

Banks

Jan-Mar'21 Earnings Preview

April 6, 2021

Top Picks

HDFC Bank

ICICI Bank

Indusind Bank

Federal Bank

Mixed quarter; stress & business outlook vital

With Honorable Supreme Court lifting its direction on NPA recognition, we expect to see a realistic asset quality impact (not visible since last four quarters). We watch out for deviation in slippages from assessment of stress and pro-forma reporting, while fresh restructuring should be negligible than reported in Q3FY21. Although banks have done their part of cushioning 35-130bps of loans as buffer provisions and with strong PCR, strain will be lower. A favorable base of lockdown and lower provisioning requirement will boost earnings. Key areas to watch out will be (i) lower treasury income and decent bond MTM loss, as G-Sec yields are up by 30-35bps QoQ (ii) collection efficiency to continue being in focus especially in unsecured & MFI and (iii) adjustments to NII/NIMs on optical interest reversals, as banks have under taken it in provisions. Earnings upgrades will depend on asset quality and business growth.

For our coverage universe we expect, 23% YoY NII growth with 15% YoY for private banks and 33% for PSBs (favorable base), PPOP growth of 15% YoY with 12% YoY for private & 19% for PSBs. Earnings will look strong on lower provisioning and low base due to lockdown in Q4FY20, but flattish QoQ. Our preference continues with HDFCB, ICICIBC & IIB as front line picks while Axis & Federal could shine on back of results.

- **Loan growth muted at 6-7%; deposits strong at 12-13%:** Overall lending growth will end at 6-7% YoY (a similar rate in FY20) and likely growth of 3-4% QoQ with support from retail, credit to PSUs and Agri (mainly for PSBs). Parts of retail remain steady with housing at 10% YoY, credit cards at 4-5% YoY and vehicle loans at 9%. On deposits, system continues to see strong flow with growth accelerated to 12% YoY from 10% in Q3FY21. CASA should improve on back of seasonality in CA, while SA has been seeing steady upward flow.
- **Asset quality disclosures to be more realistic:** Post SC lifting NPA recognition we will witness actual stress levels. Although we are estimating slightly higher than trend slippages before it starts normalizing from Q1FY22. We do not expect very high incremental restructuring and see higher implementation of existing pipeline. With 35-130bps provision buffer and +70% PCR on pro-forma basis for most large banks, we expect lower provisions while higher provision build-up in banks with lower than 70% PCR. As SC lifted the interim order on recognition in Mar'21, we expect recoveries to be slightly slower and pick up from Q1FY22 onwards.
- **Stronger Q4FY21 in many terms:** (i) cost of funds is still lowering by 4-5bps QoQ (though with slow momentum) favoring NII being better than loan growth, (ii) seasonally a stronger quarter on fees and lending and (iii) favorable base due to lockdown and lower provisions, given asset quality outcome was not severe as was thought at end of FY20. Certain outcomes slowing momentum are likely bond MTM losses and opex to recover as disbursements improve.

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Q4FY21 Banks Preview:

- Private Banks** – We expect a steady 15% YoY NII growth but strong 5% QoQ growth as cost of funds still have been moving on lower side helping NII growth be better than loan growth of 10% YoY/4% QoQ. Earnings acceleration will be from a lower provisioning, especially as base saw build up in Q4FY20. Legacy book & pro-forma NPAs are covered by +70% PCR barring KMB which should also accelerate towards 70%. Also, additional 35-130bps of contingent provisions with private banks should normalize credit cost, we only need to see if it will be ahead of time. We do not expect any large restructuring, while slippages adjusted to pro-forma should be lower in Q4FY21. Bank wise we expect **HDFCB** will continue its 18-20% PAT growth with steady NIMs, although preliminary business numbers reported are slower than expected and we watch for commentary on that front. **Kotak Bank** should see higher provisions impacting earnings, but still better on operating profit side. **ICICIB** should continue to see strong earnings led by healthy PPOP and lower provisions, while **Axis** should also see a better quarter with lower provisions, although credit cost ratios will be still higher than normal.
- Mid-sized banks** – **IIB/FB/IDFCB** have seen strong deposit flow but will be slow on loan growth. **IDFCB** will continue with strong NII as it continues to change business mix, similar trends are expected in Federal bank but we watch out for slippages in both banks. **IIB** is a relatively better performer on favorable base (higher impact due to Yes moratorium). **SIB** will continue to have muted earnings owing to high provisions as bank covers on PCR. Restructuring could slightly move up as window for MSME is still open and mid-sized banks have higher mix in these segments.
- Public Sector Banks** – **SBI** should see strong earnings & operating performance due to favorable base on NII, a seasonally higher fee quarter and some recoveries from Bhushan Power (in other income). Spoiling the party can be a higher G-Sec MTM keeping provisions up and much lower treasury gain (base also had SBI Cards share sale). Slippages are likely to be under control. For **BOB/PNB** operating performance will look better but slower growth and impact of rising yields will also impact them (we watch for AS-15 provisions)

Exhibit 1: Recommendation for PL coverage universe

Coverage Universe	CMP (Rs)	MCap (Rs B)	Rating	PT (Rs)	Upside (%)	P/ABV (x)				RoE (%)			
						FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E
Axis Bank	685	2,099	ACCU	725	5.8	2.6	2.3	2.1	1.8	2.1	6.3	10.8	13.8
HDFC Bank	1,450	7,991	BUY	1,690	16.6	4.8	4.1	3.5	3.1	16.4	16.9	17.4	18.1
ICICI Bank	571	3,950	BUY	630	10.3	3.1	2.5	2.2	1.9	7.3	12.9	13.4	14.3
IndusInd Bank	937	710	BUY	1,195	27.5	2.0	1.7	1.6	1.4	13.6	7.6	13.0	14.9
Kotak	1,759	3,486	HOLD	1,912	8.7	6.0	4.7	4.1	3.5	12.8	11.8	12.9	13.7
Federal	76	152	ACCU	88	15.2	1.2	1.1	1.0	0.9	11.1	9.8	12.3	13.4
South Indian Bank	8	15	BUY	10	18.5	0.5	0.6	0.5	0.4	2.0	1.3	3.4	4.9
IDFC First Bank	54	308	SELL	32	(41.1)	1.8	1.9	1.7	1.6	(17.1)	2.5	4.7	7.4
Bank of Baroda	73	376	BUY	82	12.8	0.7	0.6	0.6	0.5	0.9	4.5	6.6	7.2
Punjab National Bank	37	387	ACCU	43	16.4	0.6	0.6	0.6	0.5	0.7	3.1	6.0	7.8
SBI	354	3,155	BUY	445	25.9	1.1	0.9	0.8	0.7	7.2	9.4	12.9	13.6

