

Apr-Jun'22 Earnings Preview

July 8, 2022

Top Picks

ICICI Bank

HDFC Bank

State Bank of India

Core earnings to see an uptick

For our Banking coverage universe under the lending space, usually first quarter is weaker characterized by a dip in credit flow. However, this time systemic credit growth was good at 1.3% YTD in May'22. Assuming a similar MoM run-rate, loan growth could be ~2% QoQ for the system largely driven by private banks. NII accretion would be a tad better at 3.0% QoQ leading to a slight NIM improvement. Other income may decline by 27% QoQ driven by treasury loss and lower fees/recovery income which would be offset by lower opex. Hence, excluding treasury loss, core PPOP may uptick by 3.5% QoQ. Slippages, recoveries and provisions may normalize sequentially. GNPA may inch up QoQ from 3.9% to 4.0% while provisions may rise by 4bps to 1.2% largely led by private banks. Among frontline banks, positive outliers on a core PAT basis could be SBI and IIB in large-caps while among mid-caps CUB and FB may outperform. Overall banking PAT might see a 11.5% QoQ drop to Rs332bn. Key monitorables would be 1) margin outlook as rates have hiked 2) guidance on deposit accretion for some banks and 3) treasury loss if any for banks.

For coverage HFCs, AuM may uptick by 2% compared to a NII rise of ~3%. NIM may see a QoQ increase by 6bps to 4.7% owing to higher share of fixed rate liabilities for HDFC and LICHF. Drop in other income QoQ may more than offset a fall in opex leading to a flat PPOP sequentially. Asset quality might be stable with GNPA at 2.0% although provisions may rise. Overall PAT to see a minor fall QoQ led by higher provisions. We prefer ICICIB, HDFCB and SBI among large banks while IIB and FB also look attractive given compelling valuations and better quarterly performance.

- **Systemic loan growth sustaining; Deposit accretion slows:** System growth continued to inch up to 12.6% YoY in May'22 from 4.9% last year. Of major segments, retail offtake remains mainstay, momentum in agri continues, services see sharp uptick, on the other hand industrial credit growth has been sluggish. Within retail; unsecured credit, vehicle loans, and credit card loans enhanced while within services, trade and NBFC saw better offtake. Growth in industries has largely been driven by MSME while corporate remains weak. Loan growth for coverage banks is expected at 17% YoY (compared to 18% for the system) and 1.8% QoQ. Systemic deposit growth has slowed to 8.8% from 10-11%, while CASA continues to outgrow TD.
- **Asset quality trends robust:** Asset quality is expected to see a slight blip as recoveries could soften QoQ, which may lead to higher credit costs. Retail and MSME could see lower sequential recoveries on a higher base while corporate is expected to remain resilient. For our coverage universe, provisions could rise by 4bps on a QoQ basis to 1.19%. Performance of the ECLGS and restructured pool remains a key monitorable.

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- **Margins likely to slightly improve; treasury loss to hit earnings:** A sharp rise in systemic rates may favour banks leading to a slight increase in NIM. However, lower other income and higher provisions would drag earnings while softer opex may provide some cushion. The net effect would be that core earnings could improve sequentially although overall profits may decline.
- **Private Banks –** For Private banks, we expect a decent NII growth of 16.7% YoY & 3.2% QoQ, due to seasonally slow loan growth. As loan growth would be slower, fee income could moderate and as rates harden it may lead MTM losses further impacting earnings. Funding cost is expected to rise as interest rate cycle moves upwards however, NIM may be flat be QoQ, supported by moderation in deposit growth and deployment of excess liquidity towards lending. For coverage banks, earnings should see dip mainly due to treasury losses.
 - **HDFCB** might see a marginal drop in PAT while NIM is expected to remain range bound.
 - **Kotak Bank** could continue improvement in loan growth although PAT might decline QoQ.
 - **ICICIB** might maintain its loan growth momentum as retail continues to see traction. Asset quality should moderate resulting in better earnings.
 - **Axis** loan growth which was lagging, is expected to be in-line with peers. Margins are expected to improve.
- **Mid Cap Banks –** Our coverage mid-cap banks could see loan growth of 19% YoY compared to large banks 18% although on a low base, while NII growth would be in-line at 22% YoY owing to NIM improvement to 4.8% from 4.2% a year ago as Q1FY22 saw higher slippages due to the second wave. On a QoQ basis margins may remain flat. Mid-cap banks might see a greater reduction in GNPA QoQ (barring IDFC First) especially CUBK and DCB driven by lower slippages, healthy recoveries and better loan growth.
- **Public Sector Banks –** PSU banks might see loan growth in-line with the system while NII growth may be higher at 13.2% YoY. We expect NIMs to remain steady QoQ near ~3% levels. Asset quality could improve QoQ with GNPA declining leading to controlled credit costs. Earnings are expected to be impacted due to treasury losses and slower fee income, although lower opex may support earnings.
- **Housing Finance Companies -** Coverage HFCs might see credit offtake of 14.5% YoY with mid-sized HFCs likely to see 20%+ YoY growth while large HFCs are expected to see a loan growth of 14-16%.
 - **HDFC and LICHF** might see continued momentum in credit offtake mainly led by individual housing while higher volumes might lead to more other opex impacting PPOP and PAT. Asset quality might be stable QoQ.
 - **Canfin and Aavas** might see a sequential improvement in earnings mainly led by better disbursals and reduction in credit costs

