The South Indian Bank Limited

July 31, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Tier II Bonds (BASEL III)-I#	300.00	CARE AA-; Stable	Upgraded from CARE A+; Stable
Tier II Bonds (BASEL III)-II#	490.00	CARE AA-; Stable	Upgraded from CARE A+; Stable
Tier II Bonds (BASEL III)-III#	250.00	CARE AA-; Stable	Upgraded from CARE A+; Stable
Certificate Of Deposit	7,500.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

#Tier-II Bonds under Basel III are characterised by a 'Point of Non-Viability' (PONV) trigger, due to which, the investor may suffer a loss of principal. PONV will be determined by the Reserve Bank of India (RBI) and is a point at which, the bank may no longer remain a going concern on its own unless appropriate measures are taken to revive its operations, and thus, enable it to continue as a going concern. In addition, the difficulties faced by a bank should be such that these are likely to result in the financial losses and raising the Common Equity Tier-I capital of the bank should be considered as the most appropriate way to prevent the bank from turning non-viable.

Rationale and key rating drivers

The revision in long-term ratings assigned to debt instruments of The South Indian Bank Limited (SIBL) factors in improvement in the bank's financial risk profile and business performance, aided by better asset quality and improving profitability over the last three years. The bank's return on total assets (ROTA) for FY25 increased to 1.08% compared to 0.95% for FY24, while its net non-performing assets (NNPA) to net worth ratio improved to 8.10% (PY: 13.38%) and its net stressed assets to net worth ratio reduced to 12.11% (PY: 22.59%) as on March 31, 2025. The bank continues to maintain comfortable capitalisation supported by internal accruals post equity capital infusion in FY24.

The rating also factors in long track record of operations, established depositor base, and diversified advances portfolio. The bank is expected to grow at par with the industry while maintaining adequate capitalisation and witnessing diversification in the advances mix with increase in proportion of retail and MSME advances. The bank's asset quality parameters are expected to remain stable in the near term.

The ratings are, however, constrained by regional concentration of its business and expected pressure on the net interest margin (NIM) in line with the overall banking scenario, where the advances would see faster re-pricing compared to deposits in the near term. As a result, SIBL's ability to maintain profitability would be a key monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors – Factors that could individually or collectively, lead to positive rating action/upgrade:

- Sustained improvement in asset quality and profitability while increasing the scale of operations and maintaining healthy capitalisation levels.

Negative factors – Factors that could individually or collectively, lead to negative rating action/downgrade:

- Deterioration of asset quality levels with increase in gross non-performing assets (GNPA) ratio to above 5% on a sustained basis.
- Decline in the capitalisation levels with CET-1 (common equity tier-1) ratio remaining below 11.5% on a sustained basis.

Analytical approach: Standalone

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Outlook: Stable

The Stable outlook factors in the CARE Ratings Limited's (CareEdge Ratings') expectation that SIBL will continue to improve business performance while maintaining adequate capitalisation levels.

Detailed description of key rating drivers:

Key strengths

Long standing track record of operations
Established in 1929, SIBL was the first 'scheduled bank' among private banks in Kerala. The bank has a proven track record of over 97 years. SIBL has strong presence in south India, particularly in Kerala. As on March 31, 2025, SIBL had network of 948 branches and 1,280 ATMs.

Established depositor base helping stable current account saving account (CASA) deposits
The bank has an established depositor base in southern India, especially in Kerala which contributed ~63% to total deposits as on March 31, 2025. In FY25, the bank's net total business grew by 7% to reach ₹1,93,208 crore as on March 31, 2025. In FY25, overall deposits grew by 6% and stood at ₹1,07,526 crore as on March 31, 2025. The bank's CASA deposits grew by ~3% in FY25 and constituted 31.37% of total deposits as on March 31, 2025 (March 31, 2024: 32.08%). The proportion of the bank's CASA deposits remained stable at 31%-33% over the last four years. In Q1FY26, the bank's deposits grew by ~9% year-over-year (y-o-y) and the proportion of CASA deposits stood stable at 32.06% as on June 30, 2025. CareEdge Ratings expects SIBL to benefit from its established base, which would help the bank raise deposits at competitive rates.

SIBL's advances (net) grew by 10% and stood at ₹85,682 crore as on March 31, 2025, against ₹78,061 crore as on March 31, 2024. As on June 30, 2025, advances stood at ₹87,095 crore representing 2% growth quarter-over-quarter (q-o-q).

Diversified advances portfolio
In the last few years, the bank diversified its advances portfolio with focus towards gold loans, large corporate advances, personal loans and business loans. The bank formulated its growth strategy in FY21 by changing the credit underwriting mechanisms which has helped the bank improve diversification and maintain asset quality of its newly originated book (advances generated from October 2020).