Source: Company, PL

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

Key Rating, Target Price and earning changes

For our coverage, we have our rating & TP unchanged as we await commentary for FY22 and look if incremental stress remains in control or has moved up. Bank have underperformed recently by giving up some gains which have impacted from recent rise in yields (more on cost of equity perspective) & valuations had moved up near or above mean for some banks. We adjust earnings to take into account marginal deviations from preliminary disclosures on business growth for HDFCB/IIB/Federal and capital raising for South Indian Bank.

Exhibit 2: Change in estimates table for coverage universe

Banks	Rs (mn)	Old estimates			Revised estimates			Change		
		FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
HDFCB	NII	652,723	770,800	908,017	653,376	768,386	900,560	0.1	(0.3)	(0.8)
	PPOP	565,589	655,066	767,463	566,242	652,652	760,006	0.1	(0.4)	(1.0)
	PAT	314,198	379,465	456,094	316,148	380,325	455,466	0.6	0.2	(0.1)
	Loan Growth (%)	15.9	17.0	18.0	13.9	16.0	17.0	(2.0)	(1.0)	(1.0)
	Credit Cost (bps)	110.0	105.0	96.0	110.0	105.0	95.0	-	-	(1.0)
	EPS	57.2	68.9	82.9	57.5	69.1	82.7	0.6	0.2	(0.1)
	Adj. BV	355.0	407.6	473.2	354.8	408.6	473.0	(0.1)	0.2	(0.0)
	Price target (Rs)	1690			1,690			-		
	Recommendation	BUY			BUY					
IIB	NII	136,605	154,802	176,567	135,825	153,259	176,344	(0.6)	(1.0)	(0.1)
	PPOP	118,984	127,754	138,192	118,204	126,211	137,969	(0.7)	(1.2)	(0.2)
	PAT	32,762	59,178	75,930	29,361	58,801	75,872	(10.4)	(0.6)	(0.1)
	Loan Growth (%)	5.9	12.3	13.2	3.5	13.2	15.1	(2.4)	0.9	1.9
	Credit Cost (bps)	350.0	200.0	130.0	365.0	200.0	130.0	15.0	-	-
	EPS	44.8	77.0	98.8	40.2	76.5	98.7	(10.4)	(0.6)	(0.1)
	Adj. BV	538.7	601.1	695.2	539.1	596.1	690.3	0.1	(0.8)	(0.7)
	Price target (Rs)	1,195			1,195			-		
	Recommendation	BUY			BUY					
Federal	NII	56,115	62,770	71,795	55,604	63,514	72,855	(0.9)	1.2	1.5
	PPOP	38,730	43,074	49,913	38,026	43,614	50,743	(1.8)	1.3	1.7
	PAT	15,319	20,683	24,940	15,000	20,773	25,222	(2.1)	0.4	1.1
	Loan Growth (%)	7.0	10.3	14.0	9.0	11.2	14.0	2.0	1.0	0.0
	Credit Cost (bps)	135.0	110.0	100.0	130.0	110.0	100.0	(5.0)	-	-
	EPS	7.7	10.4	12.5	7.5	10.4	12.7	(2.1)	0.4	1.1
	Adj. BV	67.8	78.6	90.1	67.2	78.2	89.8	(0.9)	(0.6)	(0.3)
	Price target (Rs)	88			88			-		
	Recommendation	BUY			BUY					
SIB	NII	24,771	25,637	27,597	24,848	25,797	27,761	0.3	0.6	0.6
	PPOP	15,708	15,055	15,038	15,785	15,215	15,202	0.5	1.1	1.1
	PAT	643	1,751	2,664	700	1,868	2,785	8.8	6.7	4.5
	Loan Growth (%)	(1.0)	6.0	8.0	(0.9)	6.0	8.0	0.0	(0.0)	(0.0)
	Credit Cost (bps)	225.0	180.0	150.0	225.0	180.0	150.0	-	-	-
	EPS	0.4	1.0	1.5	0.4	0.9	1.3	0.9	(7.7)	(9.6)
	Adj. BV	14.8	18.0	22.2	14.8	17.3	20.7	(0.4)	(4.2)	(6.8)
	Price target (Rs)	10			10			-		
	Recommendation	BUY			BUY					

Source: Company, PL

Exhibit 3: Q4FY21 Banks Results Preview – Slower PPOP on optical interest reversals and lower treasury gains

