

Jul-Sep'23 Earnings Preview

Sharp NIM decline but slippage ratio to fall

Banks under our coverage are expected to witness a weak quarter as core earnings could fall by 9.3% QoQ to Rs454bn (vs -2.7% QoQ in Q1'24), mainly driven by lower NIM. Loan growth might come in at 3.7% QoQ (1.7% in Q1FY24), while deposit accretion could be +3.5% QoQ (2.1% last quarter). NIM contraction could be maximum this quarter (vs Q1&H2FY24) and we expect NIM to decline by 22bps QoQ (-6bps in Q1'24) to 3.6%. IIB and AXSB may see lower NIM contraction. Fees could grow by 3.3% QoQ to Rs315bn while opex may spike by 6.6% QoQ to Rs793bn (due to seasonality in case of PSU banks). Core PPoP may come in at Rs729bn (-7.7% QoQ). IIB, AXSB, and FB might perform better on core PPoP. Slippage ratio might decline by 40bps QoQ to 1.1% as HDFCB and SBI could see lower sequential delinquencies. Banks' PAT is expected to be Rs500bn (-14.2% QoQ). Among our coverage universe we prefer HDFCB, SBI and FB.

- **System loan growth at 16%; deposit accretion improving:** System credit in Aug'23 grew by +15.0% YoY (peak 17% in Oct'22). Services/retail remain key growth drivers (+20.7% & +18.3% YoY). Services credit growth is largely attributable to NBFCs and trade while retail credit is being led by housing, unsecured credit, vehicle loans and credit cards. Industrial credit growth that has been slowing, saw some respite in Aug'23 (+4.1% YoY vs 3.6% YoY in Jul'23); its peak was 13.6% in Oct'22. Momentum in agri continues (+16.6% YoY). Coverage banks are expected to see loans grow by 3.7% QoQ and 15.2% YoY while deposit accretion (+3.5% QoQ) could match loan growth as deposit rates have been hiked. As at 8th Sep'23, deposits grew by 12.8% YoY compared to ~13% in Jun'23. CASA is expected to grow by 1.3% QoQ while CASA ratio could fall by 90bps QoQ to 39.9%.
- **Margins to further decline; we see 22bps fall:** Loan yields are peaking and are expected to stagnate post Q2 while deposit cost could further increase due to lag effect. Loan yields could improve QoQ by 5bps to 8.6% vs 30bps rise in cost of funds to 5.4%. Hence NIM is expected to fall by 22bps QoQ to 3.61%; last quarter NIM fell by 6bps to 3.83%. As a result, NII might decline by 1.8% QoQ compared to 3.7% of loan growth. Fee income is broadly expected to follow loan accretion; we see a 3.3% QoQ increase which would be offset by a 6.6% spike in opex to Rs793bn as Q2 sees a higher opex rise for PSU banks. Core PPoP would come in at Rs729bn, -7.7% QoQ and flat YoY.
- **Asset quality to improve for our banks:** Since Q1 usually sees more delinquencies due to stress in agri (mainly SBI and HDFCB), slippages are expected to fall QoQ and we envisage a 40bps improvement in slippage ratio to 1.1%. Recoveries and upgrades might remain stable; hence GNPA ratio could reduce by 14bps QoQ to 2.28%. Provisions are expected to remain stable QoQ at 54bps.
- **Core profitability to fall QoQ:** Core PAT for our coverage banks is expected to fall by 9.3% QoQ to Rs454bn mainly led by lower margins. IIB, AXSB, FB and CUBK could be outliers on core profitability due to better NIM trajectory compared to peers. PAT is expected to be at Rs522bn (-7.1% QoQ).

