

South Indian Bank to raise Rs 240 cr from life and general insurers



Kerala-based [South Indian Bank](#) (SIB) has got Board approval to raise Rs 240 crore from HDFC Life, Kotak Mahindra Life, SBI Life and ICICI Lombard on a preferential basis. The Bank is also planning to raise another Rs 510 crore to support its Vision 2024, which will focus on 6Cs.

SIB reported a net loss of Rs 92 crore during the quarter ended December 2020, as compared to Rs 91 crore profit during the same period last year.

The bank's CEO Murali Ramakrishnan, who took over in October 2020, said that the loss was largely due to four extraordinary events including provision on security receipts (SRs), cumulative interest reversal upfront provision and one time additional employee provision requirement on account of the Wage settlement which got finalised during the quarter which resulted in Rs 240 crore.

"For me performance over the long run is important, not just in one or two quarters," said Ramakrishnan, who expects the bank to turn around during the first quarter of 2021-22.

He was appointed the bank's CEO in October 2020 and will be the first from the private sector in SIB. His appointment comes at a time when the lender is looking at strengthening its retail book. Ramakrishnan was a key member in building the retail portfolio at ICICI Bank.

The lender's focus has been on improving the granularity of the loan book and the bank has been consciously increasing the mix of Retail, Agri, and MSME loans. It is targeting a Rs 71,000-72,000 crore deposit (retail) book by 2024.

SIB's corporate book is expected to come down to 15 per cent from the 24 per cent, as the bank is planning to focus on RAM (retail, agriculture and MSME). RAM contribution is expected to increase to 85 in the next three years as against 76 per cent now.

SIB's turnaround will be based on 6Cs, he says. These include Capital, CASA, Cost-to-income, Competency building, Customer focus, and Compliance. They will be backed by patience, perseverance and hardwork, he said.

By 2020-24, SIB targets a loan book of Rs 1 trillion (from Rs 63,000 crore as of December 2020) CASA mix of 35 per cent (28 per cent as of December 2020), and PCR of over 65 per cent (around 72 per cent including write-offs as of December 2020 NIM of 3.5 per cent).

In the medium term, the lender expects to see a marginal increase in GNPA by 2024. However SIB expects to contain at 4.9 per cent and NNPA at 1.5 per cent.

The bank aims to leverage its South India franchise and strengthen its presence in North and its NRI base. It is looking to re-organise its team, with a new vertical focusing on asset business.

While current growth trends remain muted due to Covid-19, the bank is optimistic about a revival in growth from the first quarter of 2021-22. Personal loans will likely grow at a faster rate, doubling in 2-3 years, aided by a benign base.

SIB has been delivering muted performance, with higher provisions and opex impacting earnings, while its margin profile remains modest. Business growth remains tepid, impacted by a challenging environment.

[South Indian Bank](#)