

South Indian Bank

BSE SENSEX 35,162
S&P CNX 10,585

CMP: INR15

TP: INR20 (+37%)

Buy

Bloomberg	SIB IN
Equity Shares (m)	1,810
M.Cap.(INRb)/(USDb)	26.5 / 0.4
52-Week Range (INR)	35 / 12
1, 6, 12 Rel. Per (%)	-3/-47/-63
12M Avg Val (INR M)	341
Free float (%)	100.0

Financials & Valuation (INR Billion)

Y/E March	2018	2019E	2020E
NII	19.7	21.3	25.3
OP	14.8	13.7	17.3
NP	3.3	2.6	5.1
NIM (%)	2.8	2.7	2.8
EPS (INR)	1.9	1.4	2.8
EPS Gr. (%)	-25.5	-22.5	94.4
BV/Sh (INR)	28.3	29.0	31.1
ABV (INR)	22.8	21.8	24.2
RoE (%)	6.6	4.9	9.1
RoA (%)	0.4	0.3	0.5
Payout (%)	25.8	45.8	25.7
Valuations			
P/E (x)	7.9	10.2	5.2
P/BV (x)	0.5	0.5	0.5
P/ABV (x)	0.6	0.7	0.6
Div Yield (%)	3.3	4.5	4.9

Modest operating performance; lower provisions drive earnings

- SIB reported 2QFY19 PAT of INR0.8b (1QFY19: INR0.2b), supported by controlled provisions of INR2.1b (-55% YoY), even as PPOP declined 32% YoY (muted treasury gains). Our full-year estimate suggests SIB should deliver PAT of INR1.7b in 2HFY19 (after INR0.9b in 1HFY19).
- NII stood flat even as advances increased 16% YoY. Margins also held flat at 2.6%. Loan growth of 16% YoY was led by robust growth in retail (+19% YoY) and MSME (+7.2% YoY) loans, while corporate book grew 13% YoY. Deposits grew by 12% YoY, while the CASA ratio stood at 24.6%.
- Inspite of opex growth of 10% YoY led by higher employee expenses (+17% YoY); CI ratio declined to 53.4% (57.9% in 1QFY19).
- Slippages declined sharply to INR2.1b (INR6.1b in 1QFY19), which included SME slippages of INR1.1b. Absolute GNPA increased 3.7% QoQ to INR26.5b (4.6%, +7bp QoQ). NNPA declined 1.6% QoQ to INR17.8b (3.16%, -11bp), with calculated PCR improving to 32.6% (+363bp QoQ). Total NSL were at INR20.4b (3.6% of total loans).
- Other highlights: (a) SMA-2 stands at INR23.7b (4.12%). (b) Bank made provision of INR0.2b toward the infra group (total exposure INR4b). (c) Bank guided for slippage of INR5b from SME and retail over 2HFY19.
- Valuation view:** Management is focused on building a low-ticket loan book, while the ongoing cleansing of balance sheet has led to elevated stress on the book. Management remains confident on the healthy trend in recoveries and suggested having healthy collateral cover on most of these assets. We cut our FY19/20 estimates by 14%/29% to account for higher provisions, muted other income and slow growth trajectory considering the impact of Kerala floods. Maintain **Buy** with a TP of INR20 (0.8x FY20E ABV).

Quarterly Performance

	FY18				FY19E				FY18	FY19E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Interest Income	4,607	5,032	5,094	4,922	4,943	5,065	5,420	5,828	19,655	21,256
% Change (YoY)	23.3	13.0	22.0	12.1	7.3	0.6	6.4	18.4	17.3	8.1
Other Income	2,193	2,805	1,588	1,787	1,459	1,579	1,857	2,389	8,372	7,284
Total Income	6,800	7,837	6,682	6,709	6,402	6,644	7,278	8,217	28,028	28,540
% Change (YoY)	24.3	32.6	-1.2	16.3	-5.9	-15.2	8.9	22.5	17.2	1.8
Operating Expenses	3,005	3,234	3,381	3,600	3,705	3,546	3,713	3,871	13,220	14,835
Operating Profit	3,795	4,603	3,302	3,109	2,696	3,098	3,565	4,346	14,808	13,705
% Change (YoY)	46.2	54.8	-12.4	10.7	-28.9	-32.7	8.0	39.8	21.9	-7.4
Provisions	2,243	4,537	1,543	1,486	2,315	2,047	2,483	2,891	9,809	9,736
Profit Before Tax	1,552	66	1,759	1,623	381	1,051	1,082	1,455	4,999	3,969
Tax	537	23	609	482	151	350	349	520	1,650	1,369
Net Profit	1,015	43	1,150	1,141	230	701	733	935	3,349	2,600
% Change (YoY)	6.7	-96.1	3.3	51.0	-77.3	1,523.6	-36.3	-18.1	-14.7	-22.4
Operating Parameters										
Deposit (INR b)	657.9	671.4	681.1	720.3	724.9	749.1	786.6	821.1	720.3	821.1
Loan (INR b)	465.0	489.5	516.4	545.6	554.4	565.7	594.0	638.4	545.6	638.4
Asset Quality										
Gross NPA (INR b)	17.0	17.7	17.7	19.8	25.5	26.5	19.5	28.6	19.8	28.6
Gross NPA (%)	3.6	3.6	3.4	3.6	4.5	4.6	3.2	4.5	3.6	4.5
Net NPA (INR b)	11.8	12.6	12.1	14.2	18.1	17.8	13.2	18.7	14.2	18.7
Net NPA (%)	2.5	2.6	2.3	2.6	3.3	3.2	2.2	2.9	2.6	2.9
PCR (%)	30.3	28.9	31.8	28.5	28.9	32.6	32.0	34.8	28.5	34.8