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Top Picks

HDFC Bank

State Bank of India

Federal Bank

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- **Large private banks** could see loan growth of 4.3% QoQ and 16.0% YoY (vs ~15% YoY for the system). Deposit growth is expected to be 4.3% QoQ/18.6% YoY (last quarter 2.4%/17.2%). We see NII fall of 3.3% QoQ and NIM might decline by 34bps to 4.1% due to lag effect of deposit cost given deposit rate hikes across banks were much steeper in H2FY23. Fees and opex would mirror each other in terms of quarterly accretion (+3%). Core PPOP may come in at Rs479bn (-5.6% QoQ). Provisions would largely remain stable QoQ at 62ps while core PAT could dip by 6.9% QoQ to Rs307bn.
- **Public Sector Banks – Coverage** PSU banks could see tad lower loan growth than private peers at 3.0% QoQ and 14.2% YoY, although NII may be flat QoQ. NIMs are set to decline by 12bps QoQ (last quarter -15bps) to 3.11%. Driven by lower NII growth and seasonal spike in opex, core PPOP fall QoQ for PSU banks could be higher at 12.2% to Rs233.5bn. Asset quality is expected to improve as slippages would moderate while provisions might come in at 46bps. Core PAT is expected to be Rs147bn (-15% QoQ).
- **Mid-cap Banks – Our coverage** mid-cap banks could see better performance compared to larger private and PSU peers as NIM fall would be lower. Loan growth would be 4.6% QoQ (higher than large banks), while NII growth would be 3.1% QoQ. NIM might see a 6bps decline to 3.37%. Core PPOP at Rs15.9bn slightly increase by 1.9% QoQ. Asset quality could improve as slippage ratio might decline QoQ to 1.75% from 1.95%. As a result, provisions could reduce by 4bps QoQ to 0.52% as provisions could normalize for CUB. Core PAT may come in at Rs9.2bn (1.2% QoQ).
- **Top Picks:**
 - **HDFC Bank –** Creation of excess liquidity could affect Q2'24 NIM, although margins should bounce back in H2FY24E as credit growth picks up and liquidity is utilized. While core earnings growth would be muted for FY24E (3.5% YoY), as NIM and loan growth normalize core PAT may witness a 20.7% CAGR over FY24-26E. Basis core RoA at 1.74% for FY26E (ICICIB 1.94%) we maintain multiple at 2.8x (3.0x for ICICIB) on Sep'25 core ABV. **Retain BUY with TP at Rs2,025.**
 - **State Bank of India –** SBI could outperform BOB on NIM given (1) higher CASA and unsecured share and (2) more headroom available for growth due to lower LDR at 71.4% vs 80.3% for BoB. Valuation gap between BoB and SBI has narrowed which should widen. Valuation is attractive at 1.2x on core FY25E ABV. **Retain 'BUY' at TP of Rs770.**
 - **Federal Bank –** Capital raise of Rs40bn would provide required growth cushion. Q2'24 NIM may remain soft due to ICRR impact and deposit cost catch-up. Positive impact of capital raise on NIM could flow through in H2FY24E as incremental deposit cost peaks out. Valuation is attractive at 1.1x on Sep'25 ABV while RoA could scale up from ~1.2% in FY24 to ~1.3% in FY26E with limited downside risks to our estimates. **We tweak multiple from 1.5x to 1.4x but maintain TP at Rs175 on Mar'25 ABV.**

Exhibit 1: Recommendation for PL coverage universe

Coverage Universe	CMP (Rs)	MCap (Rs B)	New Rating	Old Rating	New PT (Rs)	Old PT (Rs)	Upside (%)	P/ABV (x)				RoE (%)			
								FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E
Axis Bank	1,001	3,080	BUY	BUY	1,170	1,170	16.9%	2.8	2.5	2.1	1.9	12.0	18.3	16.4	16.4
HDFC Bank	1,534	11,490	BUY	BUY	2,025	2,025	32.0%	3.6	3.1	2.7	2.4	14.9	15.8	14.8	15.6
ICICI Bank	945	6,601	BUY	BUY	1,180	1,180	24.8%	4.1	3.4	2.9	2.6	15.0	17.5	16.8	16.4
IndusInd Bank	1,435	1,177	BUY	BUY	1,530	1,530	6.6%	2.5	2.2	1.8	1.7	10.2	14.5	14.7	15.5
Kotak Mahindra Bank	1,744	3,675	BUY	BUY	2,250	2,250	29.0%	5.1	4.5	3.7	3.3	12.6	14.0	13.7	13.5
Federal Bank	147	310	BUY	BUY	175	175	19.5%	1.8	1.5	1.3	1.2	10.8	14.9	13.3	13.3
DCB Bank	123	39	BUY	BUY	150	150	21.6%	1.0	0.9	0.9	0.8	7.8	11.5	11.5	14.1
City Union Bank	129	95	Acc	Acc	160	160	24.1%	1.8	1.5	1.3	1.1	12.2	13.4	12.9	12.5
Bank of Baroda	215	1,115	BUY	BUY	235	235	9.2%	1.7	1.3	1.1	1.0	9.6	16.5	14.5	14.4
State Bank of India	594	5,303	BUY	BUY	770	770	29.6%	2.3	1.9	1.6	1.4	13.0	18.3	17.3	15.4

Source: Company, PL

ACC=Accumulate / UR=Under Review

Note – *Kotak & SBI valuation on S'hone book

Exhibit 2: Q2FY24 Banks Results Preview – NII could decline by 1.8% QoQ as NIM may compress by 22bps