Exhibit 1: Recommendation for PL coverage universe

Coverage Universe	CMP (Rs)	M Cap (Rs B)	Old Rating	New Rating	Old PT (Rs)	New PT (Rs)	Upside (%)	P/ABV (x)				RoE (%)			
								FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E
Axis Bank	658	2,021	BUY	BUY	940	940	42.8	2.1	1.8	1.8	1.6	7.1	12.0	13.3	14.2
HDFC Bank	1,396	7,753	BUY	BUY	1,740	1,740	24.7	3.9	3.3	2.9	2.5	16.6	16.7	16.5	16.8
ICICI Bank	742	5,162	BUY	BUY	950	950	28.0	2.9	2.4	2.2	1.9	12.6	15.0	15.0	15.6
IndusInd Bank	861	667	BUY	BUY	1,297	1,297	50.7	1.6	1.5	1.3	1.2	7.3	9.8	12.1	13.9
Kotak	1,739	3,451	Acc	Acc	1,925	1,925	10.7	4.4	3.8	3.4	3.0	11.4	10.9	11.7	12.2
Federal	97	204	BUY	BUY	135	135	39.2	1.3	1.2	1.1	1.0	10.4	10.9	11.1	13.2
IDFC First Bank	34	213	HOLD	HOLD	NA	NA	NA	1.2	1.2	1.2	1.2	2.6	0.2	0.7	1.0
DCB	81	25	UR	UR	120	120	49.0	0.9	0.8	0.7	0.7	10.0	7.1	10.1	12.2
City Union Bank	145	107	BUY	BUY	170	170	17.3	2.2	2.0	1.7	1.5	10.6	11.9	13.1	13.6
Bank of Baroda	105	543	BUY	BUY	125	125	19.0	1.0	0.8	0.7	0.7	1.1	9.0	9.0	9.5
Punjab National Bank	31	341	BUY	BUY	50	50	61.3	0.6	0.5	0.5	0.5	0.4	0.7	0.7	0.7
SBI	487	4,344	BUY	BUY	600	600	23.3	1.3	1.1	1.0	0.9	9.3	12.4	13.4	14.0
HDFC Ltd	2,246	4,074	BUY	BUY	2,900	2,908	29.1	8.9	8.9	8.9	8.9	36.8	23.0	21.3	21.9
AAVAS	2,006	158	BUY	BUY	2,300	2,300	14.7	6.7	6.0	5.1	4.3	12.9	13.2	15.8	16.7
LIC HF	351	193	Acc	Acc	435	435	23.8	1.2	1.1	1.0	0.8	14.1	8.8	12.1	13.1
Canfin Homes	463	62	BUY	BUY	800	800	72.6	2.5	2.1	1.8	1.6	19.2	16.7	16.7	16.7

Source: Company, PL ACCU=Accumulate / UR=Under Review Note – *Kotak & SBI valuation on S'one book

Exhibit 2: Q1FY23 Banks Results Preview – MTM losses to impact PPOP, margin trajectory to be watched out