Research Analyst: Nitin Aggarwal (Nitin.Agarwal@MotilalOswal.com); +91 22 3982 5540 | Parth Gutka (Parth.Gutka@motilaloswal.com); +91 22 3010 2746

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com); +91 22 3982 5415 | Yash Agarwal (Yash.Agarwal@motilaloswal.com); +91 22 3846 6693

Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Exhibit 1: Quarterly Snapshot

	FY17				FY18				FY19		Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	YoY	QoQ
Profit and Loss (INR m)												
Net Interest Income	3,736	4,452	4,175	4,391	4,607	5,032	5,094	4,922	4,943	5,065	1	2
Other Income	1,734	1,459	2,585	1,377	2,193	2,805	1,588	1,787	1,459	1,579	-44	8
Total Income	5,471	5,911	6,760	5,768	6,800	7,837	6,682	6,709	6,402	6,644	-15	4
Operating Expenses	2,876	2,937	2,991	2,960	3,005	3,234	3,381	3,600	3,705	3,546	10	-4
Employee	1,676	1,676	1,752	1,662	1,670	1,681	1,849	1,933	2,111	1,963	17	-7
Others	1,200	1,262	1,239	1,298	1,336	1,554	1,532	1,667	1,594	1,583	2	-1
Operating Profits	2,595	2,973	3,770	2,808	3,795	4,603	3,302	3,109	2,696	3,098	-33	15
Core Operating Profits	2,025	2,463	2,500	2,628	2,905	3,923	3,192	2,979	2,536	2,968	-24	17
Provisions	1,141	1,283	2,066	1,653	2,243	4,537	1,543	1,486	2,315	2,047	-55	-12
PBT	1,454	1,690	1,703	1,155	1,552	66	1,759	1,623	381	1,051	1,495	176
Taxes	503	585	590	400	537	23	609	482	151	350	1,441	132
PAT	951	1,105	1,114	755	1,015	43	1,150	1,141	230	701	1,524	204
Balance Sheet (INR B)												
Loans	412	435	443	464	465	490	516	546	554	566	16	2
Deposits	579	602	636	661	658	671	681	720	725	749	12	3
Asset Quality												
GNPA	16,516	17,453	17,870	11,490	16,957	17,663	17,746	19,803	25,522	26,462	50	4
NNPA	11,918	12,064	11,157	6,746	11,825	12,558	12,108	14,158	18,139	17,847	42	-2
Ratios (%)												
- Asset Quality Ratios												
GNPA (%)	4.0	4.0	4.0	2.5	3.6	3.6	3.4	3.6	4.5	4.6	104.0	7.0
NNPA (%)	2.9	2.8	2.5	1.5	2.5	2.6	2.4	2.6	3.3	3.2	59.0	-11.0
PCR (Calculated, %)	28	31	38	41	30	29	32	29	29	33	365.3	362.6
- Business Ratios												
Other Income to Total Income	31.7	24.7	38.2	23.9	32.3	35.8	23.8	26.6	22.8	23.8	-1,202.3	97.4
Cost to Core Income	61.7	54.9	55.3	53.8	51.5	45.8	52.0	55.7	60.2	55.4	960.5	-486.0
Tax Rate	34.6	34.6	34.6	34.6	34.6	34.4	34.6	29.7	39.5	33.3	-117.6	-627.4
Loan/Deposit	71.2	72.3	69.6	70.2	70.7	72.9	75.8	75.8	76.5	75.5	260.8	-96.8
CASA Reported	23.2	22.8	25.9	23.8	25.2	24.6	24.9	23.8	24.7	24.6	0.0	-10.0
CAR	11.7	11.1	11.1	12.4	12.1	11.7	12.5	12.7	12.2	12.1	37.0	-9.0
Tier I	9.9	9.5	9.4	10.9	10.8	10.4	10.1	10.4	10.1	10.0	-40.00	-10.00
- Profitability Ratios												
ROA	0.6	0.7	0.6	0.4	0.6	0.0	0.6	0.6	0.1	0.3	31.0	22.0
ROE	9.4	10.6	10.4	6.1	8.1	0.3	9.0	8.7	1.8	5.3	499.5	359.2
Yield on Loans	10.9	10.6	10.3	10.0	10.1	10.0	9.9	9.6	9.5	9.5	-53.0	0.0
Yield on Funds	8.7	8.7	8.3	8.2	8.1	8.1	8.0	7.8	8.0	7.9	-12.0	-1.0
Cost of Deposits	7.0	6.8	6.5	6.3	6.2	6.1	6.0	6.0	6.1	6.1	3.0	2.0
Cost of Funds	6.3	6.2	6.0	5.7	5.6	5.4	5.4	5.4	5.6	5.6	15.0	-1.0
Margins	2.7	2.8	2.7	2.7	2.8	3.0	2.9	2.7	2.6	2.6	-34.0	1.0