Rs Million	NII	YoY	QoQ	PPOP	YoY	QoQ	PAT	YoY	QoQ
HDFC Bank	2,73,583	6.6%	-4.9%	2,11,984	-6.8%	-8.2%	1,36,408	-1.8%	-9.4%
ICICI Bank	1,77,442	20.0%	-2.6%	1,32,827	13.7%	-6.1%	89,120	17.9%	-7.6%
Axis Bank	1,16,385	12.3%	-2.7%	82,746	7.2%	-6.1%	53,060	-0.4%	-8.5%
Kotak	61,071	19.8%	-2.0%	42,165	18.2%	-14.8%	29,074	12.7%	-15.8%
IndusInd	49,016	13.9%	0.7%	38,717	10.0%	1.1%	20,788	16.3%	-2.1%
Federal	19,850	12.7%	3.5%	12,326	1.7%	-5.4%	7,768	10.4%	-9.0%
DCB Bank	4,755	15.7%	1.0%	2,080	13.9%	-0.3%	1,211	7.8%	-4.6%
City Union Bank	5,401	-4.9%	3.4%	4,134	-9.4%	-0.2%	2,476	-10.4%	8.9%
SBI	3,90,901	11.1%	0.5%	1,93,287	-8.5%	-23.6%	1,24,716	-6.0%	-26.1%
BOB	1,08,538	6.7%	-1.3%	68,732	14.0%	-12.2%	34,844	5.2%	-14.4%
Total Banks	12,06,942	8.4%	-1.8%	7,88,998	-0.6%	-12.2%	4,99,463	1.2%	-14.3%
Total Private Banks	7,07,503	7.3%	-3.1%	5,26,979	0.9%	-7.2%	3,39,903	3.7%	-8.9%
Total Public Banks	4,99,439	10.1%	0.1%	2,62,019	-3.5%	-20.9%	1,59,560	-3.8%	-23.9%
Rs Billion	Loans	YoY	QoQ	Margins	YoY	QoQ	Credit Cost	YoY	QoQ
HDFC Bank	23,290	12.9%	4.9%	3.62%	-0.41%	-0.41%	0.56%	-0.16%	-0.03%
ICICI Bank	10,999	17.2%	4.0%	4.70%	0.14%	-0.35%	0.51%	-0.19%	0.02%
Axis Bank	8,843	21.0%	3.0%	3.95%	-0.08%	-0.23%	0.54%	0.24%	0.06%
Kotak	3,450	17.3%	5.0%	5.18%	0.19%	-0.33%	0.39%	0.21%	-0.05%
IndusInd	3,149	21.1%	4.5%	4.59%	0.02%	-0.12%	1.40%	-0.36%	0.08%
Federal	1,927	19.5%	5.0%	3.24%	-0.17%	-0.07%	0.39%	-0.27%	0.06%
DCB Bank	371	18.5%	4.5%	3.88%	-0.06%	-0.11%	0.49%	0.09%	0.06%
City Union Bank	426	1.6%	3.0%	3.44%	-0.47%	0.01%	0.94%	-0.06%	-0.53%
SBI	33,321	12.9%	3.0%	3.10%	0.01%	-0.11%	0.32%	-0.09%	0.01%
BOB	9,924	18.6%	3.0%	3.17%	-0.23%	-0.16%	0.85%	0.07%	0.04%
Total Banks	95,699	13.4%	3.7%	3.89%	-0.37%	0.18%	0.52%	-0.01%	-0.04%
Total Private Banks	52,454	12.7%	4.3%	4.08%	-0.41%	-0.13%	0.58%	-0.11%	0.00%
Total Public Banks	43,245	14.2%	3.0%	3.14%	-0.11%	0.13%	0.44%	-0.05%	0.02%

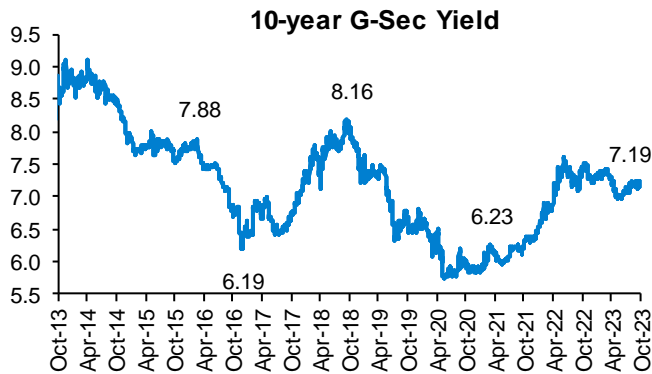
Source: Company, PL

Exhibit 3: Asset quality continues to see improvement

	Q1FY24			Q2FY24E		
	GNPA	NNPA	PCR	GNPA	NNPA	PCR
HDFCB	1.40%	0.37%	74.00%	1.34%	0.35%	74.00%
ICICIB	2.94%	0.51%	83.09%	2.80%	0.49%	83.00%
Axis	2.08%	0.43%	79.60%	2.03%	0.39%	81.00%
KMB	1.77%	0.40%	77.97%	1.70%	0.38%	78.00%
IIB	1.94%	0.58%	70.60%	1.94%	0.57%	71.00%
SBI	2.76%	0.71%	74.82%	2.58%	0.66%	75.00%
BOB	3.52%	0.78%	78.52%	3.27%	0.74%	78.00%
Federal	2.38%	0.69%	71.26%	2.32%	0.68%	71.00%
DCB	3.26%	1.19%	64.12%	3.2%	1.18%	64.00%
CUBK	4.91%	2.51%	50.09%	4.73%	2.42%	50.00%