Rs Million	NII	YoY	QoQ	PPOP	YoY	QoQ	PAT	YoY	QoQ
HDFC Bank	1,75,782	15.6%	7.7%	1,47,951	14.2%	-2.6%	86,847	25.4%	-0.8%
ICICI Bank	1,02,972	15.4%	3.9%	86,273	16.7%	-2.2%	49,466	305.0%	0.1%
Axis Bank	76,042	11.7%	3.1%	64,439	10.1%	5.7%	19,597	-241.2%	75.5%
Kotak	41,191	15.7%	2.8%	31,418	15.3%	1.9%	16,941	33.8%	-8.6%
IndusInd	35,892	11.1%	5.4%	31,333	10.5%	5.4%	9,591	217.8%	12.5%
SIB	6,384	7.2%	7.1%	3,834	-28.1%	1.6%	149	-110.4%	-116.2%
Federal	14,471	19.0%	0.7%	9,008	-6.1%	-6.5%	3,875	28.6%	-4.1%
IDFC First Bank	18,022	15.3%	3.3%	3,703	-28.8%	-44.0%	958	34.0%	-26.0%
SBI	2,90,007	27.4%	0.6%	2,07,353	12.3%	19.6%	64,792	80.9%	24.7%
PNB	85,270	82.3%	2.6%	63,726	62.1%	-0.3%	8,093	NA	59.9%
BOB	79,044	16.3%	2.0%	56,841	11.0%	1.7%	14,193	180.2%	33.8%
Total Banks	9,25,076	22.8%	3.2%	7,05,880	15.2%	4.6%	2,74,503	129.7%	11.0%
Total Private Banks	4,70,756	14.5%	5.1%	3,77,959	11.9%	-1.0%	1,87,425	119.0%	4.3%
Total Public Banks	4,54,321	32.7%	1.2%	3,27,920	19.2%	11.9%	87,078	156.9%	28.7%
Rs Billion	Loans	YoY	QoQ	Margins	YoY	QoQ	Credit Cost	YoY	QoQ
HDFC Bank	11,320	13.9%	4.6%	4.20%	-0.10%	0.00%	1.10%	-0.42%	-0.16%
ICICI Bank	7,130	10.5%	2.0%	3.62%	-0.25%	-0.05%	1.40%	-2.30%	-0.17%
Axis Bank	6,143	7.5%	5.4%	3.45%	-0.10%	-0.14%	2.48%	-2.93%	-0.68%
Kotak	2,224	1.2%	3.9%	4.45%	-0.27%	-0.06%	1.45%	-0.46%	0.33%
IndusInd	2,130	3.0%	2.8%	4.20%	-0.05%	0.08%	3.33%	-1.39%	-0.24%
SIB	638	-1.0%	3.6%	2.65%	-0.02%	0.01%	2.28%	-2.21%	-0.96%
Federal	1,333	9.0%	6.2%	3.10%	0.06%	-0.12%	1.17%	-0.68%	-0.17%
IDFC First Bank	916	7.0%	-13.8%	4.67%	0.43%	0.02%	1.05%	-0.87%	-0.76%
SBI	24,881	7.0%	5.1%	3.00%	0.03%	-0.12%	1.94%	-0.38%	0.19%
PNB	6,700	42.0%	1.4%	3.11%	0.71%	0.02%	3.04%	-1.11%	-0.25%
BOB	7,315	6.0%	4.7%	2.83%	0.16%	-0.04%	1.94%	-2.02%	-0.32%
Banks	70,729	10.6%	3.9%	3.57%	0.05%	-0.04%	1.91%	-1.60%	-0.03%

Source: Company, PL Note – PNB is based on merged numbers which also distorts overall number

Exhibit 4: Margins likely to soften on interest reversals

	3Q21	4Q20	4Q21E	YoY	QoQ
HDFC Bank	4.20%	4.30%	4.20%	-0.10%	0.00%
ICICI Bank	3.67%	3.87%	3.62%	-0.25%	-0.05%
Axis Bank	3.59%	3.55%	3.45%	-0.10%	-0.14%
Kotak	4.51%	4.72%	4.45%	-0.27%	-0.06%
IndusInd	4.12%	4.25%	4.20%	-0.05%	0.08%
Federal	3.22%	3.04%	3.10%	0.06%	-0.12%
IDFC First Bank	4.65%	4.24%	4.67%	0.43%	0.02%
SIB	2.64%	2.67%	2.65%	-0.02%	0.01%
SBI	3.12%	2.97%	3.00%	0.03%	-0.12%
PNB	2.35%	2.40%	3.11%	0.71%	0.76%
BOB	2.87%	2.67%	2.83%	0.16%	-0.04%

Source: Company, PL

Exhibit 5: Adequate buffer to lower provisions requirement

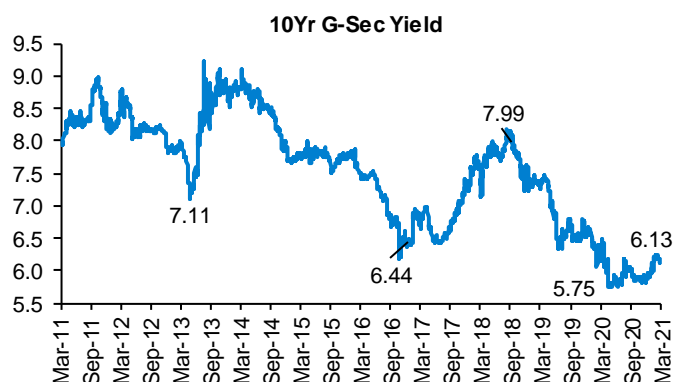
	3Q21	4Q20	4Q21E	YoY	QoQ
HDFC Bank	1.26%	1.52%	1.10%	-0.42%	-0.16%
ICICI Bank	1.57%	3.70%	1.40%	-2.30%	-0.17%
Axis Bank	3.16%	5.41%	2.48%	-2.93%	-0.68%
Kotak	1.12%	1.91%	1.45%	-0.46%	0.33%
IndusInd	3.58%	4.72%	3.33%	-1.39%	-0.24%
Federal	1.34%	1.86%	1.17%	-0.68%	-0.17%
IDFC First Bank	1.82%	1.93%	1.05%	-0.87%	-0.76%
SIB	3.24%	4.49%	2.28%	-2.21%	-0.96%
SBI	1.75%	2.32%	1.94%	-0.38%	0.19%
PNB	3.29%	4.16%	3.04%	-1.11%	-0.25%
BOB	2.27%	3.97%	1.94%	-2.02%	-0.32%

Source: Company, PL

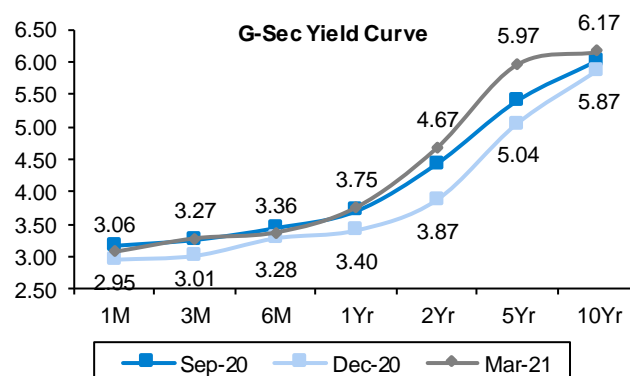
Exhibit 6: We expect slippages to be lower than Q3FY21 for most banks under coverage and have adequate provisions

