

## South Indian Bank

### Performance Highlights

| Particulars (₹ cr) | 1QFY12     | 4QFY11     | % chg (qoq)  | 1QFY11     | % chg (yoy) |
|--------------------|------------|------------|--------------|------------|-------------|
| <b>NII</b>         | <b>205</b> | <b>222</b> | <b>(7.5)</b> | <b>167</b> | <b>22.5</b> |
| Pre-prov. profit   | 143        | 153        | (6.6)        | 104        | 37.1        |
| <b>PAT</b>         | <b>82</b>  | <b>82</b>  | <b>0.9</b>   | <b>58</b>  | <b>41.2</b> |

Source: Company, Angel Research

For 1QFY2012, South Indian Bank (SIB) reported healthy net profit growth of 41.2% yoy (flat sequentially) to ₹82cr, slightly below our estimates of ₹86cr. However, NIM compression was higher than expected, which was compensated by higher treasury gains and lower-than-estimated provisions. Key highlights of the results were strong balance sheet growth but with substantial NIM compression and largely stable asset quality. **We maintain our Accumulate recommendation on the stock.**

**Healthy business growth but NIM disappoints:** The bank's business growth continued to register strong traction, with advances growth at 31.2% yoy (8.1% qoq) and deposits growth at 35.5% yoy (6.4% qoq). The bank's CASA deposits grew by relatively lower 16.0%, leading to compression in CASA ratio to 21.5% from 25.1% in 1QFY2011. However, CASA ratio was stable on a sequential basis. CASA deposits and low-cost NRE deposits put together formed 26.1% of deposits. The asset quality was largely stable during 1QFY2012, with absolute gross and net NPAs rising by relatively lower 2.6% and 5.8% qoq, respectively, and provision coverage ratio excluding technical write-offs at a comfortable 73.1%. Slippages were flat sequentially at 0.8% (₹43cr), which were largely compensated by higher recoveries. The bank's capital adequacy remains healthy at 13.5%, with tier-I CAR of 10.9%.

**Outlook and valuation:** SIB plans to raise ~₹1,000cr during FY2012, which will enable it to maintain its strong growth, especially in its gold loan business. Currently, the stock is trading at moderate valuations of 1.2x FY13E ABV. In light of capital-raising and strong expansion plans, we value the bank at 1.35x FY13E ABV and maintain our Accumulate rating on the stock with a target price of ₹26.

### Key financials

| Particulars (₹ cr) | FY2010     | FY2011     | FY2012E    | FY2013E    |
|--------------------|------------|------------|------------|------------|
| <b>NII</b>         | <b>568</b> | <b>791</b> | <b>883</b> | <b>960</b> |
| % chg              | 8.7        | 39.2       | 11.6       | 8.7        |
| <b>Net profit</b>  | <b>234</b> | <b>293</b> | <b>347</b> | <b>364</b> |
| % chg              | 20.0       | 25.1       | 18.6       | 5.0        |
| NIM (%)            | 2.5        | 2.8        | 2.6        | 2.5        |
| <b>EPS (₹)*</b>    | <b>2.1</b> | <b>2.6</b> | <b>3.1</b> | <b>3.2</b> |
| P/E (x)            | 11.7       | 9.3        | 7.9        | 7.5        |
| P/ABV (x)          | 1.9        | 1.6        | 1.4        | 1.2        |
| RoA (%)            | 1.0        | 1.0        | 1.0        | 0.9        |
| RoE (%)            | 17.0       | 18.5       | 18.9       | 17.2       |

Source: Company, Angel Research; Note: \*Adjusted for face value split from ₹10 to ₹1

## ACCUMULATE

|              |     |
|--------------|-----|
| CMP          | ₹24 |
| Target Price | ₹26 |

|                   |           |
|-------------------|-----------|
| Investment Period | 12 months |
|-------------------|-----------|

### Stock Info

|                    |           |
|--------------------|-----------|
| Sector             | Banking   |
| Market Cap (₹ cr)  | 2,734     |
| Beta               | 1.0       |
| 52 Week High / Low | 30/17     |
| Avg. Daily Volume  | 10,59,469 |
| Face Value (₹)     | 1         |
| BSE Sensex         | 18,562    |
| Nifty              | 5,581     |
| Reuters Code       | SIBK.BO   |
| Bloomberg Code     | SIB@IN    |

### Shareholding Pattern (%)

|                         |      |
|-------------------------|------|
| Promoters               | -    |
| MF / Banks / Indian Fls | 9.6  |
| FII / NRIs / OCBs       | 38.8 |
| Indian Public / Others  | 51.6 |

| Abs. (%) | 3m    | 1yr  | 3yr   |
|----------|-------|------|-------|
| Sensex   | (5.8) | 3.6  | 46.4  |
| SIB      | 4.1   | 28.4 | 200.2 |

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**Exhibit 1: 1QFY2012 performance**