In FY21, the share of corporate advances reduced to 25% as on March 31, 2021, against 29% as on March 31, 2020, considering the portfolio churning, and partially due to the impact of COVID-19-induced pandemic. However, with the bank's focus on growing higher-rated corporate advances, the share of corporate advances increased to 41% as on March 31, 2025.

Also, the bank has been focused on gold loans and this witnessed good growth in FY25 as gold loan increased by 9% from ₹15,513 crore in FY24 to ₹16,982 crore in FY25. The bank's MSME advances stood at ₹12,686 crore constituting ~14% total advances as on March 31, 2025.

As on March 31, 2025, advances portfolio had diversified mix with corporate advances of 41%, personal advances of 26%, agriculture advances of 19% and business advances of 14%. In Q1FY26, the bank's advances grew by ~9% y-o-y to ₹87,095 crore as on June 30, 2025, and the proportion of corporate advances stood at ~42%.

CareEdge Ratings expects the momentum in growth to continue, and the bank would grow its advances in line with the industry. The bank remains focussed towards retail and MSME advances with a view to improve profitability in a declining interest rate scenario.

Improvement in capitalisation levels supported by internal accruals
SIBL's capitalisation levels remained comfortable over the last three years with adequate cushion over the minimum regulatory requirement. SIBL reported capital adequacy requirements (CAR) of 19.31% and tier I CAR (entirely CET I) of 17.98% as on March 31, 2025. While the CET I ratio increased supported by internal accruals, overall CAR declined as the bank redeemed additional tier I (AT I) bonds of ₹500 crore during the year.

The bank raised equity capital of ₹1,151 crore in FY24 which boosted the bank's net worth base and stood at ₹9,765 crore as on March 31, 2025. The bank's capitalisation levels have been supported by internal accruals considering improved profitability over the years.

As on June 30, 2025, SIBL reported CAR and tier-I CAR of 19.48% and 18.25%, respectively. CareEdge Ratings expects the bank's capitalisation levels to remain comfortable and is expected to support growth over the medium term.

Improvement in profitability over the last few years
The bank has seen improvement in profitability over the last three years with stable operating profit and credit costs. While the net advances grew by ~10%, the yield on advances decreased from 9.32% in FY24 to 9.20% in FY25. This, along with increase in cost of deposits from 5.08% in FY24 to 5.43% in FY25, impacted the NIM (NIM as a percentage of average total assets) as it decreased to 2.89% in FY25 from 2.97% in FY24. Non-interest income (as a percentage of total assets) improved to 1.50% in FY25 from 1.35% in FY24 majorly due to increase in recovery from bad debts and fee income.

The cost to income improved from 61.47% in FY24 to 57.16% in FY25. As a result, pre-provision operating profit (PPOP) increased to ₹2,270 crore in FY25 from ₹1,868 crore in FY24. The credit cost increased to 0.43% in FY25 from 0.30% in FY24 as the bank made additional provisioning in Q4FY25. Consequently, the bank reported profit after tax (PAT) of ₹1,303 crore in FY25 from ₹1,070 crore in FY24 and ROTA improved to 1.08% in FY25 from 0.95% in FY24.

With an increase in non-interest income supported by treasury gains, the bank reported PPOP of ₹672 crore in Q1FY26 against ₹508 crore in Q1FY25 despite a decline in net interest income and increase in credit costs. The credit cost stood at 0.76% (annualised) in Q1FY26 against 0.38% (annualised) in Q1FY25 as the bank made additional provisioning. With better PPOP, PAT too increased to ₹322 crore in Q1FY26 against ₹294 crore in Q1FY25 and SIBL reported ROTA of 1.02% (annualised) in Q1FY26 against 1.00% (annualised) in Q1FY25.

While CareEdge Ratings expects NIMs to remain in pressure in line with the overall banking scenario, the bank's ability to increase its focus on retail and MSME advances and maintain its ROTA will be a key monitorable.

Key weaknesses

Moderate asset quality in absolute terms, notwithstanding the improvement in recent years
While the bank's GNPA improved over the last three years from 5.14% in FY23 to 3.20% in FY25 (FY24: 4.50%) with slippages reducing from 2.60% in FY23 to 1.53% in FY25 (FY24: 2.04%), this remained high in absolute terms. Nevertheless, provision coverage ratio (PCR) improved from 61.64% in FY23 to 71.77% in FY25 (FY24: 68.66%) while NNPA too reduced from 1.86% as on March 31, 2023, to 0.92% as on March 31, 2025 (FY24: 1.46%). The NNPA to net worth ratio also improved to 8.10% as on March 31, 2025, from 13.38% as on March 31, 2024.