Rs Million	NII	YoY	QoQ	PPOP	YoY	QoQ	PAT	YoY	QoQ
HDFC Bank	1,92,299	13.1%	1.9%	1,58,546	4.7%	-3.1%	97,440	26.1%	-3.1%
ICICI Bank	1,31,774	20.5%	4.5%	1,02,532	15.3%	-0.4%	62,724	35.9%	-10.6%
Axis Bank	90,577	16.7%	2.7%	64,085	-0.1%	-0.9%	34,939	61.7%	-15.2%
Kotak	46,618	18.3%	5.0%	30,935	-0.9%	-5.1%	22,341	36.1%	-16.8%
IndusInd	40,767	14.4%	2.3%	31,852	1.7%	-4.3%	13,681	40.3%	0.5%
Federal	16,180	14.1%	6.1%	8,428	-25.8%	5.6%	5,295	44.2%	-2.0%
IDFC First Bank	28,207	29.1%	5.7%	8,343	-16.7%	0.9%	3,446	-154.7%	0.6%
DCB Bank	3,857	24.9%	1.4%	2,001	-0.5%	-9.4%	859	154.6%	-24.2%
City Union Bank	5,025	12.3%	0.4%	3,694	-3.6%	-16.0%	1,701	-1.7%	-18.6%
SBI	3,21,543	16.3%	3.1%	1,67,913	-11.5%	-14.8%	70,016	7.7%	-23.2%
PNB	75,696	4.7%	3.6%	51,422	-15.7%	-2.3%	7,067	-31.0%	250.6%
BOB	86,832	10.0%	0.8%	53,251	-6.7%	-5.5%	12,518	3.6%	-29.6%
Total Banks	10,39,376	15.1%	3.0%	6,83,003	-2.7%	-5.9%	3,32,027	28.7%	-11.6%
Total Private Banks	5,55,304	16.7%	3.2%	4,10,416	4.1%	-2.3%	2,42,426	42.0%	-8.3%
Total Public Banks	4,84,071	13.2%	2.7%	2,72,586	-11.4%	-11.0%	89,601	2.6%	-19.2%

Rs Billion	Loans	YoY	QoQ	Margins	YoY	QoQ	Credit Cost	YoY	QoQ
HDFC Bank	13,948	21.5%	1.9%	4.40%	-0.15%	0.01%	0.92%	-0.77%	-0.05%
ICICI Bank	8,762	18.6%	2.0%	4.41%	0.52%	0.41%	0.91%	-0.63%	0.42%
Axis Bank	7,218	17.4%	2.0%	3.84%	0.38%	0.35%	0.97%	-1.33%	0.41%
Kotak	2,794	28.5%	3.0%	4.83%	0.23%	0.05%	0.21%	-1.50%	0.67%
IndusInd	2,495	18.4%	4.4%	4.57%	0.51%	0.37%	2.17%	-1.33%	-0.28%
Federal	1,505	16.0%	3.9%	3.44%	0.24%	0.28%	0.36%	-1.62%	0.15%
IDFC First Bank	1,249	27.1%	6.0%	6.00%	0.49%	-0.27%	1.20%	-6.45%	-0.05%
DCB Bank	288	13.0%	-1.0%	4.01%	0.70%	0.08%	1.17%	-1.27%	0.24%
City Union Bank	402	13.0%	-0.4%	3.83%	-0.03%	-0.18%	1.49%	-0.42%	-0.20%
SBI	27,750	14.1%	1.5%	3.04%	0.12%	-0.08%	1.04%	-0.62%	-0.02%
PNB	7,355	11.2%	1.0%	2.65%	-0.08%	-0.11%	2.28%	-0.55%	-0.38%
BOB	7,849	17.4%	1.0%	3.08%	0.04%	0.00%	1.89%	-0.57%	-0.03%
Total Banks	81,616	16.9%	1.8%	4.01%	0.25%	0.07%	1.19%	-0.56%	-0.13%
Total Private Banks	38,663	20.1%	2.3%	4.37%	0.32%	-0.06%	0.95%	-1.14%	0.19%
Total Public Banks	42,954	14.2%	1.3%	2.92%	0.03%	0.06%	1.41%	-0.60%	-0.09%