| Particulars (₹ cr)                    | 1QFY12     | 4QFY11     | % chg (qoq)   | 1QFY11     | % chg (yoy) |
|---------------------------------------|------------|------------|---------------|------------|-------------|
| <b>Interest earned</b>                | <b>769</b> | <b>704</b> | <b>9.2</b>    | <b>540</b> | <b>42.3</b> |
| - on Advances / Bills                 | 610        | 557        | 9.6           | 421        | 44.8        |
| - on investments                      | 144        | 132        | 8.8           | 110        | 31.5        |
| - on balance with RBI & others        | 15         | 15         | 0.1           | 9          | 56.1        |
| <b>Interest Expended</b>              | <b>564</b> | <b>482</b> | <b>16.9</b>   | <b>373</b> | <b>51.2</b> |
| <b>Net Interest Income</b>            | <b>205</b> | <b>222</b> | <b>(7.5)</b>  | <b>167</b> | <b>22.5</b> |
| <b>Other income</b>                   | <b>52</b>  | <b>60</b>  | <b>(14.6)</b> | <b>42</b>  | <b>23.9</b> |
| Other income excl. treasury           | 37         | 47         | (21.2)        | 32         | 13.1        |
| - Fee Income                          | 9          | 11         | (11.5)        | 8          | 15.5        |
| - Treasury Income                     | 15         | 14         | 7.5           | 9          | 62.0        |
| - Others                              | 27         | 36         | (24.1)        | 24         | 12.3        |
| <b>Operating income</b>               | <b>257</b> | <b>282</b> | <b>(9.0)</b>  | <b>209</b> | <b>22.8</b> |
| <b>Operating expenses</b>             | <b>113</b> | <b>129</b> | <b>(12.0)</b> | <b>105</b> | <b>8.4</b>  |
| - Employee expenses                   | 69         | 76         | (9.0)         | 67         | 2.3         |
| - Other Opex                          | 44         | 53         | (16.2)        | 37         | 19.6        |
| <b>Pre-provision Profit</b>           | <b>143</b> | <b>153</b> | <b>(6.6)</b>  | <b>104</b> | <b>37.1</b> |
| <b>Provisions &amp; Contingencies</b> | <b>21</b>  | <b>26</b>  | <b>(21.1)</b> | <b>17</b>  | <b>24.8</b> |
| - Provisions for NPAs                 | 3          | (4)        | -             | 11         | (74.6)      |
| - Provisions for Investments          | 4          | 9          | (55.8)        | 0          | 1,430.8     |
| - Provisions for Standard Assets      | 14         | 6          | 131.6         | 2          | 526.4       |
| - Other Provisions                    | 0          | 15         | (98.0)        | 3          | (90.7)      |
| <b>PBT</b>                            | <b>122</b> | <b>127</b> | <b>(3.5)</b>  | <b>88</b>  | <b>39.5</b> |
| <b>Provision for Tax</b>              | <b>40</b>  | <b>45</b>  | <b>(11.6)</b> | <b>29</b>  | <b>36.1</b> |
| <b>PAT</b>                            | <b>82</b>  | <b>82</b>  | <b>0.9</b>    | <b>58</b>  | <b>41.2</b> |
| Effective Tax Rate (%)                | 32.6       | 35.5       | (295)bp       | 33.4       | (81)bp      |

Source: Company, Angel Research

**Exhibit 2: 1QFY2012 – Actual vs. Angel estimates**

| Particulars (₹ cr)      | Actual     | Estimates  | % chg        |
|-------------------------|------------|------------|--------------|
| Net interest income     | 205        | 227        | (9.7)        |
| Non-interest income     | 52         | 48         | 8.5          |
| <b>Operating income</b> | <b>257</b> | <b>275</b> | <b>(6.6)</b> |
| Operating expenses      | 113        | 120        | (5.4)        |
| <b>Pre-prov. profit</b> | <b>143</b> | <b>155</b> | <b>(7.5)</b> |
| Provisions & cont.      | 21         | 28         | (25.9)       |
| PBT                     | 122        | 127        | (3.4)        |
| Prov. for taxes         | 40         | 41         | (3.1)        |
| <b>PAT</b>              | <b>82</b>  | <b>86</b>  | <b>(3.6)</b> |

Source: Company, Angel Research

**Exhibit 3: 1QFY2012 performance analysis**

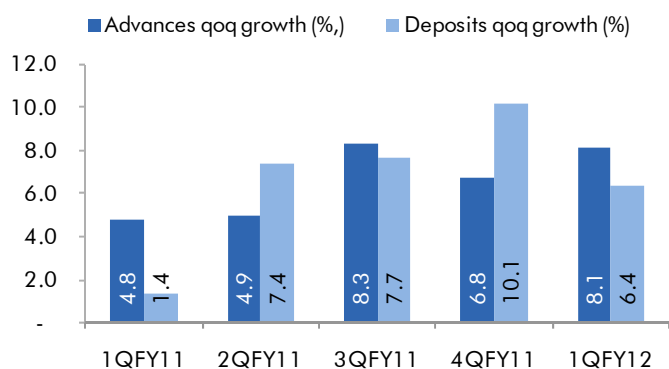
| Particulars                            | 1QFY12 | 4QFY11 | % chg (qoq) | 1QFY11 | % chg (yoy) |
|--|--------|--------|-------------|--------|-------------|
| <b>Balance sheet</b>                   |        |        |             |        |             |
| Advances (₹ cr)                        | 22,151 | 20,489 | 8.1         | 16,886 | 31.2        |
| Deposits (₹ cr)                        | 31,622 | 29,721 | 6.4         | 23,331 | 35.5        |
| Credit-to-Deposit Ratio (%)            | 70.0   | 68.9   | 111bp       | 72.4   | (233)bp     |
| Current deposits (₹ cr)                | 1,326  | 1,201  | 10.4        | 1,138  | 16.5        |
| Saving deposits (₹ cr)                 | 5,464  | 5,203  | 5.0         | 4,714  | 15.9        |
| CASA deposits (₹ cr)                   | 6,790  | 6,404  | 6.0         | 5,852  | 16.0        |
| CASA ratio (%)                         | 21.5   | 21.5   | (7)bp       | 25.1   | (361)bp     |
| CAR (%)                                | 13.5   | 14.0   | (50)bp      | 16.0   | (248)bp     |
| Tier 1 CAR (%)                         | 10.9   | 11.3   | (41)bp      | 13.1   | (224)bp     |
| <b>Profitability Ratios (%)</b>        |        |        |             |        |             |
| Cost of deposits                       | 7.6    | 6.6    | 103bp       | 6.4    | 117bp       |
| Yield on advances                      | 11.8   | 10.9   | 85bp        | 10.8   | 98bp        |
| Reported NIM                           | 2.8    | 3.1    | (29)bp      | 2.8    | (6)bp       |
| Cost-to-income ratio                   | 44.2   | 45.7   | (148)bp     | 50.1   | (584)bp     |
| <b>Asset quality</b>                   |        |        |             |        |             |
| Gross NPAs (₹ cr)                      | 236    | 230    | 2.6         | 223    | 6.0         |
| Gross NPAs (%)                         | 1.1    | 1.1    | (4)bp       | 1.3    | (26)bp      |
| Net NPAs (₹ cr)                        | 63     | 60     | 5.8         | 65     | (2.0)       |
| Net NPAs (%)                           | 0.3    | 0.3    | 0bp         | 0.4    | (10)bp      |
| Provision Coverage Ratio (%)           | 73.1   | 73.9   | (80)bp      | 71.0   | 217bp       |
| Slippage ratio (%)                     | 0.8    | 0.8    | 6bp         | -      | -           |
| Loan loss provision to avg. assets (%) | 0.0    | (0.1)  | 8bp         | 0.2    | (14)bp      |