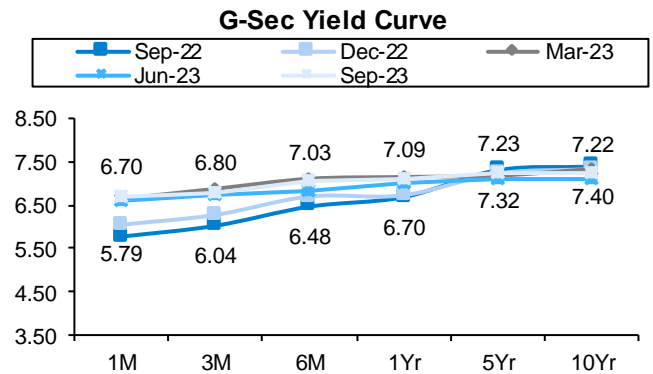
Source: Company, PL

Exhibit 4: G-Sec yields have fallen to 7.2%



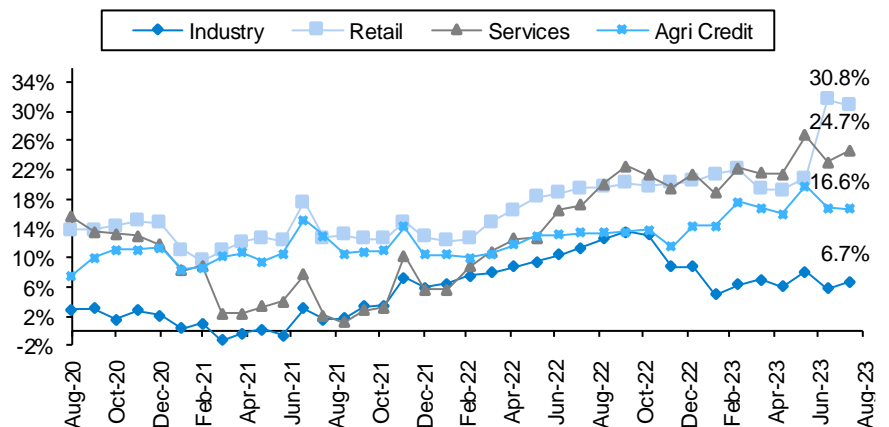
Source: Bloomberg, PL

Exhibit 5: Short-term curve showing signs of steadiness



Source: Bloomberg, PL

Exhibit 6: Retail/services mainstay with ~31%/25% YoY growth respectively



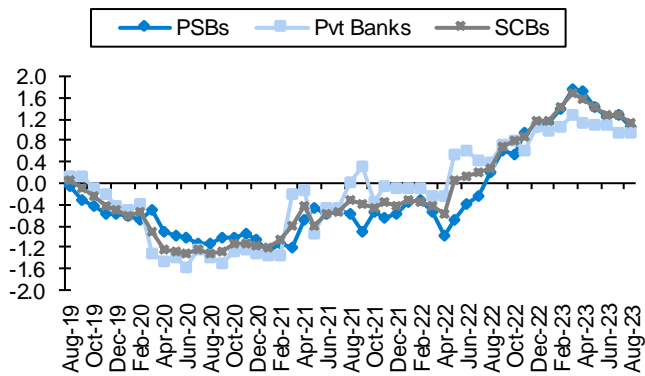
Source: RBI, PL

Exhibit 7: Rate hikes have come at a slower pace as interest rates stabilize

Banks MCLR Profile	MCLR 1YR			% Change	
	Mar-23	Jun-23	Sep-23	3Months	6Months
HDFC Bank	8.95%	9.05%	9.15%	0.10%	0.20%
Axis Bank	8.95%	9.10%	9.15%	0.05%	0.20%
ICICI Bank	8.75%	8.85%	8.95%	0.10%	0.20%
KMB	9.05%	9.20%	9.30%	0.10%	0.25%
IndusInd Bank	10.15%	10.20%	10.30%	0.10%	0.15%
SBI	8.50%	8.50%	8.55%	0.05%	0.05%
Bank of Baroda	8.55%	8.65%	8.70%	0.05%	0.15%
Federal	9.30%	9.30%	9.40%	0.10%	0.10%
PSBs – Median	8.53%	8.65%	8.70%	0.05%	0.17%
Pvt – Median	9.30%	9.50%	9.65%	0.15%	0.35%