Banks	Q3FY21							Q4FY21E				Provisions as % loans	
	Reported NPA			Pro-forma NPA				NPA			Slippages	COVID Provisions	Total Provisions
	GNPA	NNPA	PCR	GNPA	NNPA	PCR	Slippages (Rs bn)	GNPA	NNPA	PCR			
HDFCB	0.81%	0.09%	89%	1.37%	0.40%	71%	48.3	1.27%	0.36%	72%	45.6	0.3%	0.7%
ICICIB	4.38%	0.63%	86%	5.42%	1.26%	77%	82.8	5.56%	1.31%	76%	26.9	1.2%	1.5%
Axis	3.44%	0.74%	78%	4.55%	1.19%	74%	67.1	4.63%	1.20%	74%	23.4	0.7%	1.9%
KMB	2.26%	0.50%	78%	3.27%	1.24%	62%	20.5	3.10%	1.13%	63%	7.6	0.3%	1.0%
IIB	1.74%	0.22%	87%	2.93%	0.70%	76%	24.5	2.75%	0.52%	81%	21.2	0.8%	1.6%
SBI	4.77%	1.23%	74%	5.44%	1.81%	67%	20.7	5.05%	1.73%	66%	105.7	0.1%	0.5%
BOB	8.48%	2.39%	72%	9.63%	3.36%	65%	71.4	9.39%	3.19%	66%	96.6	0.1%	0.5%
PNB	12.99%	4.03%	69%	14.71%	5.65%	62%	129.2	14.33%	5.24%	63%	70.6	0.2%	0.6%
Federal	2.71%	0.60%	78%	3.38%	1.14%	66%	6.3	3.00%	1.10%	63%	4.7	0.4%	0.5%
IDFCB	1.33%	0.33%	75%	4.18%	2.04%	51%	NA	3.73%	1.92%	48%		2.0%	2.7%

Source: Company, PL

Exhibit 7: G-Sec yield has inched up post decade low


Source: Bloomberg, PL

Exhibit 8: Longer tenure curve has moved up


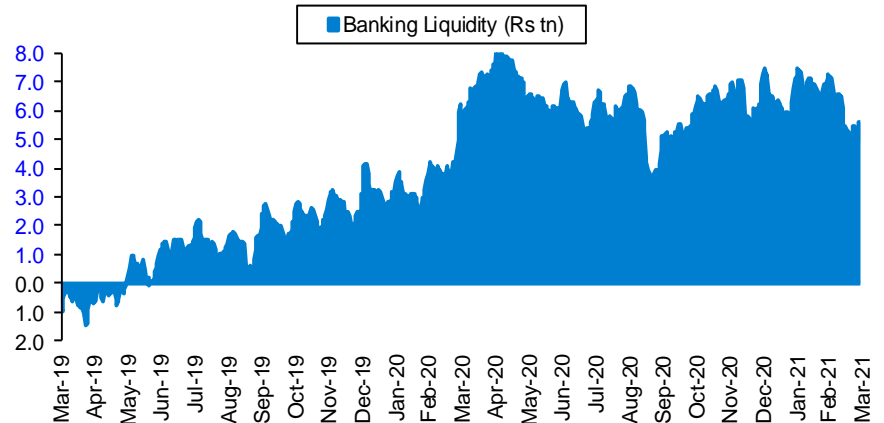
Source: Bloomberg, PL

Exhibit 9: Spreads between G-Sec yields & corporate bond yields have moved up faster

Values are in %	Corporate Bond yields across tenor & ratings as of Mar-21				Spread between G-Sec & Bond rates as on Mar'21				Spread between G-Sec & Bond rates as on Dec'20				Chg in spreads between G-Sec & corporate bond (in bps)			
	AAA	AA	A+	A-	AAA	AA	A+	A-	AAA	AA	A+	A-	AAA	AA	A+	A-
3Month	3.70	4.65	5.72	7.27	0.20	1.15	2.22	3.77	-0.29	0.67	1.97	3.52	49	48	24	24
6Month	3.87	4.82	5.89	3.87	0.26	1.21	2.28	3.83	-0.24	0.72	2.03	3.58	50	49	25	25
1Year	4.20	5.02	6.15	7.70	0.45	1.27	2.40	3.95	0.18	0.93	2.12	3.67	27	34	28	28
3Year	5.54	6.27	7.32	8.87	0.61	1.34	2.39	3.94	-0.24	0.66	1.63	3.18	86	69	76	76
5Year	6.26	7.03	8.09	9.64	0.30	1.07	2.12	3.67	-0.38	0.28	1.34	2.89	68	79	78	78
10Year	7.18	7.90	8.52	10.07	1.01	1.73	2.36	3.91	0.42	1.19	1.90	3.45	59	54	46	46