Source: Company, Angel Research

### Business growth continues to be strong

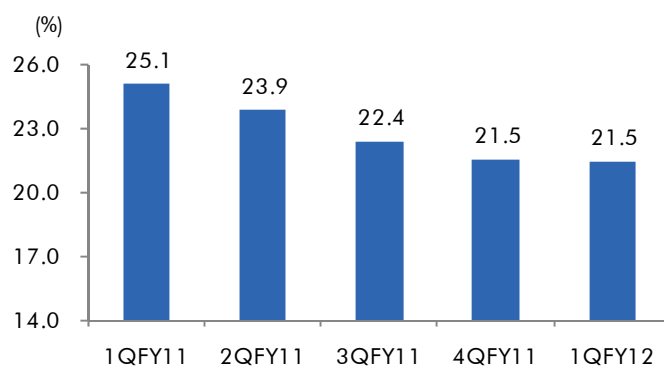
The bank's business growth continued to register strong traction, with advances growth of 31.2% yoy (8.1% qoq) and deposits growth of 35.5% yoy (6.4% qoq). The bank's CASA deposits grew by relatively lower 16.0% yoy, leading to compression in CASA ratio to 21.5% from 25.1% in 1QFY2011. However, on a sequential basis, CASA ratio was stable. CASA deposits and low-cost NRE deposits constituted 26.2% of total deposits. Bulk deposit constituted ~26.8% as of 1QFY2012.

**Exhibit 4: Business growth remains healthy**



Source: Company, Angel Research

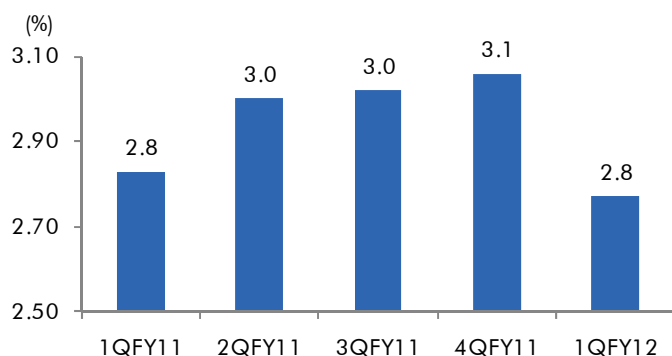
**Exhibit 5: CASA continues at lower levels**



Source: Company, Angel Research

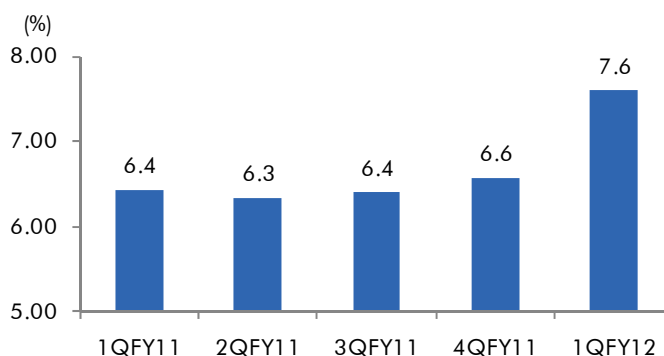
Growth in gold loan portfolio continued to be healthy, registering an increase of 12.3% on a sequential basis. Share of gold loans in loan book has now gone up to 22.9%. On a sequential incremental basis, share of gold loans stood at over 33.5%. With rising interest rates and a larger share of higher-yielding gold loans, the bank was able to improve its yield on advances by 85bp qoq and 98bp yoy to 11.8%. However, the bank's reported NIM dipped by ~30bp qoq to 2.8% due to a sharp spike in cost of deposits (103bp qoq and 117bp yoy). Consequently, the bank's NII was ~10% lower than our estimates despite strong business growth.

**Exhibit 6: NIM declines by 29bp sequentially...**



Source: Company, Angel Research

**Exhibit 7: ...due to jump in cost of deposits**



Source: Company, Angel Research

We were expecting a decline in NIM on account of rising cost of funds for the system as a whole and the bank's relatively low CASA ratio; however, NIM compression was higher than our expectations. Going forward, management expects the NIMs to inch closer to 3.0% mark as assets re-pricing kicks in.

## Non-interest income growth driven by treasury gains

Other income growth on a yoy basis for the bank was primarily driven the sharp 62.0% rise in treasury gains. Fee income growth lagged credit growth by almost half at 15.5% yoy. With interest rates having an upward bias, we expect lower treasury gains in future.