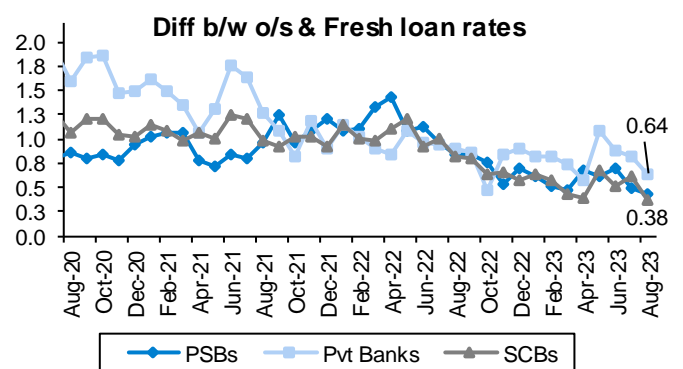
Source: Company, PL

Exhibit 8: Lending rates steady as rate hikes have paused



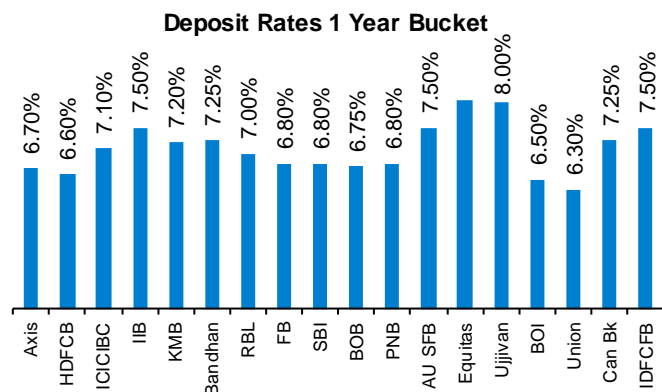
Source: Company, PL

Exhibit 9: PVBs see sharp rise in fresh loan rates



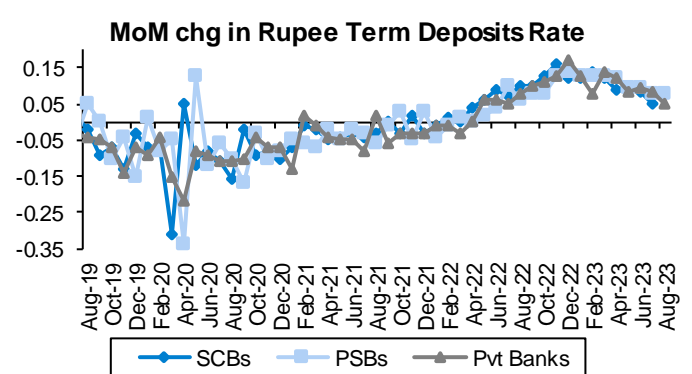
Source: RBI, PL

Exhibit 10: Deposit rates have inched up

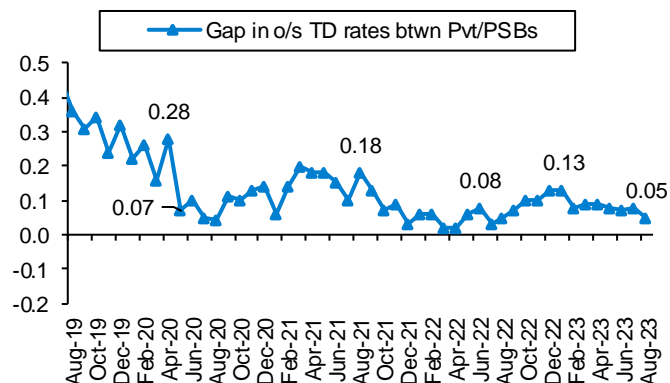


Source: Company, PL

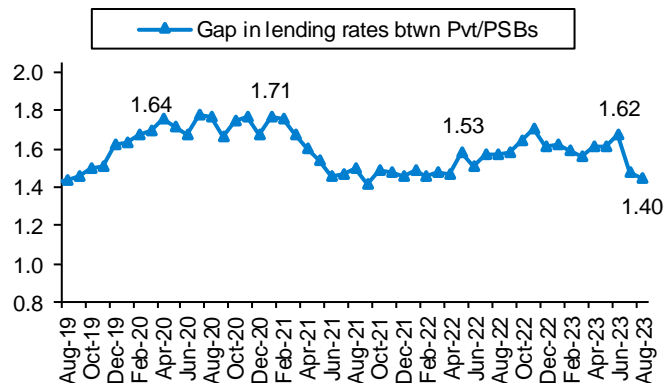
Exhibit 11: TD rates to normalize as rate hikes have paused