Source: MOSL, Company

Other highlights

- Retail/corporate loan books grew -4%/4% QoQ and 19%/14% YoY, while SME book grew 1.4% QoQ (+7% YoY). Retail book grew to 26.1% (24.6% in 2QFY18) of the total book, while the corporate book was largely flattish at 36% of the total book.
- CASA accretion accelerated with 11.5% YoY growth, due to 13.5% YoY SA growth. CASA ratio stood at 24.6%.
- Slippages declined significantly to INR2.13b (INR6.09b in 1QFY19), of which SME slippages were INR1.01b. Slippages increased in agri (0.22% v/s 0.14% in 1Q) but decreased in SME (0.76% v/s 1.72% in 1Q) and corporate (0.09% v/s 1.54% in 1Q).
- Absolute GNPA increased 3.7% QoQ to INR26.5b (4.61%, +7bp QoQ), while NNPA declined -1.6% QoQ to INR17.8b (3.16%, -11bp), with calculated PCR increasing 363bp QoQ to 32.6%. Total net stressed loans of INR20.4b comprise 3.6% of loans in percentage terms (3.7% in 1Q).



2QFY19 conference call highlights

Asset quality

- Bank has INR171.9b of loans in the 12 affected areas in Kerala, of which INR100.3b are affected due to floods.
- Approx. 18 branches (in rural areas) are impacted due to floods, of which three branches are closed down. The bank will have to incur some capex and opex to bring the branches back on track.
- Within these branches, INR7b of agri and rural loans are impacted. Out of INR7b, INR5b is eligible for dispensation. The bank has classified INR2.5b into restructuring.
- Bank will finalize the list for dispensation by 31st Oct'18.
- Bank is expecting INR2.5b (INR5b for next half year) of slippages from SME and retail loans. This is including the impact of Kerala floods, but does not include slippages from the corporate portfolio as the bank expects that corporate NPA cycle has peaked out.
- SMA-2 for the bank stands at 4.12% (INR23.7b).
- Bank made a lumpsum provision toward the 'Infra group'. Bank does not have any exposure to power and energy, but has exposure to the conglomerate group.
- Bank expects to recover INR2b-3b from the small and mid-corporate space.

Balance sheet and P&L related

- Banks has not permitted certain drawings for NBFCs from south India, and thus, loan growth for the bank has slowed down.
- Employee expenses are on the higher side due to revision in the gratuity provisions and bank is providing for 12% salary hike (as bank is an IBA bank). Effect of 9bp by way of interest reversals. INR180m for the quarter.

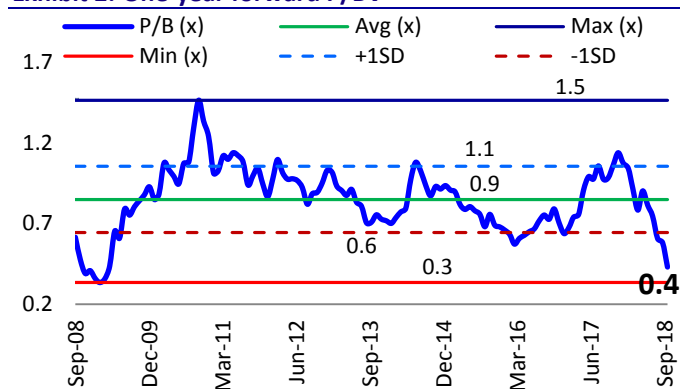
Guidance

- Bank is expecting 20% loan growth for full-year FY19
- Target CASA ratio is 30%.
- Bank has got the board approval to raise INR5b of tier 2 capital.
- Bank is expecting INR3b of provisions for next half year.