Source: Company, PL

Exhibit 3: Q1FY23 HFCs Results Preview – Large/mid HFCs to see higher opex/loan growth

Rs Million	Nil	QoQ	YoY	PPOP	QoQ	YoY	PAT	QoQ	YoY
HDFC	47,600	3.5%	15.4%	56,326	12.1%	22.7%	41,461	12.0%	38.2%
LIC Housing	16,608	1.8%	30.5%	15,473	3.8%	51.2%	9,778	-12.6%	537.3%
AAVAS	2,336	3.3%	55.5%	1,483	9.4%	61.4%	1,103	-4.6%	84.2%
CANFIN Homes	2,382	0.4%	31.5%	2,107	8.3%	38.1%	1,372	11.6%	26.1%
Total HFCs	68,926	2.9%	20.3%	75,389	10.1%	28.7%	53,714	6.2%	61.7%
Rs Billion	Loans	QoQ	YoY	Margins	QoQ	YoY	Credit Cost	QoQ	YoY
HDFC	5,814	2.0%	16.1%	3.52%	0.1%	0.1%	0.31%	0.0%	-0.2%
LIC Housing	2,546	1.4%	9.5%	2.73%	0.1%	0.5%	0.38%	0.1%	-1.1%
AAVAS	119	5.1%	24.1%	8.68%	0.4%	1.7%	0.20%	0.6%	-0.5%
CANFIN Homes	278	4.0%	25.0%	3.81%	-0.3%	0.5%	0.39%	-0.1%	0.3%
Total HFCs	8,757	1.9%	14.5%	8.93%	0.1%	0.7%	0.32%	0.2%	-0.4%

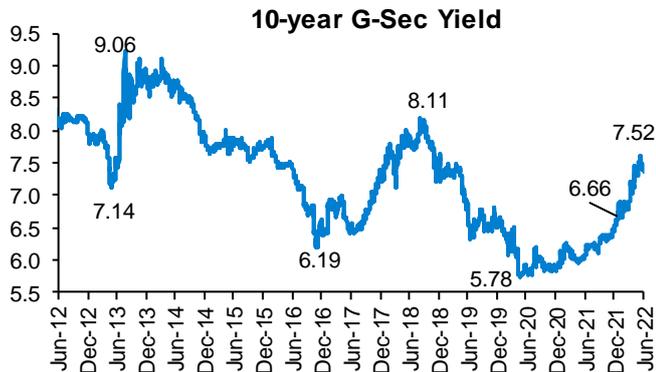
Source: Company, PL

Exhibit 4: Asset quality to slightly improve sequentially

	Q4FY22			Q1FY23E		
	GNPA	NNPA	PCR	GNPA	NNPA	PCR
HDFCB	1.17%	0.32%	72.7%	1.18%	0.33%	72.5%
ICICIBC	3.60%	0.76%	80.0%	3.51%	0.72%	80.0%
Axis	2.82%	0.73%	74.7%	2.71%	0.68%	75.0%
KMB	2.34%	0.64%	73.2%	2.23%	0.61%	73.0%
IIB	2.27%	0.64%	72.3%	2.09%	0.59%	72.0%
SBI	3.98%	1.02%	75.0%	3.88%	1.00%	75.0%
BOB	6.61%	1.72%	75.3%	6.49%	1.63%	76.1%
PNB	11.78%	4.80%	62.2%	11.73%	4.82%	65.0%
Federal	2.80%	0.96%	66.3%	2.69%	0.93%	66.0%
IDFCFB	3.70%	1.53%	59.5%	3.47%	1.38%	61.0%
DCB	4.33%	1.97%	55.6%	4.30%	1.98%	55.0%
CUBK	4.70%	2.95%	38.4%	4.71%	2.88%	40.0%
HDFC	2.32%	1.75%	54.3%	1.90%	1.36%	31%
AAVAS	0.99%	0.77%	23.1%	0.95%	0.71%	25.0%
LIC HF	4.64%	2.64%	43.1%	4.50%	2.61%	42.0%
CANFIN	0.64%	0.30%	52.7%	0.67%	0.32%	52.0%