Source: Company, PL

Exhibit 12: TD rate gaps steady for Pvt/PSBs


Source: RBI, PL

Exhibit 13: Steady gap in lending rates for Pvt/PSBs


Source: RBI, PL

Exhibit 14: Q2FY24 Result Preview (Private Banks)

Company Name		Q2FY24E	Q2FY23	YoY gr. (%)	Q1FY24	QoQ gr. (%)	Remark
Axis Bank	NII (Rs mn)	1,16,385	1,03,603	12.3	1,19,588	(2.7)	
	PPOP (Rs mn)	82,746	77,162	7.2	88,144	(6.1)	Loan growth could be at +3% QoQ; NIM decline to be lower at 23bps QoQ to 3.95% due to cost of funds catching up
	Provisions (Rs mn)	12,000	5,498	118.3	10,349	16.0	
	PAT (Rs mn)	53,060	53,298	(0.4)	57,971	(8.5)	
	Loans (Rs bn)	8,843	7,309	21.0	8,585	3.0	PPoP is expected to decline by 6.1% QoQ on account of lower NII income.
	Margin (%)	3.95	4.03	(8)	4.17	(23)	Provisions could rise by 16% QoQ to Rs12bn
	GNPA (%)	1.96	2.50	(54)	2.01	(5)	
	Credit Cost (%)	0.54	0.30	24	0.48	6	
HDFC Bank	NII (Rs mn)	2,73,583	2,56,604	6.6	2,87,794	(4.9)	Loan growth to be robust growing by 4.9% QoQ led by other retail and CRB portfolio. However, NII could decline 4.9% due to lower yields leading to PPoP fall of 8.2% QoQ
	PPOP (Rs mn)	2,11,984	2,27,392	(6.8)	2,31,009	(8.2)	
	Provisions (Rs mn)	32,500	37,131	(12.5)	32,800	(0.9)	
	PAT (Rs mn)	1,36,408	1,38,898	(1.8)	1,50,639	(9.4)	We expect NIM to decline by 41bps on account of additional liquidity due to merger.
	Loans (Rs bn)	23,290	20,620	12.9	22,210	4.9	
	Margin (%)	3.62	4.03	(41)	4.03	(41)	
	GNPA (%)	1.34	1.40	(6)	1.40	(6)	GNPAs could see improvement of 6bps QoQ to 1.34% while we expect provisions to remain flat.
	Credit Cost (%)	0.56	0.72	(16)	0.59	(3)	
ICICI Bank	NII (Rs mn)	1,77,442	1,47,868	20.0	1,82,265	(2.6)	
	PPOP (Rs mn)	1,32,827	1,16,803	13.7	1,41,391	(6.1)	We expect NII to de-grow by 2.6% QoQ even as loan growth seen at 4% since NIM decline of 35bps QoQ to be more due to faster rise in cost of funds
	Provisions (Rs mn)	14,000	16,445	(14.9)	12,924	8.3	
	PAT (Rs mn)	89,120	75,578	17.9	96,482	(7.6)	
	Loans (Rs bn)	10,999	9,386	17.2	10,576	4.0	
	Margin (%)	4.70	4.56	14	5.04	(35)	GNPAs set to improve by 8bps QoQ whereas credit costs to remain flattish
	GNPA (%)	2.68	3.24	(56)	2.76	(8)	
	Credit Cost (%)	0.51	0.70	(19)	0.49	2	
IndusInd Bank	NII (Rs mn)	49,016	43,021	13.9	48,671	0.7	Loan growth to be superior than industry at 4.5% QoQ while NII growth to remain muted at 0.7%
	PPOP (Rs mn)	38,717	35,197	10.0	38,301	1.1	
	Provisions (Rs mn)	11,000	11,411	(3.6)	9,916	10.9	
	PAT (Rs mn)	20,788	17,867	16.3	21,236	(2.1)	Margin contraction for IIB could be seen at 12bps
	Loans (Rs bn)	3,149	2,601	21.1	3,013	4.5	
	Margin (%)	4.59	4.57	2	4.72	(12)	
	GNPA (%)	1.94	2.11	(17)	1.94	(1)	Asset quality to remain stable with marginal uptick of 8bps in credit costs
	Credit Cost (%)	1.40	1.75	(36)	1.32	8	