Valuation and view

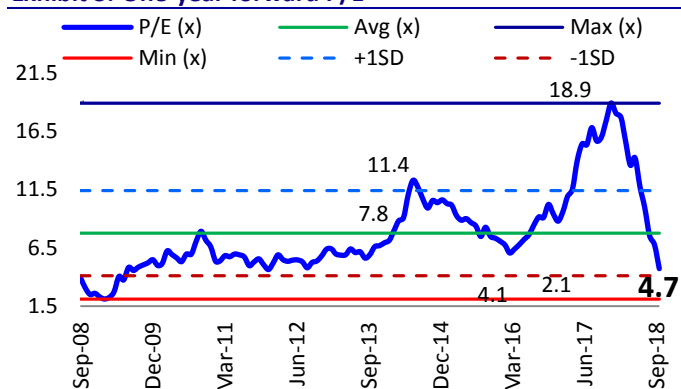
- Advances growth is picking up, led by low-risk retail loans as the bank steadily shifts its loan mix to retail; corporate now forms 36% of the book v/s 37% in 4QFY18. We like management's focus on granular low-ticket retail/SME loans, improving C/I ratio and a steady approach to balance sheet clean-up, which will help improve asset quality substantially.
- The bank has been remarkably proactive in asset quality stress recognition and providing for the same. Based on the small remaining quantum of stress on the books and the amount of provisioning already done, we believe that slippages/credit costs should be controlled from here. We, thus, arrive at FY20E RoA/RoE of 0.5%/9.1%.
- Management is focused on building a low-ticket loan book while the ongoing cleansing of balance sheet has led to elevated stress on the book. Management remains confident on healthy trend in recoveries and suggested having healthy collateral cover on most of these assets. We cut our FY19/20 estimates by 14%/29% to account for higher provisions, muted other income and slow growth trajectory considering the impact of Kerala floods. Maintain Buy with a TP of INR20 (0.8x FY20E ABV).

Exhibit 2: One-year forward P/BV



Source: MOSL, Company

Exhibit 3: One-year forward P/E



Source: MOSL, Company

Exhibit 4: We cut our estimates for FY19/FY20 by 14%/29% to account for higher provisions and muted other income

INR B	Old Est		Revised Est		Variation (%)	
	FY19	FY20	FY19	FY20	FY19	FY20
Net Interest Income	21.2	25.3	21.3	25.3	0.2	-0.3
Other Income	9.6	11.1	7.3	8.4	-24.3	-24.3
Total Income	30.8	36.4	28.5	33.7	-7.4	-7.6
Operating Expenses	14.7	16.1	14.8	16.3	0.7	1.5
Operating Profits	16.1	20.3	13.7	17.3	-14.9	-14.7
Provisions	11.5	9.5	9.7	9.6	-15.2	1.3
PBT	4.6	10.8	4.0	7.7	-14.2	-28.8
Tax	1.6	3.7	1.4	2.7	-14.2	-28.8
PAT	3.0	7.1	2.6	5.1	-14.2	-28.8
RoA	0.3	0.7	0.3	0.5		
RoE	5.7	12.5	4.9	9.1		
EPS	1.7	3.9	1.4	2.8	-14.2	-28.8
BV	29.1	32.2	29.0	31.1	-0.2	-3.3
ABV	22.5	27.7	21.8	24.2	-2.9	-12.5

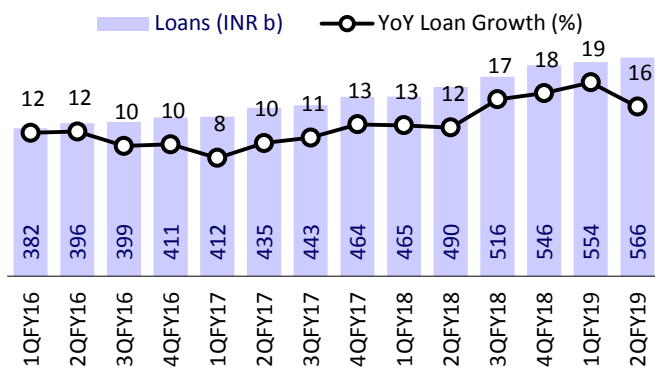
Exhibit 5: DuPont Analysis: Return ratios to remain under pressure; likely to pick up from FY20E onwards

INR (m)	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Interest income	9.84	9.57	9.27	9.07	8.49	7.89	8.40	8.68
Interest expense	6.99	6.90	6.87	6.60	6.06	5.39	5.98	6.16
Net interest income	2.84	2.67	2.39	2.46	2.43	2.50	2.42	2.52
Fee income	0.61	0.57	0.58	0.62	0.67	0.84	0.66	0.66
Treasury Income	0.13	0.13	0.29	0.22	0.37	0.23	0.17	0.18
Total Income	3.58	3.37	3.27	3.31	3.47	3.57	3.25	3.35
Operating costs	1.70	1.69	1.72	1.87	1.71	1.68	1.69	1.63
Employee Costs	1.05	1.01	1.11	1.13	0.98	0.91	0.93	0.90
Other Expenses	0.65	0.68	0.61	0.74	0.73	0.78	0.75	0.73
Operating Profit	1.88	1.69	1.55	1.43	1.76	1.89	1.56	1.73
Core Operating Profit	1.75	1.55	1.26	1.21	1.40	1.66	1.39	1.55
Provisions	0.43	0.30	0.73	0.60	0.89	1.25	1.11	0.96
NPA Provisions	0.33	0.28	0.60	0.66	0.96	0.87	1.01	0.97
Other provisions	0.09	0.02	0.12	-0.06	-0.06	0.38	0.10	-0.01
PBT	1.45	1.39	0.82	0.83	0.87	0.64	0.45	0.77
Tax	0.34	0.42	0.28	0.29	0.30	0.21	0.16	0.27
ROA	1.11	0.97	0.54	0.54	0.57	0.43	0.30	0.50
Leverage (x)	17.4	16.4	16.4	16.5	15.9	15.6	16.6	18.0
ROE	19.4	15.9	8.8	9.0	9.0	6.6	4.9	9.1