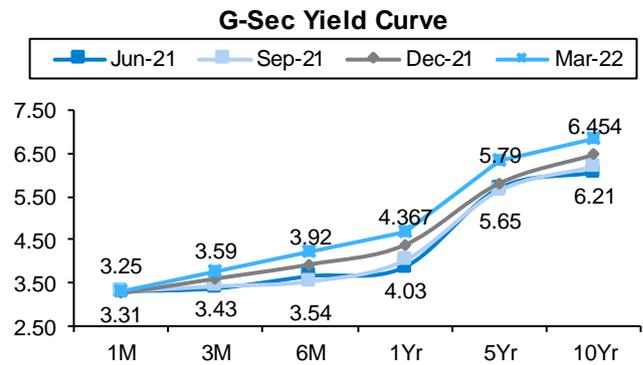
Source: Company, PL

Exhibit 5: G-Sec yields have started inching up



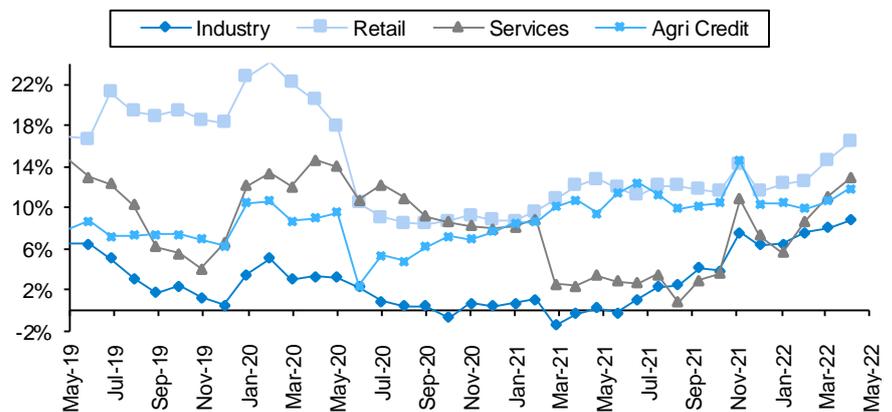
Source: Bloomberg, PL

Exhibit 6: Short-term curve moving up, long term steady



Source: Bloomberg, PL

Exhibit 7: Retail continues to be mainstay



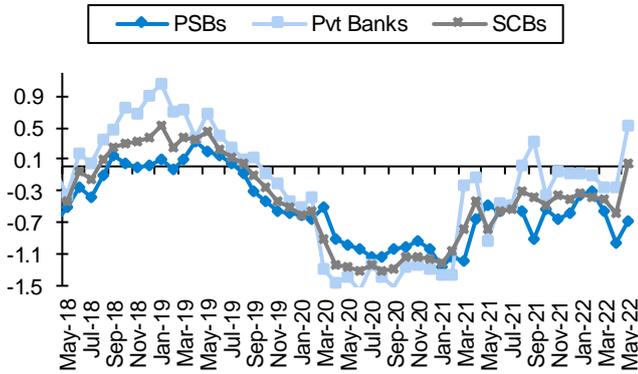
Source: RBI, PL

Exhibit 8: Across Banks rates have been hiked in-line with the system

Banks MCLR Profile	MCLR 1YR			% Change	
	Dec-21	Mar-22	Jun-22	3Months	6Months
HDFC Bank	7.20%	7.25%	7.85%	0.60%	0.65%
Axis Bank	7.35%	7.35%	7.95%	0.60%	0.60%
ICICI Bank	7.25%	7.25%	7.55%	0.30%	0.30%
KMB	7.20%	7.35%	7.85%	0.50%	0.65%
IndusInd Bank	8.45%	8.50%	9.00%	0.50%	0.55%
SBI	7.00%	7.00%	7.20%	0.20%	0.20%
Bank of Baroda	7.30%	7.30%	7.50%	0.20%	0.20%
Punjab National Bank	7.25%	7.25%	7.40%	0.15%	0.15%
Federal	8.10%	7.90%	8.30%	0.40%	0.20%
PSBs – Median	7.25%	7.25%	7.35%	0.10%	0.10%
Pvt – Median	8.20%	8.35%	8.28%	-0.07%	0.08%