Company Name		Q2FY24E	Q2FY23	YoY gr. (%)	Q1FY24	QoQ gr. (%)	Remark
Kotak Mahindra Bank	NII (Rs mn)	61,071	50,994	19.8	62,337	(2.0)	
	PPOP (Rs mn)	42,165	35,675	18.2	49,496	(14.8)	
	Provisions (Rs mn)	3,400	1,370	148.2	3,643	(6.7)	
	PAT (Rs mn)	29,074	25,807	12.7	34,523	(15.8)	We expect loan growth to be strong at 5% QoQ. However, margins could fall sharply by 33bps QoQ to 5.18% due to higher EBLR linked portfolio. As a result, earnings could fall by 15.8% QoQ. Asset quality is expected to improve with GNPA's decreasing by 7bps.
	Loans (Rs bn)	3,450	2,940	17.3	3,286	5.0	
	Margin (%)	5.18	4.99	19	5.50	(33)	
	GNPA (%)	1.70	2.08	(38)	1.77	(7)	
	Credit Cost (%)	0.39	0.19	21	0.44	(5)	
Federal Bank	NII (Rs mn)	19,850	17,618	12.7	19,186	3.5	NII growth seen at 3.5% QoQ back by healthy loan growth of 5.0% QoQ largely driven by retail
	PPOP (Rs mn)	12,326	12,122	1.7	13,024	(5.4)	
	Provisions (Rs mn)	1,900	2,679	(29.1)	1,556	22.1	
	PAT (Rs mn)	7,768	7,037	10.4	8,537	(9.0)	Margins may moderate by 7 bps sequentially
	Loans (Rs bn)	1,927	1,612	19.5	1,835	5.0	
	Margin (%)	3.24	3.41	(17)	3.31	(7)	Asset quality could see further improvement by 6bps QoQ while provisions are expected to increase by 6
	GNPA (%)	2.32	2.46	(14)	2.38	(6)	22.1%
	Credit Cost (%)	0.39	0.66	(27)	0.34	6	
DCB Bank	NII (Rs mn)	4,755	4,111	15.7	4,707	1.0	Loan growth could be better than industry at 4.5% QoQ with muted NII growth of 1% QoQ due to deposit rates catching up
	PPOP (Rs mn)	2,080	1,826	13.9	2,087	(0.3)	
	Provisions (Rs mn)	450	310	45.2	377	19.3	
	PAT (Rs mn)	1,211	1,124	7.8	1,269	(4.6)	Expect margins to fall by 11bps QoQ whereas PPOP could remain flat QoQ
	Loans (Rs bn)	371	313	18.5	355	4.5	
	Margin (%)	3.88	3.94	(6)	3.99	(11)	
	GNPA (%)	3.20	3.90	(70)	3.26	(6)	We expect credit cost to increase marginally even as GNPA's could fall by 6bps QoQ.
	Credit Cost (%)	0.49	0.40	9	0.43	6	
City Union Bank	NII (Rs mn)	5,401	5,679	(4.9)	5,225	3.4	Loans could growth by 3% QoQ. We expect PPOP to remain flattish even as NII could grow 3.4% sequentially
	PPOP (Rs mn)	4,134	4,565	(9.4)	4,143	(0.2)	
	Provisions (Rs mn)	1,000	1,050	(4.8)	1,520	(34.2)	
	PAT (Rs mn)	2,476	2,765	(10.4)	2,273	8.9	Margins would remain flattish at 3.44% for the quarter
	Loans (Rs bn)	426	419	1.6	414	3.0	
	Margin (%)	3.44	3.91	(47)	3.44	1	Provisions are expected to decline sharply by 34.2% QoQ with 17bps improvement in GNPA's
	GNPA (%)	4.73	4.37	37	4.91	(17)	
	Credit Cost (%)	0.94	1.00	(6)	1.47	(53)	

Source: Company, PL

Exhibit 15: Q2FY24 Result Preview (PSU Banks)

Company Name		Q2FY24E	Q2FY23	YoY gr. (%)	Q1FY24	QoQ gr. (%)	Remark
State Bank of India	NII (Rs mn)	3,90,901	3,51,834	11.1	3,89,050	0.5	NII to grow marginally by 0.5% QoQ while loan growth seen at 3.0% for the quarter
	PPOP (Rs mn)	1,93,287	2,11,200	(8.5)	2,52,969	(23.6)	
	Provisions (Rs mn)	27,000	30,387	(11.1)	25,013	7.9	Margin could moderate by 11bps sequentially; PPOP to decline sharply by 23.6% QoQ on account of lower treasury income
	PAT (Rs mn)	1,24,716	1,32,645	(6.0)	1,68,843	(26.1)	
	Loans (Rs bn)	33,321	29,513	12.9	32,350	3.0	Asset quality to improve further by 19bps sequentially with stable credit costs
	Margin (%)	3.10	3.09	1	3.20	(11)	
	GNPA (%)	2.58	3.52	(94)	2.76	(19)	
	Credit Cost (%)	0.32	0.41	(9)	0.31	1	
Bank of Baroda	NII (Rs mn)	1,08,538	1,01,745	6.7	1,09,967	(1.3)	NII could decline by 1.3% QoQ due to faster increase in cost of funds even as loan growth momentum would sustain at 3.0% QoQ
	PPOP (Rs mn)	68,732	60,310	14.0	78,243	(12.2)	
	Provisions (Rs mn)	21,000	16,275	29.0	19,468	7.9	Margins could fall by 16bps QoQ to 3.17%
	PAT (Rs mn)	34,844	33,134	5.2	40,701	(14.4)	
	Loans (Rs bn)	9,924	8,366	18.6	9,635	3.0	Asset quality could further improve as healthy recoveries' trend might sustain. Credit costs to increase marginally by 4bps
	Margin (%)	3.17	3.40	(23)	3.33	(16)	
	GNPA (%)	3.27	5.31	(204)	3.52	(24)	
	Credit Cost (%)	0.85	0.78	7	0.81	4	