### Exhibit 8: Break-up of non-interest income

| Particulars (₹ cr)              | 1QFY12    | 4QFY11    | % chg (qoq)   | 1QFY11    | % chg (yoy) |
|---------------------------------|-----------|-----------|---------------|-----------|-------------|
| Fee income                      | 9         | 11        | (11.5)        | 8         | 15.5        |
| Treasury gains                  | 15        | 14        | 7.5           | 9         | 62.0        |
| Profit on exchange transactions | 5         | 5         | (8.7)         | 4         | 19.3        |
| Others                          | 22        | 31        | (27.7)        | 20        | 10.6        |
| <b>Non-interest income</b>      | <b>52</b> | <b>61</b> | <b>(15.1)</b> | <b>42</b> | <b>23.8</b> |
| Excluding treasury              | 36.7      | 46.9      | (21.8)        | 32.5      | 13.0        |

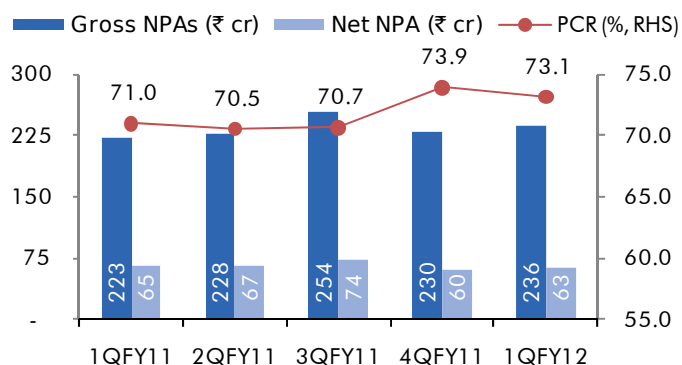
Source: Company, Angel Research

## Asset quality remains stable

The asset quality of the bank was largely stable during 1QFY2012, with absolute gross and net NPAs rising by relatively lower 2.6% and 5.8% qoq, respectively. Gross and net NPA ratios remained flat sequentially to 1.1% and 0.3%, respectively. The provision coverage ratio stood at 73.1% (73.9% in 4QFY2011) excluding technical write-offs. Slippages were flat sequentially at 0.8% (₹43cr), which were largely compensated by recoveries of ~₹36cr. The bank's MFI exposure stood at ₹210cr (0.9% of advances) of which few accounts have gone for CDR. Overall, the management is not seeing any stress from a particular segment.

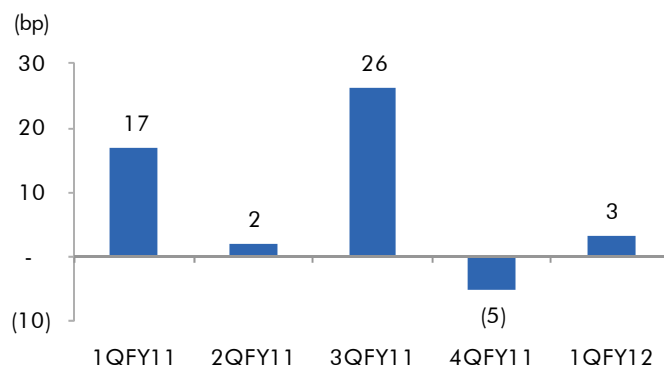
The bank's provision expenses rose by 24.8% yoy due to the ₹14cr provision on account of hike in standard assets provisioning requirement on restructured advances. Provisions for NPAs were sharply lower on a yoy basis at ₹3cr (₹11cr in 1QFY2011), leading to credit costs of just 3bp vs. 17bp in 1QFY2011.

### Exhibit 9: NPA coverage comfortable at 73%+



Source: Company, Angel Research

### Exhibit 10: Credit costs remain low

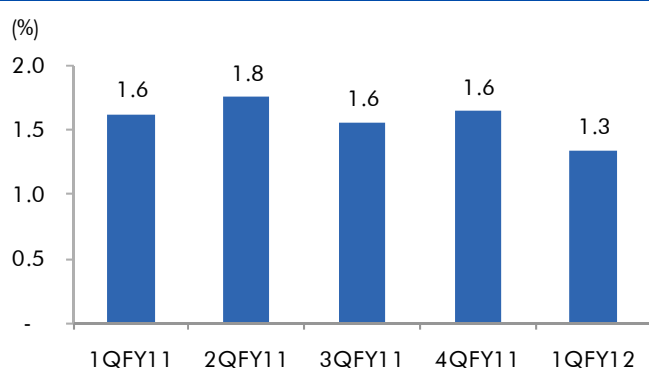


Source: Company, Angel Research

### Operating costs under control

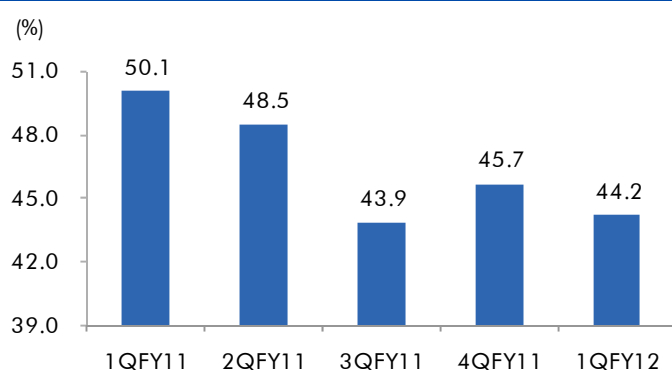
Operating expenses increased by 8.4% yoy, driven by a 19.6% increase in other operating expenses. Employee expenses were almost flat on a yoy basis despite providing ₹8cr towards amortisation of brought-forward liability towards second pension and gratuity. As a result of relatively better operating income growth and stable operating expenses, the cost-to-income ratio of the bank improved to 44.2% from 50.1% in 1QFY2011 and 45.7% in 4QFY2011. On the back of strong balance sheet growth, the opex to average assets ratio improved materially to 1.3% from 1.6% each in 1QFY2011 and 4QFY2011, respectively.