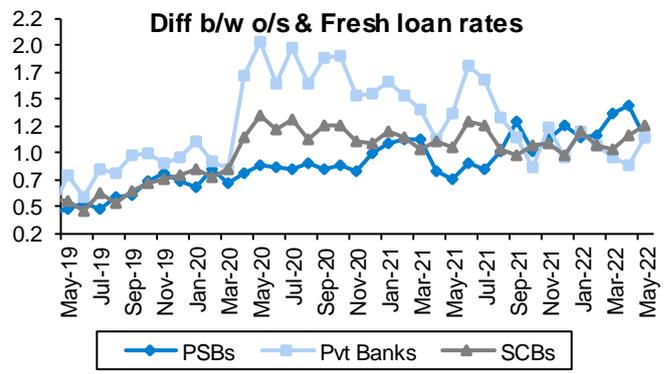
Source: Company, PL

Exhibit 9: Lending rates rise sharply



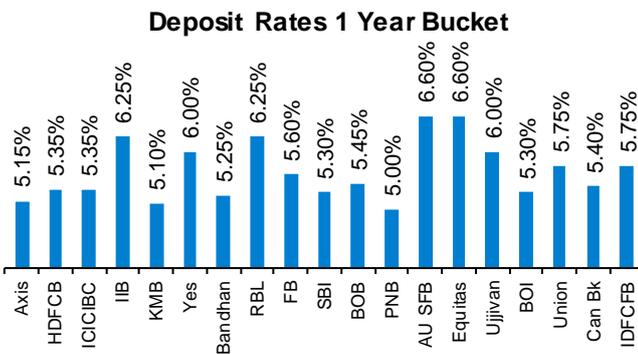
Source: Company, PL

Exhibit 10: PSBs gap reduce while PVBs inch-up



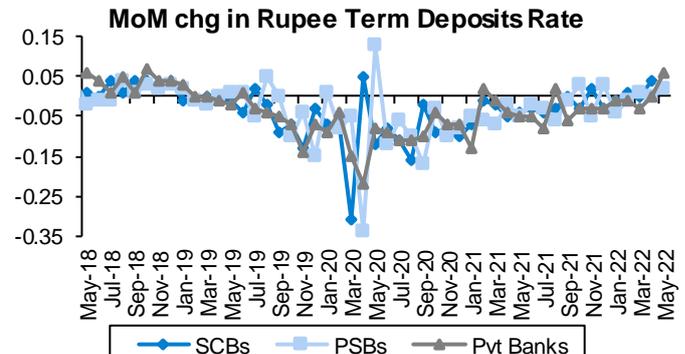
Source: RBI, PL

Exhibit 11: Deposit rates have increased across sector



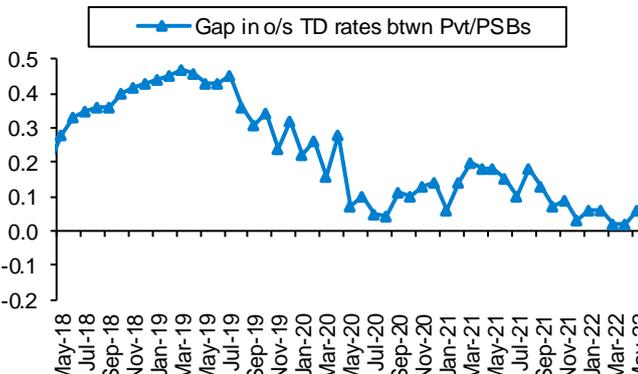
Source: Company, PL

Exhibit 12: Industry to see rise in deposit cost



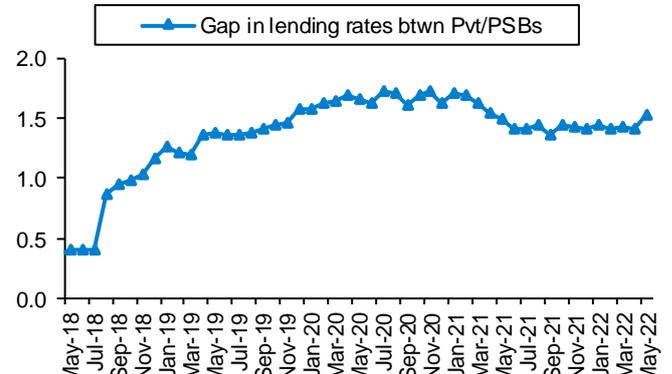
Source: Company, PL

Exhibit 13: Pvt/PSBs TD rates gap sees uptick



Source: RBI, PL

Exhibit 14: Gap in lending rates for Pvt/PSB up marginally



Source: RBI, PL

Exhibit 15: Q1FY23 Result Preview (Private Banks)