Source: MOSL, Company

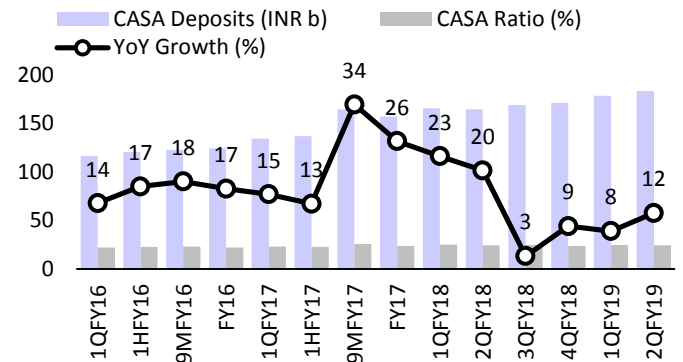
Story in charts

Exhibit 6: Loan book grew 16% on YoY basis



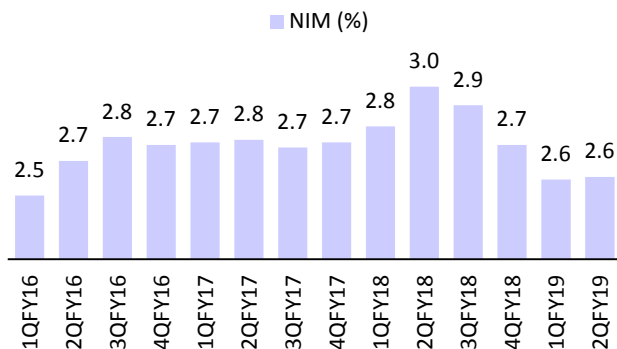
Source: Company, MOSL

Exhibit 7: CASA ratio largely stable QoQ to 24.6%



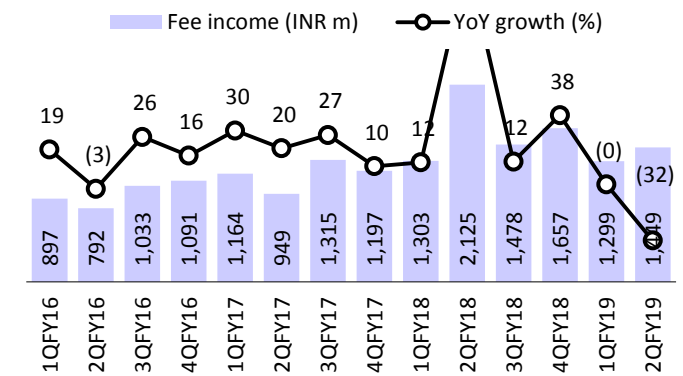
Source: Company, MOSL

Exhibit 8: Reported margin stable on a QoQ basis at 2.6%



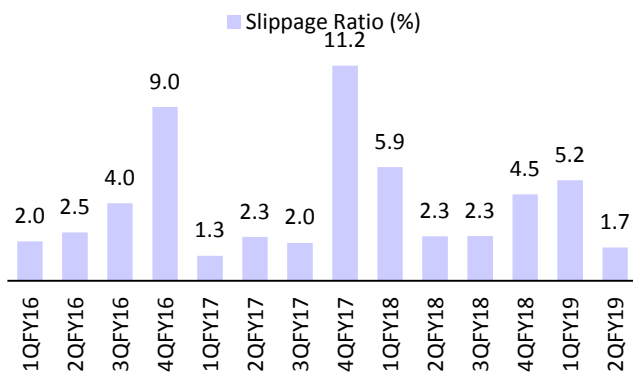
Source: Company, MOSL

Exhibit 9: Fee income growth declined on a YoY basis



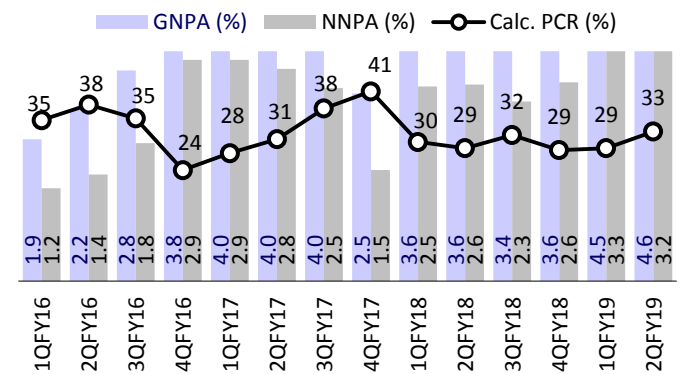
Source: Company, MOSL

Exhibit 10: Annualized slippages(%) declined to 1.7%



Source: Company, MOSL

Exhibit 11: PCR increased 363bp sequentially



Source: Company, MOSL

Financials and valuations

Income Statement								(INR m)
Y/E March	2013	2014	2015	2016	2017	2018	2019E	2020E
Interest Income	44,343	50,151	52,862	55,572	58,471	61,928	73,873	87,096
Interest Expense	31,535	36,163	39,200	40,475	41,716	42,273	52,618	61,814
Net Interest Income	12,808	13,988	13,662	15,097	16,754	19,655	21,256	25,282
Growth (%)	25.4	9.2	-2.3	10.5	11.0	17.3	8.1	18.9
Non Interest Income	3,349	3,685	4,971	5,174	7,156	8,372	7,284	8,377
Total Income	16,158	17,672	18,633	20,271	23,910	28,028	28,540	33,659
Growth (%)	27.3	9.4	5.4	8.8	18.0	17.2	1.8	17.9
Operating Expenses	7,672	8,829	9,813	11,478	11,764	13,220	14,835	16,314
Pre Provision Profits	8,486	8,843	8,820	8,793	12,146	14,808	13,705	17,344
Growth (%)	30.2	4.2	-0.3	-0.3	38.1	21.9	-7.4	26.6
Core PPP	7,909	8,145	7,180	7,427	9,621	13,008	12,205	15,544
Change (%)	29.5	3.0	-11.8	3.4	29.5	35.2	-6.2	27.4
