surplus	8,562	9,839	11,034	12,426
Networth	8,826	10,108	11,303	12,695
Deposits	101,919	107,522	118,306	131,478
Borrowings	3,912	4,300	4,586	5,029
Other Liabilities & Provisions	2,755	2,724	5,802	7,186
Total	117,412	124,655	139,997	156,388

Application of Funds

Cash and balances with RBI	6,660	5,098	5,915	6,574
Balances with banks at call	3,362	7,162	7,098	7,889
Investments	23,977	21,777	26,027	28,925
Advances	78,061	85,682	95,536	107,000
Fixed Assets	966	1,018	1,110	1,210
Other Assets	4,387	3,918	4,311	4,791
Total	117,412	124,655	139,997	156,388

Source: Company, ICICI Direct Research

Exhibit 29: Growth ratios

(% growth)	FY24	FY25	FY26E	FY27E
Total assets	9.0	6.2	12.3	11.7
Advances	11.8	9.8	11.5	12.0
Deposit	11.2	5.5	10.0	11.1
Total Income	26.8	9.3	2.8	13.3
Net interest income	10.6	4.6	1.3	17.0
Operating expenses	28.6	1.7	6.2	10.4
Operating profit	23.9	21.5	-1.7	17.6
Net profit	38.0	21.8	-8.2	16.4
Net worth	32.2	14.5	11.8	12.3
EPS	10.4	21.7	-8.2	16.4

Source: Company, ICICI Direct Research

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