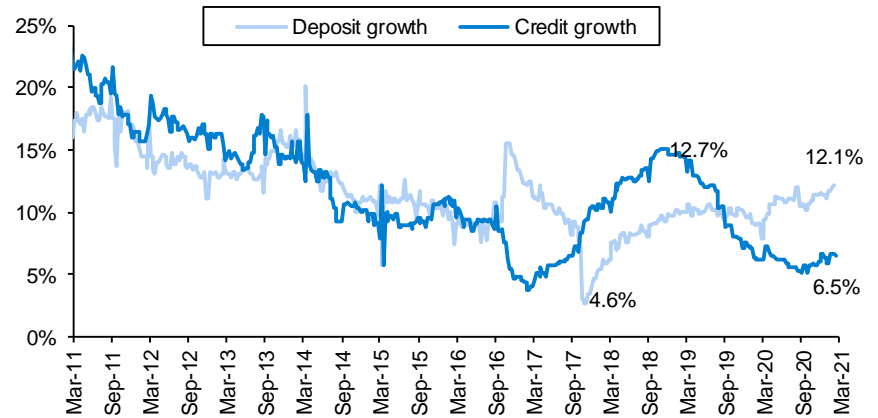
Source: Bloomberg, PL

Exhibit 10: Liquidity remains strong, comes off marginally due to deployment



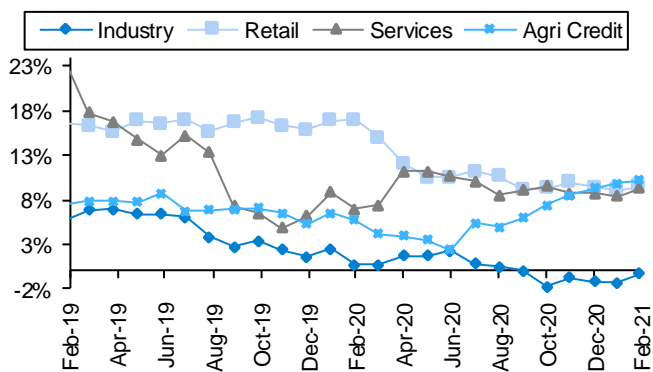
Source: RBI, PL

Exhibit 11: Credit growth has been steady; deposits growth has been strong



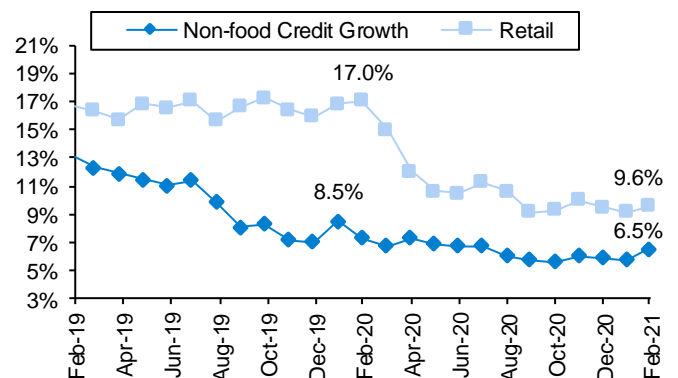
Source: RBI, PL

Exhibit 12: Growth strong in Agri; steady in retail/services



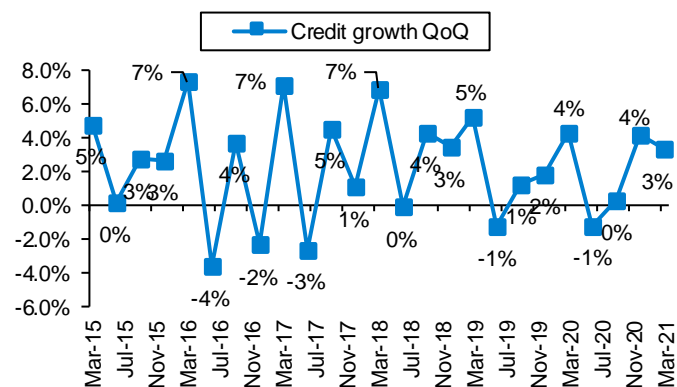
Source: Company, PL

Exhibit 13: Retail growth has not picked up



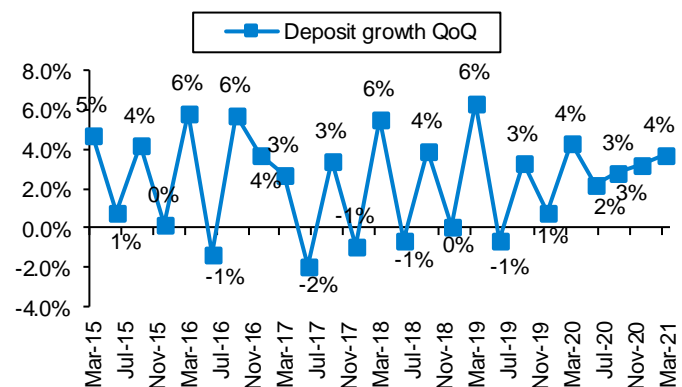
Source: Company, PL

Exhibit 14: Credit growth QoQ can be slower than historical



Source: RBI, PL

Exhibit 15: Deposits will likely end at stronger growth QoQ



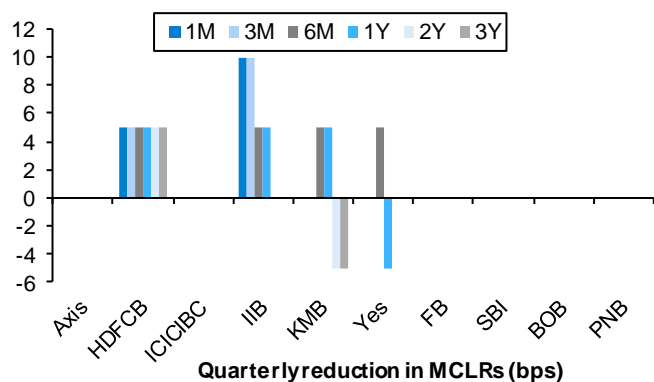
Source: RBI, PL

Exhibit 16: Changes in bank MCLR – Remains steady from last quarter

Banks	MCLR 1YR		% Change		
	Sep-20	Dec-20	Mar-21	3Months	6Months
HDFC Bank	7.30%	7.25%	7.20%	-0.05%	-0.10%
Axis Bank	7.55%	7.45%	7.40%	-0.05%	-0.15%
ICICI Bank	7.40%	7.35%	7.30%	-0.05%	-0.10%
KMB	7.50%	7.35%	7.30%	-0.05%	-0.20%
IndusInd Bank	8.85%	8.65%	8.60%	-0.05%	-0.25%
Yes Bank	9.00%	8.55%	8.45%	-0.10%	-0.55%
SBI	7.00%	7.00%	7.00%	0.00%	0.00%
Bank of Baroda	7.55%	7.40%	7.40%	0.00%	-0.15%
Punjab National Bank	7.35%	7.35%	7.35%	0.00%	0.00%
Federal	7.20%	7.20%	7.20%	0.00%	0.00%
South Indian Bank	8.10%	7.90%	7.90%	0.00%	-0.20%
PSBs – Median	8.20%	8.20%	8.20%	0.00%	0.00%
Pvt – Median	8.65%	8.55%	8.40%	-0.15%	-0.25%