Provisions (excl tax)	1,927	1,554	4,570	3,696	6,144	9,809	9,736	9,627
PBT	6,559	7,289	4,250	5,097	6,002	4,999	3,969	7,717
Tax	1,536	2,214	1,608	1,764	2,077	1,650	1,369	2,663
PAT	5,023	5,075	2,642	3,333	3,925	3,349	2,600	5,055
Growth (%)	25.1	1.0	-47.9	26.1	17.8	-14.7	-22.4	94.4

Balance Sheet

Y/E March	2013	2014	2015	2016	2017	2018	2019E	2020E
Equity Share Capital	1,339	1,344	1,350	1,350	1,803	1,809	1,809	1,809
Reserves & Surplus	28,724	32,360	34,544	37,106	46,574	50,603	52,010	55,766
Net Worth	30,062	33,704	35,894	38,456	48,377	52,412	53,819	57,575
Deposits	4,42,623	4,74,911	5,19,125	5,57,207	6,61,175	7,20,296	8,21,137	9,52,519
Growth (%)	21.3	7.3	9.3	7.3	18.7	8.9	14.0	16.0
of which CASA Dep	82,328	98,249	1,06,863	1,24,590	1,57,470	1,71,417	1,93,788	2,24,795
Growth (%)	14.7	19.3	8.8	16.6	26.4	8.9	13.1	16.0
Borrowings	12,846	27,308	22,325	23,150	19,578	40,434	41,945	48,185
Other Liabilities & Prov.	12,420	13,937	13,819	12,936	13,990	13,697	15,067	16,574
Total Liabilities	4,97,950	5,49,860	5,91,163	6,31,749	7,43,120	8,26,859	9,31,969	10,74,853
Current Assets	43,359	32,179	35,951	30,995	38,877	42,210	44,266	51,324
Investments	1,25,235	1,43,518	1,40,861	1,46,189	1,94,297	1,83,631	1,91,133	2,08,895
Growth (%)	33.2	14.6	-1.9	3.8	32.9	-5.5	4.1	9.3
Loans	3,18,155	3,62,299	3,73,916	4,10,857	4,63,895	5,45,629	6,38,386	7,53,295
Growth (%)	16.6	13.9	3.2	9.9	12.9	17.6	17.0	18.0
Fixed Assets	3,961	4,122	4,790	4,870	6,561	6,808	7,174	7,778
Other Assets	7,240	7,742	35,644	38,837	39,490	48,581	51,010	53,560
Total Assets	4,97,950	5,49,860	5,91,163	6,31,749	7,43,120	8,26,859	9,31,969	10,74,853