**Exhibit 11: Opex to average assets improves materially**



Source: Company, Angel Research

**Exhibit 12: Cost to income ratio also improves**

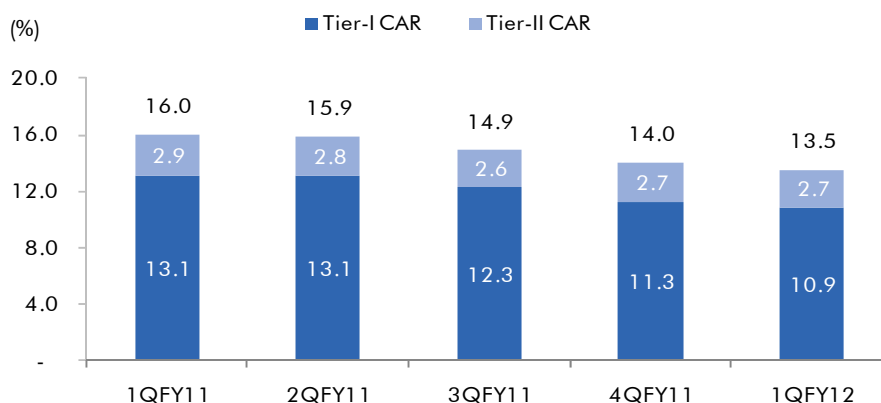


Source: Company, Angel Research

### Healthy capital adequacy

The bank's capital adequacy ratio (CAR) stood at healthy 13.5% as of 1QFY2012, with tier-I ratio at 10.9% (forming 80.4% of the total CAR). The bank has indicated a comfortable tier-I CAR level of 14.0%. The bank is planning to raise ~₹1,000cr of equity capital during FY2012, which would further increase tier-I ratio, enabling the bank to achieve its growth targets. As the fund-raising timelines are not concrete yet, we have not factored the same in our estimates at present. However, if any QIP is done at the CMP, the book value as of FY2013E could see an increase of ~7.0%.

**Exhibit 13: Trends in CAR**



Source: Company, Angel Research

## Investment arguments

### Strong business growth

The bank grew its advances and deposits at a strong rate of 27.1% and 29.2% yoy, respectively, in FY2011. Business growth has further accelerated in 1QFY2012, with advances growing by 31.2% yoy and deposits rising by 35.5% yoy. Gold loan portfolio of the bank has increased at an 84% CAGR over FY2009–11 to reach ₹4,633cr. The gold loan portfolio has continued its pace in 1QFY2012 and now constitutes ~22.9% of the overall loan book. The bank had indicated plan to set up a gold loan NBFC to tap customers who are willing to pay higher interest rates in lieu of higher LTVs and faster service. For this, the bank was planning to deploy ~₹300cr of the QIP proceeds towards the NBFC to capitalise on the opportunity currently being exploited by players such as Muthoot and Mannapuram. However the bank has put the gold loan NBFC plan on hold as of now, considering the uncertain regulatory environment for NBFCs.

The ₹1,000cr QIP amounts to 59.0% of FY2011 net worth, which will provide the bank with substantial capital to maintain its strong growth. We have not factored in the impact of raising ~₹1,000cr funds at present; however, if any QIP is done at the CMP, the book value as of FY2013E could see an increase of ~7.0%

### Outlook and valuation

Due to the bank's higher cost of funds and lower CASA, we have factored in NIMs of 2.6% for FY2012 compared to 2.8% in FY2011. Also, we believe that going forward, the asset quality of the bank may not sustain at current healthy levels and have conservatively factored in higher slippages for FY2012. That said, the bank plans to raise ~₹1,000cr during FY2012, which will enable it to maintain its strong growth, especially in its gold loan business. Currently, the stock is trading at moderate valuations of 1.2x FY2013E ABV. In light of capital-raising and strong expansion plans, we value the bank at 1.35x FY2013E ABV and **maintain our Accumulate rating on the stock with a target price of ₹26.**

#### Exhibit 14: Key assumptions

| Particulars (%)                         | Earlier estimates |        | Revised estimates |        |
|---|-------------------|--------|-------------------|--------|
|   | FY2012            | FY2013 | FY2012            | FY2013 |
| Credit growth                           | 18.0              | 18.0   | 20.0              | 18.0   |
| Deposit growth                          | 14.0              | 14.0   | 14.0              | 15.0   |
| CASA ratio                              | 21.8              | 22.0   | 21.8              | 21.8   |
| NIMs                                    | 2.6               | 2.5    | 2.6               | 2.5    |
| Other income growth                     | 5.2               | 15.6   | 6.4               | 15.6   |
| Growth in staff expenses                | 7.5               | 15.0   | 7.5               | 15.0   |
| Growth in other expenses                | 15.0              | 15.0   | 15.0              | 15.0   |
| Slippages                               | 1.1               | 1.1    | 1.1               | 1.1    |
| Treasury gain/(loss) (% of investments) | 0.3               | 0.3    | 0.3               | 0.3    |