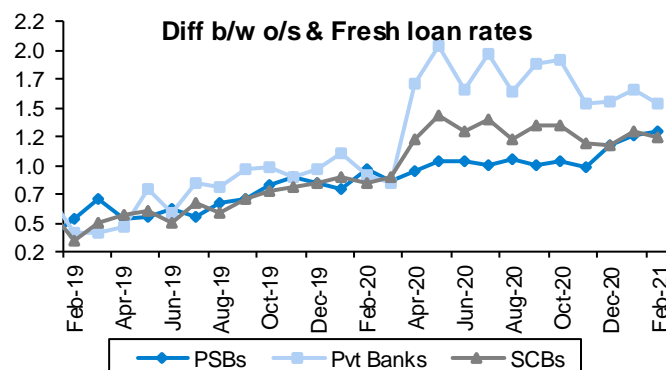
Source: Company, PL

Exhibit 17: Only few banks tinker with MCLR rates



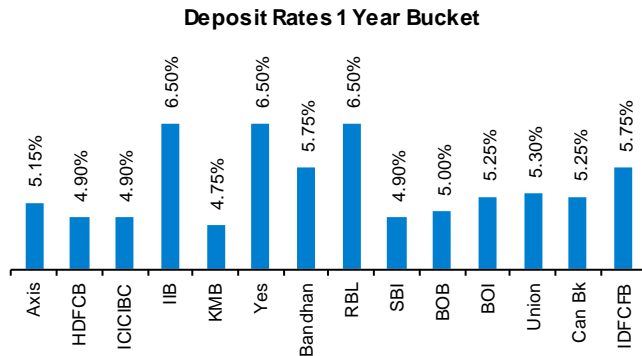
Source: Company, PL

Exhibit 18: Gap in O/s & fresh rate has come off for Pvt



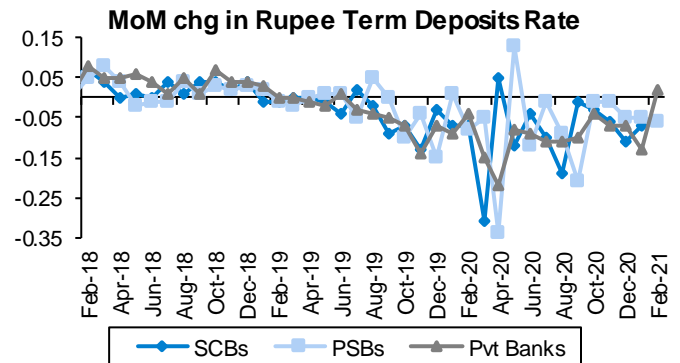
Source: RBI, PL

Exhibit 19: Deposit rates have been steady



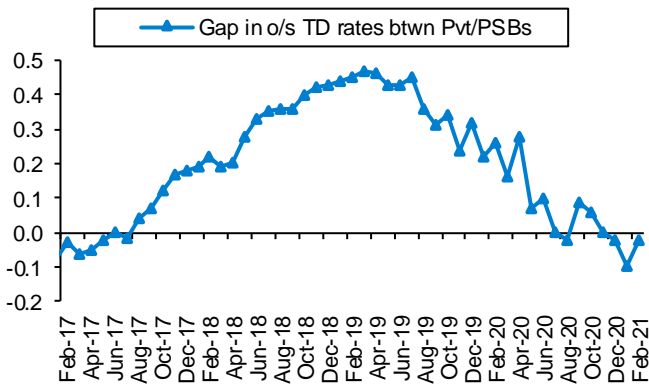
Source: Company, PL

Exhibit 20: Pvt weighted avg deposit rate has moved up



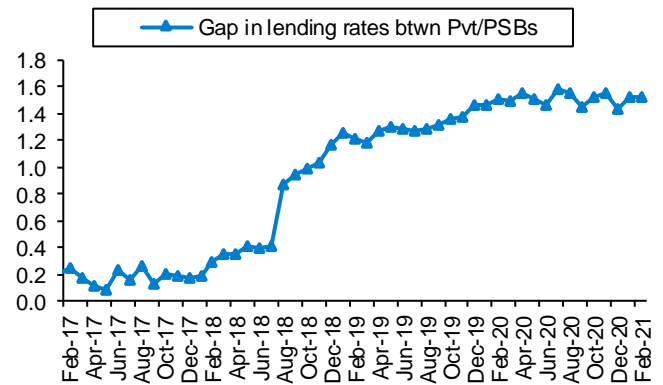
Source: Company, PL

Exhibit 21: Pvt/PSBs TD rates are almost similar...



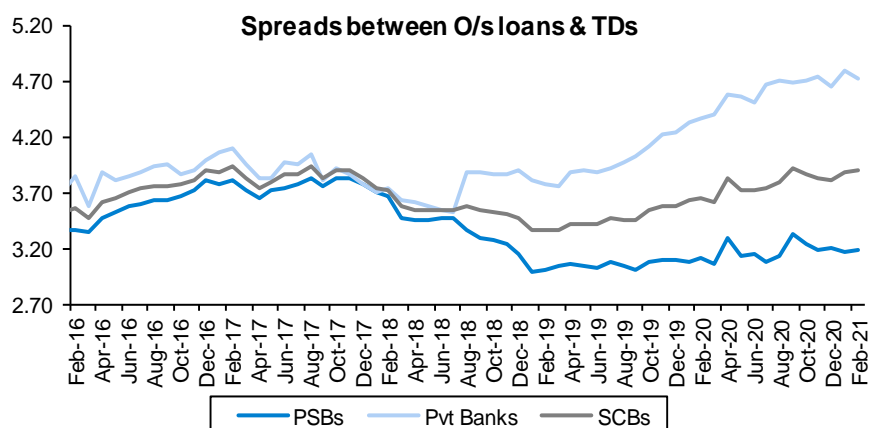
Source: RBI, PL

Exhibit 22: ...although Pvt banks have maintained pricing



Source: RBI, PL

Exhibit 23: Spreads have been quite strong for Pvt banks



Source: RBI, PL

Exhibit 24: Q4FY21 Result Preview (Private Banks)