Asset Quality

GNPA (INR m)	4,339	4,326	6,435	15,624	11,490	19,803	28,631	29,544
NNPA (INR m)	2,495	2,817	3,571	11,853	6,746	14,158	18,673	17,811
GNPA Ratio	1.36	1.19	1.72	3.80	2.48	3.63	4.48	3.92
NNPA Ratio	0.78	0.78	0.95	2.88	1.45	2.59	2.93	2.36
Slippage Ratio	1.79	1.85	1.36	4.10	3.88	3.59	4.00	2.60
Credit Cost	0.45	0.40	1.12	0.94	1.40	1.94	1.50	1.40
PCR (Excl Tech. write off)	42.5	34.9	44.5	24.1	41.3	28.5	34.8	39.7

E: MOSL Estimates

Financials and valuations

Ratios

Y/E March	2013	2014	2015	2016	2017	2018	2019E	2020E
Yield and Cost Ratios (%)								
Avg. Yield-Earning Assets	10.1	9.8	9.7	9.7	9.1	8.4	9.0	9.2
Avg. Yield on loans	12.1	11.6	11.3	11.1	10.2	9.4	9.3	9.4
Avg. Yield on Investments	6.9	7.2	6.7	7.1	7.3	6.8	9.0	9.8
Avg. Cost-Int. Bear. Liab.	7.7	7.6	7.5	7.2	6.6	5.9	6.5	6.6
Avg. Cost of Deposits	7.6	7.5	7.4	7.1	6.5	5.8	6.0	6.1
Interest Spread	2.4	2.2	2.2	2.5	2.5	2.6	2.5	2.6
Net Interest Margin	3.0	2.8	2.6	2.8	2.7	2.8	2.7	2.8

Profitability Ratios (%)

CAR	13.9	12.4	12.0	11.8	12.4	12.7	11.2	10.1
Tier I	12.1	10.8	10.4	9.8	10.9	10.4	9.2	8.4
Tier II	1.9	1.6	1.6	2.0	1.5	2.3	2.0	1.7

Business and Efficiency Ratios (%)

Loans/Deposit Ratio	71.9	76.3	72.0	73.7	70.2	75.8	77.7	79.1
CASA Ratio	18.6	20.7	20.6	22.4	23.8	23.8	23.6	23.6
Cost/Assets	1.5	1.6	1.7	1.8	1.6	1.6	1.6	1.5
Cost/Total Income	47.5	50.0	52.7	56.6	49.2	47.2	52.0	48.5
Cost/ Core Income	49.2	52.0	57.7	60.7	55.0	50.4	54.9	51.2
Int. Expense/Int.Income	71.1	72.1	74.2	72.8	71.3	68.3	71.2	71.0
Fee Income/Total Income	17.2	16.9	17.9	18.8	19.4	23.5	20.3	19.5
Non Int. Inc./Total Income	20.7	20.8	26.7	25.5	29.9	29.9	25.5	24.9
Empl. Cost/Total Expense	61.6	59.9	64.6	60.3	57.5	54.0	55.3	55.3
Investment/Deposit Ratio	28.3	30.2	27.1	26.2	29.4	25.5	23.3	21.9

Profitability Ratios and Valuation

RoE	19.4	15.9	8.8	9.0	9.0	6.6	4.9	9.1
RoA	1.1	1.0	0.5	0.5	0.6	0.4	0.30	0.50
RoRWA	2.2	1.8	1.0	0.9	0.9	0.7	0.5	0.8
Book Value (INR)	21.9	24.5	26.0	27.9	26.1	28.3	29.0	31.1
Growth (%)	18.7	12.1	6.1	7.3	-6.4	8.1	2.7	7.2
Price-BV (x)					0.6	0.5	0.5	0.5
Adjusted BV (INR)	20.6	23.1	24.2	21.8	23.5	22.8	21.8	24.2
Price-ABV (x)					0.6	0.6	0.7	0.6
EPS (INR)	4.1	3.8	2.3	2.5	2.5	1.9	1.4	2.8
Growth (%)	14.5	-6.9	-39.7	8.2	0.9	-25.5	-22.5	94.4
Price-Earnings (x)					5.9	7.9	10.2	5.2
Dividend Per Share (INR)	0.7	0.8	0.6	0.5	0.4	0.5	0.7	0.7
Dividend Yield (%)	4.8	5.5	4.1	3.4	2.7	3.3	4.5	4.9

E: MOSL Estimates

Corporate profile: South Indian Bank

Company description

One of the earliest banks in Southern part of India, South Indian Bank (SIB) was incorporated in 1928 at Thrissur in Kerala. Under the RBI Act, SIB was the first private sector bank in Kerala to become a Scheduled Commercial Bank in 1946. Currently, the bank is led by Mr. V. G. Mathew, MD & CEO. The bank has a strong presence in south India (80%+ branches). As on September 2018, the bank had a network of 857 branches and 1,395 ATMs.