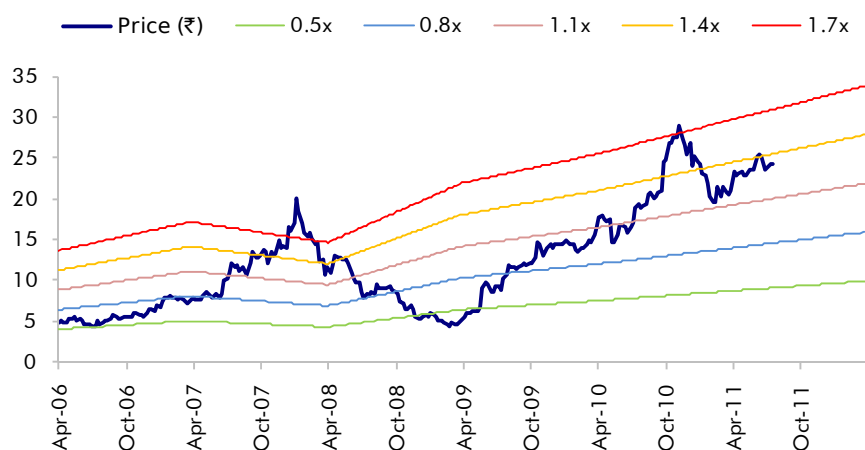
Source: Company, Angel Research

**Exhibit 15: Change in estimates**

| Particulars (₹ cr)      | FY2012            |                   |              | FY2013            |                   |              |
|-------------------------|-------------------|-------------------|--------------|-------------------|-------------------|--------------|
|                         | Earlier estimates | Revised estimates | Var. (%)     | Earlier estimates | Revised estimates | Var. (%)     |
| NII                     | 892               | 883               | (1.0)        | 964               | 960               | (0.5)        |
| Non-interest income     | 207               | 209               | 1.2          | 239               | 242               | 1.2          |
| <b>Operating income</b> | <b>1,099</b>      | <b>1,092</b>      | <b>(0.6)</b> | <b>1,203</b>      | <b>1,202</b>      | <b>(0.1)</b> |
| Operating expenses      | 510               | 510               | -            | 587               | 587               | -            |
| <b>Pre-prov. profit</b> | <b>589</b>        | <b>582</b>        | <b>(1.2)</b> | <b>617</b>        | <b>615</b>        | <b>(0.3)</b> |
| Provisions & cont.      | 67                | 68                | 2.1          | 75                | 76                | 1.1          |
| PBT                     | 522               | 514               | (1.6)        | 542               | 539               | (0.5)        |
| Prov. for taxes         | 169               | 167               | (1.6)        | 176               | 175               | (0.5)        |
| <b>PAT</b>              | <b>353</b>        | <b>347</b>        | <b>(1.6)</b> | <b>366</b>        | <b>364</b>        | <b>(0.5)</b> |

Source: Angel Research

**Exhibit 16: P/ABV band**



Source: Company, Angel Research



**Exhibit 17: Recommendation summary**

| Company    | Reco.             | CMP<br>(₹) | Tgt. price<br>(₹) | Upside<br>(%) | FY2013E<br>P/ABV (x) | FY2013E<br>Tgt P/ABV (x) | FY2013E<br>P/E (x) | FY2011-13E<br>EPS CAGR (%) | FY2013E<br>RoA (%) | FY2013E<br>RoE (%) |
|------------|-------------------|------------|-------------------|---------------|----------------------|--------------------------|--------------------|----------------------------|--------------------|--------------------|
| AxisBk     | Buy               | 1,268      | 1,650             | 30.2          | 2.0                  | 2.7                      | 10.5               | 21.0                       | 1.5                | 21.0               |
| FedBk      | Accumulate        | 457        | 483               | 5.9           | 1.2                  | 1.3                      | 9.2                | 20.2                       | 1.3                | 14.1               |
| HDFCBk     | Neutral           | 509        | -                 | -             | 3.4                  | -                        | 17.7               | 30.4                       | 1.7                | 20.9               |
| ICICIBk*   | Buy               | 1,060      | 1,355             | 27.8          | 1.9                  | 2.5                      | 15.3               | 24.5                       | 1.5                | 15.6               |
| <b>SIB</b> | <b>Accumulate</b> | <b>24</b>  | <b>26</b>         | <b>8.0</b>    | <b>1.2</b>           | <b>1.4</b>               | <b>7.5</b>         | <b>11.6</b>                | <b>0.9</b>         | <b>17.2</b>        |
| YesBk      | Neutral           | 325        | -                 | -             | 2.1                  | -                        | 10.9               | 19.2                       | 1.3                | 20.6               |
| AllBk      | Accumulate        | 206        | 222               | 7.4           | 1.0                  | 1.1                      | 5.8                | 9.2                        | 0.9                | 17.8               |
| AndhBk     | Accumulate        | 135        | 145               | 7.4           | 0.9                  | 1.0                      | 5.6                | 3.1                        | 1.0                | 16.8               |
| BOB        | Buy               | 880        | 1,017             | 15.6          | 1.2                  | 1.4                      | 6.7                | 10.5                       | 1.1                | 19.5               |
| BOI        | Buy               | 405        | 498               | 22.9          | 1.1                  | 1.3                      | 6.0                | 21.6                       | 0.8                | 18.5               |
| CanBk      | Neutral           | 519        | -                 | -             | 1.0                  | -                        | 5.6                | 1.0                        | 1.0                | 18.1               |
| CentBk     | Reduce            | 128        | 112               | (12.3)        | 0.9                  | 0.8                      | 5.8                | (10.9)                     | 0.5                | 15.1               |
| CorpBk     | Buy               | 517        | 640               | 23.7          | 0.8                  | 1.0                      | 4.8                | 6.1                        | 0.9                | 17.9               |
| DenaBk     | Buy               | 88         | 107               | 21.7          | 0.6                  | 0.8                      | 4.3                | 5.1                        | 0.8                | 15.7               |
| IDBI#      | Neutral           | 135        | -                 | -             | 0.8                  | -                        | 6.2                | 14.3                       | 0.7                | 14.5               |
| IndBk      | Accumulate        | 223        | 255               | 14.3          | 0.9                  | 1.0                      | 4.7                | 10.4                       | 1.4                | 20.4               |
| IOB        | Buy               | 144        | 166               | 15.4          | 0.9                  | 1.0                      | 5.4                | 23.5                       | 0.7                | 16.6               |
| J&KBk      | Neutral           | 855        | -                 | -             | 0.9                  | -                        | 5.7                | 8.8                        | 1.2                | 17.0               |
| OBC        | Accumulate        | 343        | 392               | 14.3          | 0.8                  | 0.9                      | 5.1                | 13.7                       | 1.0                | 15.8               |
| PNB        | Accumulate        | 1,141      | 1,235             | 8.2           | 1.3                  | 1.4                      | 6.5                | 11.7                       | 1.1                | 21.3               |
| SBI*       | Buy               | 2,471      | 2,845             | 15.2          | 1.8                  | 2.1                      | 9.1                | 44.2                       | 1.1                | 22.6               |
| SynBk      | Buy               | 118        | 139               | 17.4          | 0.8                  | 0.9                      | 4.9                | 14.6                       | 0.7                | 17.0               |
| UcoBk      | Neutral           | 90         | -                 | -             | 1.0                  | -                        | 5.0                | 18.9                       | 0.6                | 17.6               |
| UnionBk    | Buy               | 304        | 357               | 17.2          | 1.1                  | 1.3                      | 6.4                | 21.0                       | 0.8                | 18.1               |
| UtdBk      | Accumulate        | 97         | 107               | 10.9          | 0.8                  | 0.9                      | 6.5                | 6.1                        | 0.5                | 12.5               |
| VijBk      | Neutral           | 68         | -                 | -             | 0.9                  | -                        | 6.6                | 8.6                        | 0.5                | 12.8               |