The improved recovery has enabled a better asset quality position of the bank. GNPA and NNPA stood at 3.15% and 0.68% as on June 30, 2025.

Stressed assets (standard restructured asset + security receipts outstanding + GNPA) as a percentage of gross advances improved to 3.78% as on March 31, 2025, against 7.06% as on March 31, 2024, and net stressed assets (net standard restructured asset + net security receipts outstanding + NNPA) as a percentage of net worth stood at 12.11% as on March 31, 2025, against 22.59% as on March 31, 2024. CareEdge Ratings expects the bank's asset quality parameters to remain stable in the near term.

Regional concentration
The bank's operations are mainly concentrated in South India, especially in Kerala. In terms of advances, Kerala accounted 30% total advances, whereas South India accounted 63% advances as on March 31, 2025. In terms of deposits, Kerala accounted 63% total deposits.

Liquidity: Adequate

The liquidity profile of the bank remained adequate with no negative cumulative mismatches in the time buckets up to one year per asset liability maturity (ALM) statement as on March 31, 2025. SIBL had excess SLR investments of ~₹2,009 crore as on March 31, 2025. The bank also has a rollover rate of retail deposits at 87.77%, which provides comfort. SIBL's liquidity coverage ratio and net stable funding ratio (NSFR) remained comfortable at 139.16% and 153.55%, respectively, as on June 30, 2025, against the minimum regulatory requirement of 100%. The bank has access to systemic liquidity by way of RBI's liquidity adjustment facility (LAF) and marginal standing facility (MSF) schemes.

Environment, social, and governance (ESG) risks

Although SIBL's service-oriented business model limits its direct exposure to environmental risks, credit risk may arise if operations of asset class of the portfolio are adversely impacted by environmental factors. The bank has developed ESG criteria for its investments and lending decisions as defined in the bank's Environmental and Social Management System (ESMS) policy.

Social risks in the form of cybersecurity threat or customer data breach or mis-selling practices can affect SIBL's regulatory compliance and reputation and hence remain a key monitorable. The bank is engaged in providing finance for farming activities that has helped to uplift the socioeconomic status of farming community.

The bank's board consists of ten directors, with six independent directors including a female director.

Applicable criteria

Definition of Default
Rating Outlook and Rating Watch
Bank
Financial Ratios - Financial Sector
Rating Basel III - Hybrid Capital Instruments issued by Banks
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Banks	Private sector bank

Established in 1929, SIBL was the first 'scheduled bank' among the private banks in Kerala. SIBL has no identifiable promoter, and the shareholding pattern is well diversified. It has strong presence in south India, particularly in Kerala. As on March 31, 2025, SIBL had a network of 948 branches and 1,280 ATMs across the country. The bank's net total business stood at ₹193,208 crore with deposits of ₹1,07,526 crore and advances of ₹85,682 crore as on March 31, 2025.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	Q1 FY26 (UA)
Total operating income	10,128	11,227	2,984
PAT	1,070	1,303	322
Total Assets	1,17,066	1,24,313	1,27,770*
Net NPA (%)	1.46	0.92	0.68
ROTA (%)	0.95	1.08	1.02^

*reported by the bank; ^annualised; A: Audited; UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Bonds-Tier II Bonds (BASEL III)-III	Proposed	-	-	-	250.00	CARE AA-; Stable
Bonds-Tier II Bonds (BASEL III)-II	INE683A08036	28-Nov-2017	9.50%	28-May-2028	490.00	CARE AA-; Stable
Bonds-Tier II Bonds (BASEL III)-I	INE683A08028	30-Sep-2015	10.25%	31-Oct-2025	300.00	CARE AA-; Stable
Certificate Of Deposit (proposed)	-	-	-	7 days to one year	7500.00	CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Certificate Of Deposit	ST	7500.00	CARE A1+	-	1)CARE A1+ (25-Sep-24)	1)CARE A1+ (28-Sep-23)	1)CARE A1+ (29-Sep-22)
2	Bonds-Tier II Bonds	LT	300.00	CARE AA-; Stable	-	1)CARE A+; Stable (25-Sep-24)	1)CARE A+; Stable (28-Sep-23)	1)CARE A; Stable (29-Sep-22)
3	Bonds-Tier II Bonds	LT	490.00	CARE AA-; Stable	-	1)CARE A+; Stable (25-Sep-24)	1)CARE A+; Stable (28-Sep-23)	1)CARE A; Stable (29-Sep-22)
4	Bonds-Tier II Bonds	LT	250.00	CARE AA-; Stable	-	1)CARE A+; Stable (25-Sep-24)	1)CARE A+; Stable (28-Sep-23)	1)CARE A; Stable (29-Sep-22)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Bonds-Tier II Bonds	Complex
2	Certificate Of Deposit	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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