Exhibit 1: Sensex rebased

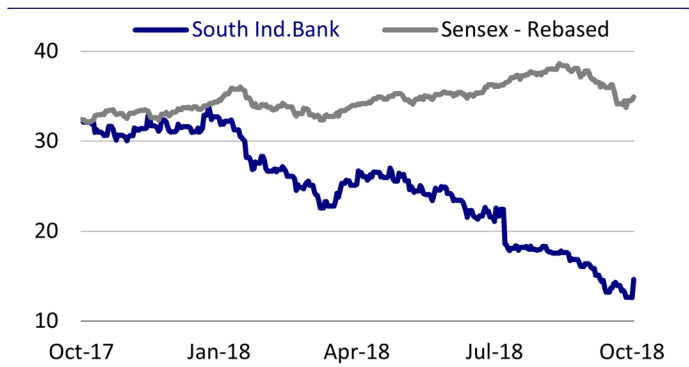


Exhibit 2: Shareholding pattern (%)

	Sep-18	Jun-18	Sep-17
Promoter	0.0	0.0	0.0
DII	12.5	14.9	12.3
FII	30.2	32.3	37.9
Others	57.4	52.7	49.8

Note: FII Includes depository receipts

Exhibit 4: Top management

Name	Designation
Salim Gangadharan	Chairman
V G Mathew	Managing Director & CEO
Achal Kumar Gupta	Director
Jimmy Mathew	Company Secretary

Exhibit 3: Top holders

Holder Name	% Holding
YUSUFFALI MUSALIAM VEETIL ABDUL KADER	4.9
LAVENDER INVESTMENTS LIMITED	4.9
FIRST CARLYLE VENTURES MAURITIUS	4.9
PEAR TREE POLARIS FOREIGN VALUE SMALL CAP	3.4
LIFE INSURANCE CORPORATION OF INDIA	3.2

Exhibit 5: Directors

Name	Name
V. J. Kurian	K Thomas Jacob
Francis Alapatt	Ranjana Salgaocar
John Joseph Alapatt	Parayil George John Tharakan
Achal Kumar Gupta	

*Independent

Exhibit 6: Auditors

Name	Type
SVJS & Associates	Secretarial Audit
S R Batliboi & Co LLP	Statutory

Exhibit 7: MOSL forecast v/s consensus

EPS (INR)	MOSL forecast	Consensus forecast	Variation (%)
FY19	1.4	2.1	-32.0
FY20	2.8	3.5	-19.4

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst becomes inconsistent with the investment rating legend, the Research Analyst shall within 28 days of the inconsistency, take appropriate measures to make the recommendation consistent with the investment rating legend.

Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Securities Ltd. (MOSL)* is a SEBI Registered Research Analyst having registration no. INH000000412. MOSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing stock broking services, Investment Advisory Services, Depository participant services & distribution of various financial products. MOSL is a subsidiary company of Motilal Oswal Financial Service Ltd. (MOFSL). MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. MOSL is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India (MCX) & National Commodity & Derivatives Exchange Ltd. (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) & National Securities Depository Limited (NSDL) and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products. Details of associate entities of Motilal Oswal Securities Limited are available on the website at <http://online.reports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf>

MOSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report

MOSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Securities Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOSL & its group companies to registration or licensing requirements within such jurisdictions.

For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

For U.S.

Motilal Oswal Securities Limited (MOSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co.Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore. As per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisors Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

Specific Disclosures

- 1 MOSL, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
- 2 MOSL, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company
- 3 MOSL, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months
- 4 MOSL, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report
- 5 Research Analyst has not served as director/officer/employee in the subject company
- 6 MOSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- 7 MOSL has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
- 8 MOSL has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months
- 9 MOSL has not received any compensation or other benefits from third party in connection with the research report
- 10 MOSL has not engaged in market making activity for the subject company

The associates of MOSL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company
- received compensation/other benefits from the subject company in the past 12 months
- other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.

The associates of MOSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOSL also earns DP income from clients which are not considered in above disclosures.

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Terms & Conditions:

This report has been prepared by MOSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential 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 MOSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOSL will not treat recipients as customers by virtue of their receiving this report.

Disclaimer:

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. This report and information herein is solely for informational purpose and may 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. 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. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alterations to this statement as may be required from time to time without any prior approval. MOSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022-3980 4263; www.motilaloswal.com. Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 3080 1000. Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-38281085.

Registration details: MOSL: SEBI Registration: INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL: IN-DP-16-2015; NSDL: IN-DP-NSDL-152-2000; Research Analyst: INH000000412. AMFI: ARN 17397. Investment Adviser: INA000007100. Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP000000670) offers PMS and Mutual Funds products. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) offers wealth management solutions. *Motilal Oswal Securities Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs, Insurance and IPO products. *Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. offers Real Estate products. * Motilal Oswal Private Equity Investment Advisors Pvt. Ltd. offers Private Equity products.

* MOSL has been amalgamated with Motilal Oswal Financial Services Limited (MOFSL) w.e.f August 21, 2018 pursuant to order dated July 30, 2018 issued by Hon'ble National Company Law Tribunal, Mumbai Bench. The existing registration no(s) of MOSL would be used until receipt of new MOFSL registration numbers.