Company Name		Q4FY21E	Q4FY20	YoY chg.	Q3FY21	QoQ chg.	Remark
Axis Bank	NII (Rs mn)	76,042	68,077	11.7	73,728	3.1	We expect NII growth of 12% YoY but better QoQ at 3%, some reversals expected which should marginally impact NIMs
	PPOP (Rs mn)	64,439	58,511	10.1	60,955	5.7	
	Provisions (Rs mn)	38,100	77,300	(50.7)	46,043	(17.3)	
	PAT (Rs mn)	19,597	(13,878)	(241.2)	11,166	75.5	Slightly lower provisions should help earnings with base quarter having high provisions
	Loans (Rs bn)	6,143	5,714	7.5	5,828	5.4	
	Margin (%)	3.45	3.55	(10)	3.59	(14)	
	GNPA (%)	4.63	4.86	(23)	3.44	119	Expect slippage at Rs30bn adjusted to pro-forma
	Credit Cost (%)	2.48	5.41	(293)	3.16	(68)	
HDFC Bank	NII (Rs mn)	1,75,782	1,52,041	15.6	1,63,176	7.7	We expect a NII growth of 15% YoY, but a strong 7% QoQ. Although PPOP should be slower on muted other income
	PPOP (Rs mn)	1,47,951	1,29,588	14.2	1,51,860	(2.6)	
	Provisions (Rs mn)	31,221	37,845	(17.5)	34,141	(8.6)	
	PAT (Rs mn)	86,847	69,277	25.4	87,583	(0.8)	Provisions to come down on QoQ basis, although we build in a slippage of Rs72bn
	Loans (Rs bn)	11,320	9,937	13.9	10,823	4.6	
	Margin (%)	4.20	4.30	(10)	4.20	-	
	GNPA (%)	1.27	1.26	1	0.81	46	Loan & deposit will continue to be strong sequentially at 7%, with loan growth led by wholesale, SME & housing
	Credit Cost (%)	1.10	1.52	(42)	1.26	(16)	
ICICI Bank	NII (Rs mn)	1,02,972	89,269	15.4	99,125	3.9	Earnings to remain strong partially base effect and strong PPOP led by NII of 15% and muted Opex
	PPOP (Rs mn)	86,273	73,901	16.7	88,198	(2.2)	
	Provisions (Rs mn)	24,911	59,674	(58.3)	27,417	(9.1)	
	PAT (Rs mn)	49,466	12,214	305.0	49,396	0.1	Margins could see marginal dip
	Loans (Rs bn)	7,130	6,453	10.5	6,990	2.0	
	Margin (%)	3.62	3.87	(25)	3.67	(5)	
	GNPA (%)	5.56	5.53	3	4.38	118	We expect much lower slippage of Rs27bn adjusting to pro-forma till 9MFY21
	Credit Cost (%)	1.40	3.70	(230)	1.57	(17)	
IndusInd Bank	NII (Rs mn)	35,892	32,312	11.1	34,061	5.4	We expect strong earnings driven by base effect and lower provisioning as bank has covered with good PCR of +70%.
	PPOP (Rs mn)	31,333	28,362	10.5	29,733	5.4	
	Provisions (Rs mn)	17,758	24,403	(27.2)	18,535	(4.2)	
	PAT (Rs mn)	9,591	3,018	217.8	8,528	12.5	Provisions still should be high than historical as it will continue to build up buffers
	Loans (Rs bn)	2,130	2,068	3.0	2,071	2.8	
	Margin (%)	4.20	4.25	(5)	4.12	8	
	GNPA (%)	2.75	2.45	30	1.74	101	Deposit is building up again from last two quarters and should continue; loan growth should be near to industry growth
	Credit Cost (%)	3.33	4.72	(139)	3.58	(24)	
Kotak Mahindra Bank	NII (Rs mn)	41,191	35,597	15.7	40,068	2.8	NII momentum of 15-16% YoY should continue led by lowering cost of funding & strong CASA
	PPOP (Rs mn)	31,418	27,253	15.3	30,833	1.9	
	Provisions (Rs mn)	8,066	10,475	(23.0)	5,990	34.7	
	PAT (Rs mn)	16,941	12,666	33.8	18,535	(8.6)	Higher provisions likely to improve PCR and slippage will keep earnings lower than last two quarters but better YoY
	Loans (Rs bn)	2,224	2,197	1.2	2,141	3.9	
	Margin (%)	4.45	4.72	(27)	4.51	(6)	
	GNPA (%)	3.10	2.25	85	2.26	84	We expect 4% QoQ credit growth, 8% QoQ deposit growth
	Credit Cost (%)	1.45	1.91	(46)	1.12	33	
IDFC First Bank	NII (Rs mn)	18,022	15,635	15.3	17,439	3.3	NII should be strong at 15% YoY, although we build in lower other income and strong opex, lowering PPOP
	PPOP (Rs mn)	3,703	5,198	(28.8)	6,609	(44.0)	
	Provisions (Rs mn)	2,413	4,124	(41.5)	4,822	(50.0)	
	PAT (Rs mn)	958	715	34.0	1,295	(26.0)	We expect provisions to be lower and NPAs to slightly settle down as recoveries start
	Loans (Rs bn)	916	856	7.0	1,063	(13.8)	
	Margin (%)	4.67	4.24	43	4.65	2	
	GNPA (%)	3.73	2.60	113	1.33	240	We are not building any incremental restructuring but we watch for the same
	Credit Cost (%)	1.05	1.93	(87)	1.82	(76)	