Source: Company, Angel Research; Note: \*Target multiples=SOTP Target Price/ABV (including subsidiaries), #Without adjusting for SASF

**Income statement**

| Y/E March (₹ cr)              | FY07       | FY08       | FY09       | FY10       | FY11       | FY12E        | FY13E        |
|-------------------------------|------------|------------|------------|------------|------------|--------------|--------------|
| <b>Net Interest Income</b>    | <b>368</b> | <b>394</b> | <b>523</b> | <b>568</b> | <b>791</b> | <b>883</b>   | <b>960</b>   |
| - YoY Growth (%)              | 18.5       | 7.2        | 32.7       | 8.7        | 39.2       | 11.6         | 8.7          |
| <b>Other Income</b>           | <b>122</b> | <b>143</b> | <b>164</b> | <b>208</b> | <b>197</b> | <b>209</b>   | <b>242</b>   |
| - YoY Growth (%)              | 68.1       | 17.3       | 15.2       | 26.9       | (5.6)      | 6.4          | 15.6         |
| <b>Operating Income</b>       | <b>489</b> | <b>537</b> | <b>687</b> | <b>777</b> | <b>988</b> | <b>1,092</b> | <b>1,202</b> |
| - YoY Growth (%)              | 27.9       | 9.7        | 28.0       | 13.0       | 27.2       | 10.6         | 10.0         |
| <b>Operating Expenses</b>     | <b>219</b> | <b>248</b> | <b>328</b> | <b>366</b> | <b>463</b> | <b>510</b>   | <b>587</b>   |
| - YoY Growth (%)              | (1.4)      | 13.4       | 32.4       | 11.5       | 26.3       | 10.3         | 15.0         |
| <b>Pre - Provision Profit</b> | <b>270</b> | <b>289</b> | <b>359</b> | <b>411</b> | <b>525</b> | <b>582</b>   | <b>615</b>   |
| - YoY Growth (%)              | 68.4       | 6.8        | 24.3       | 14.5       | 27.9       | 10.8         | 5.7          |
| <b>Prov. and Cont.</b>        | <b>124</b> | <b>57</b>  | <b>57</b>  | <b>43</b>  | <b>80</b>  | <b>68</b>    | <b>76</b>    |
| - YoY Growth (%)              | 41.5       | (54.0)     | 0.7        | (24.5)     | 84.4       | (14.2)       | 10.8         |
| <b>Profit Before Tax</b>      | <b>146</b> | <b>232</b> | <b>301</b> | <b>367</b> | <b>446</b> | <b>514</b>   | <b>539</b>   |
| - YoY Growth (%)              | 100.7      | 58.3       | 30.0       | 21.9       | 21.3       | 15.3         | 5.0          |
| <b>Prov. for Taxation</b>     | <b>42</b>  | <b>80</b>  | <b>107</b> | <b>134</b> | <b>153</b> | <b>167</b>   | <b>175</b>   |
| - as a % of PBT               | 28.9       | 34.6       | 35.4       | 36.4       | 34.3       | 32.4         | 32.4         |
| <b>PAT</b>                    | <b>104</b> | <b>152</b> | <b>195</b> | <b>234</b> | <b>293</b> | <b>347</b>   | <b>364</b>   |
| - YoY Growth (%)              | 89.5       | 45.6       | 28.4       | 20.0       | 25.1       | 18.6         | 5.0          |

**Balance sheet**

| Y/E March (₹ cr)         | FY07          | FY08          | FY09          | FY10          | FY11          | FY12E         | FY13E         |
|--------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Share Capital            | 70            | 90            | 113           | 113           | 113           | 113           | 113           |
| Reserve & Surplus        | 654           | 1,071         | 1,191         | 1,372         | 1,734         | 2,009         | 2,294         |
| Deposits                 | 12,239        | 15,156        | 18,092        | 23,012        | 29,721        | 33,882        | 38,964        |
| - Growth (%)             | 27.8          | 23.8          | 19.4          | 27.2          | 29.2          | 14.0          | 15.0          |
| Borrowings               | 33            | 28            | 257           | 1             | 25            | 29            | 33            |
| Tier 2 Capital           | 174           | 155           | 155           | 330           | 265           | 302           | 347           |
| Other Liab. & Prov.      | 483           | 590           | 571           | 706           | 962           | 1,080         | 1,275         |
| <b>Total Liabilities</b> | <b>13,653</b> | <b>17,090</b> | <b>20,379</b> | <b>25,534</b> | <b>32,820</b> | <b>37,415</b> | <b>43,027</b> |
| Cash balances            | 700           | 974           | 998           | 1,391         | 1,828         | 2,202         | 2,533         |
| Bank balances            | 1,246         | 729           | 1,038         | 597           | 638           | 748           | 861           |
| Investments              | 3,430         | 4,572         | 6,075         | 7,156         | 8,924         | 8,805         | 9,388         |
| Advances                 | 7,919         | 10,454        | 11,848        | 15,823        | 20,489        | 24,586        | 29,012        |
| - Growth (%)             | 24.3          | 32.0          | 13.3          | 33.6          | 29.5          | 20.0          | 18.0          |
| Fixed Assets             | 90            | 113           | 136           | 153           | 357           | 407           | 468           |
| Other Assets             | 268           | 249           | 284           | 415           | 585           | 667           | 767           |
| <b>Total Assets</b>      | <b>13,653</b> | <b>17,090</b> | <b>20,379</b> | <b>25,534</b> | <b>32,820</b> | <b>37,415</b> | <b>43,027</b> |
| - Growth (%)             | 26.1          | 25.2          | 19.2          | 25.3          | 28.5          | 14.0          | 15.0          |