Source: Company, PL



Exhibit 16: Change in Estimates

	Rating		Target Price			NII (Rs bn)						PPoP (Rs bn)						PAT (Rs bn)					
						FY24E			FY25E			FY24E			FY25E			FY24E			FY25E		
	C	P	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.
Axis Bank	BUY	BUY	1,170	1,170	0.0%	480.1	486.6	-1.3%	539.6	553.6	-2.5%	347.3	351.3	-1.1%	416.8	424.9	-1.9%	224.2	227.2	-1.3%	259.9	265.7	-2.2%
HDFC Bank	BUY	BUY	2,025	2,025	0.0%	1,155.9	1,167.4	-1.0%	1,379.1	1,378.8	0.0%	983.2	994.6	-1.1%	1,097.6	1,100.5	-0.3%	598.1	606.7	-1.4%	709.2	712.4	-0.5%
ICICI Bank	BUY	BUY	1,180	1,180	0.0%	717.6	712.1	0.8%	797.5	800.5	-0.4%	537.8	535.3	0.5%	611.6	616.0	-0.7%	362.3	360.4	0.5%	403.4	399.8	0.9%
IndusInd Bank	BUY	BUY	1,530	1,530	0.0%	200.1	195.7	2.2%	228.3	228.8	-0.2%	158.9	156.8	1.3%	182.8	185.0	-1.2%	86.7	85.2	1.8%	103.7	105.6	-1.8%
Kotak Mahindra Bank	BUY	BUY	2,250	2,250	0.0%	253.7	256.8	-1.2%	295.3	303.3	-2.6%	178.0	175.9	1.2%	200.0	203.8	-1.9%	123.3	122.0	1.0%	137.8	140.9	-2.2%
Federal Bank	BUY	BUY	175	175	0.0%	82.6	81.3	1.6%	98.8	95.0	4.0%	52.9	52.0	1.7%	64.6	63.6	1.6%	33.5	32.8	2.0%	39.9	39.2	1.9%
DCB Bank	BUY	BUY	150	150	0.0%	19.5	19.1	1.7%	22.7	22.7	0.0%	8.7	8.8	-1.3%	12.1	12.1	0.0%	5.2	5.3	-1.6%	7.1	7.1	0.0%
City Union Bank	Acc	Acc	160	160	0.0%	21.9	22.1	-0.8%	24.6	24.6	0.0%	17.3	18.0	-3.7%	19.4	19.6	-1.2%	10.5	10.4	1.8%	11.2	11.4	-1.5%
Bank of Baroda	BUY	BUY	235	235	0.0%	446.3	455.8	-2.1%	496.7	508.8	-2.4%	283.3	283.2	0.0%	324.0	326.2	-0.7%	144.4	146.5	-1.5%	162.1	163.5	-0.9%
State Bank of India	BUY	BUY	770	770	0.0%	1,599.7	1,577.2	1.4%	1,721.8	1,729.8	-0.5%	873.0	851.5	2.5%	951.0	957.2	-0.6%	566.4	550.2	2.9%	579.2	583.9	-0.8%

Source: Company, PL C=Current / P=Previous / Acc=Accumulate

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	AAVAS Financiers	Hold	1,560	1,560
2	Axis Bank	BUY	1,170	977
3	Bank of Baroda	BUY	235	191
4	Can Fin Homes	BUY	900	738
5	City Union Bank	Accumulate	160	129
6	DCB Bank	BUY	150	129
7	Federal Bank	BUY	175	127
8	HDFC	BUY	3,200	2,862
9	HDFC Asset Management Company	BUY	2,800	2,502
10	HDFC Bank	BUY	2,025	1,564
11	ICICI Bank	BUY	1,180	997
12	IDFC First Bank	UR	-	54
13	IndusInd Bank	BUY	1,530	1,390
14	Kotak Mahindra Bank	BUY	2,250	1,970
15	LIC Housing Finance	Hold	430	427
16	Punjab National Bank	UR	-	47
17	State Bank of India	BUY	770	573
18	UTI Asset Management Company	BUY	900	814

PL's Recommendation Nomenclature

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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