Company Name		Q4FY21E	Q4FY20	YoY chg.	Q3FY21	QoQ chg.	Remark
Federal	NII (Rs mn)	14,471	12,160	19.0	14,370	0.7	Federal should continue to report strong (6.5) profitability with strong NII of 23% YoY
	PPOP (Rs mn)	9,008	9,593	(6.1)	9,629	(6.5)	
	Provisions (Rs mn)	3,907	5,675	(31.1)	4,206	(7.1)	Core profitability should be strong, but (4.1) frontline PPOP should be slow as base 6.2 quarter had higher treasury gains
	PAT (Rs mn)	3,875	3,012	28.6	4,041	(4.1)	
	Loans (Rs bn)	1,333	1,223	9.0	1,255	6.2	We expect Rs4.5bn of slippages adjusting 29 to pro-forma, while expect restructuring to remain steady
	Margin (%)	3.10	3.04	6	3.22	(12)	
	GNPA (%)	3.00	2.84	16	2.71	29	
	Credit Cost (%)	1.17	1.86	(68)	1.34	(17)	
South Indian Bank	NII (Rs mn)	6,384	5,958	7.2	5,964	7.1	We expect muted earnings expectations as provisions will continue to be higher to cover partially for a lower PCR and higher slippages/restructuring
	PPOP (Rs mn)	3,834	5,334	(28.1)	3,775	1.6	
	Provisions (Rs mn)	3,643	7,238	(49.7)	4,995	(27.1)	Bank has recently raised capital which should keep steady Tier-I but will accelerate provisions
	PAT (Rs mn)	149	(1,437)	NA	(916)	(116.2)	
	Loans (Rs bn)	638	644	(1.0)	616	3.6	Bank has recently raised capital which should keep steady Tier-I but will accelerate provisions
	Margin (%)	2.65	2.67	(2)	2.64	1	
	GNPA (%)	5.42	4.98	44	4.90	52	
	Credit Cost (%)	2.28	4.49	(221)	3.24	(96)	

Source: Company, PL

Exhibit 25: Q4FY21 Result Preview (PSU Banks)

Company Name		Q4FY21E	Q4FY20	YoY chg.	Q3FY21	QoQ chg.	Remark
Bank of Baroda	NII (Rs mn)	2,90,007	2,27,669	27.4	2,88,199	0.6	Earnings should look better on back of better NII growth of 16% YoY & lower provisions sequentially
	PPOP (Rs mn)	2,07,353	1,84,651	12.3	1,73,332	19.6	
	Provisions (Rs mn)	1,20,732	1,34,951	(10.5)	1,03,424	16.7	Slippages will continue to be a little higher, although head line asset quality should be slightly lower than pro-forma asset quality
	PAT (Rs mn)	64,792	35,808	80.9	51,962	24.7	
	Loans (Rs bn)	24,881	23,253	7.0	23,681	5.1	We expect higher bond MTM provisions this quarter and lower treasury
	Margin (%)	3.00	2.97	3	3.12	(12)	
	GNPA (%)	5.05	6.15	(110)	4.77	28	
	Credit Cost (%)	1.94	2.32	(38)	1.75	19	
Punjab National Bank	NII (Rs mn)	85,270	46,775	82.3	83,130	2.6	PNB numbers are not comparable due to merger, while NII & Operating profit should remain muted and flattish
	PPOP (Rs mn)	63,726	39,323	62.1	63,908	(0.3)	
	Provisions (Rs mn)	50,994	49,013	4.0	54,326	(6.1)	Asset quality should remain weak with higher slippages, although should see some recoveries/w.offs keeping GNPAs rise limited
	PAT (Rs mn)	8,093	(6,972)	NA	5,060	59.9	
	Loans (Rs bn)	6,700	4,718	42.0	6,605	1.4	We build Rs123bn of slippages
	Margin (%)	3.11	2.40	71	3.09	2	
	GNPA (%)	14.33	14.21	12	12.99	134	
	Credit Cost (%)	3.04	4.16	(111)	3.29	(25)	
State Bank of India	NII (Rs mn)	79,044	67,982	16.3	77,487	2.0	Earnings, NII & PPOP should be strong ending FY21 on high note. Lower base, seasonality in fees and control on opex should help
	PPOP (Rs mn)	56,841	51,208	11.0	55,906	1.7	
	Provisions (Rs mn)	35,533	68,441	(48.1)	39,567	(10.2)	Base also has high other income led by sale of shares in SBI cards and treasury could be much lower due to rise in bond yields
	PAT (Rs mn)	14,193	5,066	180.2	10,611	33.8	
	Loans (Rs bn)	7,315	6,901	6.0	6,987	4.7	We build Rs123bn of slippages
	Margin (%)	2.83	2.67	16	2.87	(4)	
	GNPA (%)	9.39	9.40	(1)	8.48	91	
	Credit Cost (%)	3.04	4.16	(111)	3.29	(25)	

Source: Company, PL

Exhibit 26: Stock Performance

	Absolute				Relative to Nifty			
	1M	3M	6M	12M	1M	3M	6M	12M
AXSB IN	(6.0)	3.4	54.7	111.1	(3.8)	0.7	21.8	21.4
BOB IN	(9.9)	10.7	74.8	49.2	(7.8)	7.8	37.6	(14.2)
FB IN	(12.5)	5.7	50.5	91.6	(10.5)	3.0	18.5	10.2
HDFCB IN	(5.2)	1.6	30.1	78.2	(3.0)	(1.0)	2.4	2.5
ICICIB IN	(6.1)	6.5	53.3	99.5	(4.0)	3.7	20.7	14.7
IDFCB IN	(18.5)	37.2	80.3	177.1	(16.6)	33.6	41.9	59.3
IIB IN	(9.8)	1.8	56.0	199.6	(7.7)	(0.9)	22.8	72.2
KMB IN	(8.4)	(10.1)	34.0	54.4	(6.3)	(12.5)	5.4	(11.2)
PNB IN	(11.4)	3.8	30.6	24.6	(9.3)	1.1	2.8	(28.3)
SBIN IN	(7.7)	25.6	87.5	101.7	(5.6)	22.3	47.6	16.0
SIB IN	(11.5)	(9.6)	26.1	48.2	(9.5)	(12.0)	(0.7)	(14.8)

Source: PL

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Axis Bank	Accumulate	725	632
2	Bank of Baroda	BUY	82	74
3	Federal Bank	Accumulate	88	77
4	HDFC Bank	BUY	1,690	1,467
5	HDFC Life Insurance Company	Reduce	650	687
6	ICICI Bank	BUY	630	537
7	ICICI Prudential Life Insurance Company	Reduce	476	499
8	IDFC First Bank	Sell	32	47
9	IndusInd Bank	BUY	1,195	1,058
10	Kotak Mahindra Bank	Hold	1,912	1,794
11	Max Financial Services	Accumulate	995	853
12	Punjab National Bank	Accumulate	43	38
13	SBI Life Insurance Company	BUY	1,080	858
14	South Indian Bank	BUY	10	9
15	State Bank of India	BUY	445	355

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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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