**Ratio Analysis**

| Y/E March                       | FY07        | FY08        | FY09        | FY10        | FY11        | FY12E       | FY13E       |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Profitability ratios (%)</b> |             |             |             |             |             |             |             |
| NIMs                            | 3.1         | 2.6         | 2.9         | 2.5         | 2.8         | 2.6         | 2.5         |
| Cost to Income ratio            | 44.8        | 46.2        | 47.8        | 47.1        | 46.8        | 46.7        | 48.8        |
| RoA                             | 0.9         | 1.0         | 1.0         | 1.0         | 1.0         | 1.0         | 0.9         |
| RoE                             | 15.5        | 16.4        | 16.0        | 17.0        | 18.5        | 18.9        | 17.2        |
| <b>B/S ratios (%)</b>           |             |             |             |             |             |             |             |
| CASA ratio                      | 23.9        | 24.1        | 23.8        | 23.1        | 21.5        | 21.8        | 21.8        |
| Credit/Deposit ratio            | 64.7        | 69.0        | 65.5        | 68.8        | 68.9        | 72.6        | 74.5        |
| Net worth/ Assets               | 18.2        | 16.6        | 15.4        | 16.7        | 18.4        | 19.2        | 19.0        |
| CAR                             | 11.1        | 13.8        | 14.8        | 15.4        | 14.0        | 12.9        | 12.8        |
| - Tier I                        | 8.8         | 12.1        | 13.2        | 12.4        | 11.3        | 10.6        | 10.6        |
| <b>Asset Quality (%)</b>        |             |             |             |             |             |             |             |
| Gross NPAs                      | 3.9         | 1.8         | 2.2         | 1.3         | 1.1         | 0.9         | 0.8         |
| Net NPAs                        | 1.0         | 0.3         | 1.1         | 0.4         | 0.3         | 0.3         | 0.2         |
| Slippages                       | 2.2         | 0.7         | 1.6         | 1.5         | 0.7         | 1.1         | 1.1         |
| NPA prov / avg. assets          | 0.7         | 0.1         | 0.1         | 0.2         | 0.1         | 0.1         | 0.1         |
| Provision Coverage              | 75.8        | 82.0        | 48.4        | 70.8        | 73.9        | 72.5        | 72.1        |
| <b>Per Share Data (₹)</b>       |             |             |             |             |             |             |             |
| EPS                             | 1.5         | 1.7         | 1.7         | 2.1         | 2.6         | 3.1         | 3.2         |
| ABVPS (75% cover)               | 10.0        | 12.6        | 10.8        | 12.9        | 15.0        | 16.9        | 19.4        |
| DPS                             | 0.2         | 0.3         | 0.3         | 0.4         | 0.5         | 0.6         | 0.6         |
| <b>Valuation Ratios</b>         |             |             |             |             |             |             |             |
| PER (x)                         | 16.4        | 14.4        | 14.0        | 11.7        | 9.3         | 7.9         | 7.5         |
| P/ABVPS (x)                     | 2.4         | 1.9         | 2.2         | 1.9         | 1.6         | 1.4         | 1.2         |
| Dividend Yield                  | 1.0         | 1.2         | 1.2         | 1.7         | 2.1         | 2.3         | 2.5         |
| <b>DuPont Analysis</b>          |             |             |             |             |             |             |             |
| NII                             | 3.0         | 2.6         | 2.8         | 2.5         | 2.7         | 2.5         | 2.4         |
| (-) Prov. Exp.                  | 1.0         | 0.4         | 0.3         | 0.2         | 0.3         | 0.2         | 0.2         |
| Adj NII                         | 2.0         | 2.2         | 2.5         | 2.3         | 2.4         | 2.3         | 2.2         |
| Treasury                        | 0.3         | 0.2         | 0.2         | 0.3         | 0.1         | 0.1         | 0.1         |
| Int. Sens. Inc.                 | 2.2         | 2.4         | 2.7         | 2.6         | 2.6         | 2.4         | 2.3         |
| Other Inc.                      | 0.7         | 0.7         | 0.7         | 0.6         | 0.5         | 0.5         | 0.5         |
| Op. Inc.                        | 3.0         | 3.1         | 3.4         | 3.2         | 3.1         | 2.9         | 2.8         |
| Opex                            | 1.8         | 1.6         | 1.8         | 1.6         | 1.6         | 1.5         | 1.5         |
| PBT                             | 1.2         | 1.5         | 1.6         | 1.6         | 1.5         | 1.5         | 1.3         |
| Taxes                           | 0.3         | 0.5         | 0.6         | 0.6         | 0.5         | 0.5         | 0.4         |
| <b>RoA</b>                      | <b>0.9</b>  | <b>1.0</b>  | <b>1.0</b>  | <b>1.0</b>  | <b>1.0</b>  | <b>1.0</b>  | <b>0.9</b>  |
| Leverage                        | 18.2        | 16.6        | 15.4        | 16.7        | 18.4        | 19.2        | 19.0        |
| <b>RoE</b>                      | <b>15.5</b> | <b>16.4</b> | <b>16.0</b> | <b>17.0</b> | <b>18.5</b> | <b>18.9</b> | <b>17.2</b> |

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|                           |                                    |   |                    |
|---------------------------|------------------------------------|---|--------------------|
| <b>Ratings (Returns):</b> | Buy (> 15%)<br>Reduce (-5% to 15%) | Accumulate (5% to 15%)<br>Sell (< -15%) | Neutral (-5 to 5%) |
|---------------------------|------------------------------------|---|--------------------|