Company Name	Q1FY23E	Q1FY22	YoY gr. (%)	Q4FY22	QoQ gr. (%)	Remark
Axis Bank	NII (Rs mn)	90,577	77,603	16.7	88,191	2.7
	PPOP (Rs mn)	64,085	64,160	(0.1)	64,660	(0.9)
	Provisions (Rs mn)	17,500	35,320	(50.5)	9,872	77.3
	PAT (Rs mn)	34,939	21,602	61.7	41,178	(15.2)
	Loans (Rs bn)	7,218	6,149	17.4	7,077	2.0
	Margin (%)	3.84	3.46	38	3.49	35
	GNPA (%)	2.71	3.85	(114)	2.82	(11)
	Credit Cost (%)	0.97	2.30	(133)	0.56	41
HDFC Bank	NII (Rs mn)	1,92,299	1,70,090	13.1	1,88,727	1.9
	PPOP (Rs mn)	1,58,546	1,51,371	4.7	1,63,570	(3.1)
	Provisions (Rs mn)	32,000	48,308	(33.8)	33,124	(3.4)
	PAT (Rs mn)	97,440	77,297	26.1	1,00,552	(3.1)
	Loans (Rs bn)	13,948	11,477	21.5	13,688	1.9
	Margin (%)	4.40	4.54	(15)	4.38	1
	GNPA (%)	1.18	1.47	(29)	1.17	1
	Credit Cost (%)	0.92	1.68	(77)	0.97	(5)
ICICI Bank	NII (Rs mn)	1,31,774	1,09,358	20.5	1,26,046	4.5
	PPOP (Rs mn)	1,02,532	88,944	15.3	1,02,929	(0.4)
	Provisions (Rs mn)	20,000	28,517	(29.9)	10,690	87.1
	PAT (Rs mn)	62,724	46,160	35.9	70,187	(10.6)
	Loans (Rs bn)	8,762	7,386	18.6	8,590	2.0
	Margin (%)	4.41	3.89	52	4.00	41
	GNPA (%)	3.51	5.15	(164)	3.60	(9)
	Credit Cost (%)	0.91	1.54	(63)	0.50	42
IndusInd Bank	NII (Rs mn)	40,767	35,637	14.4	39,852	2.3
	PPOP (Rs mn)	31,852	31,306	1.7	33,285	(4.3)
	Provisions (Rs mn)	13,538	18,440	(26.6)	14,635	(7.5)
	PAT (Rs mn)	13,681	9,750	40.3	13,614	0.5
	Loans (Rs bn)	2,495	2,107	18.4	2,391	4.4
	Margin (%)	4.57	4.06	51	4.20	37
	GNPA (%)	2.09	2.88	(79)	2.27	(18)
	Credit Cost (%)	2.17	3.50	(133)	2.45	(28)
Kotak Mahindra Bank	NII (Rs mn)	46,618	39,417	18.3	44,408	5.0
	PPOP (Rs mn)	30,935	31,211	(0.9)	32,593	(5.1)
	Provisions (Rs mn)	1,500	9,348	(84.0)	(3,062)	(149.0)
	PAT (Rs mn)	22,341	16,419	36.1	26,868	(16.8)
	Loans (Rs bn)	2,794	2,175	28.5	2,713	3.0
	Margin (%)	4.83	4.60	23	4.78	5
	GNPA (%)	2.23	3.56	(133)	2.34	(11)
	Credit Cost (%)	0.21	1.72	(150)	(0.45)	67
Federal Bank	NII (Rs mn)	16,180	14,184	14.1	15,252	6.1
	PPOP (Rs mn)	8,428	11,352	(25.8)	7,982	5.6
	Provisions (Rs mn)	1,350	6,418	(79.0)	752	79.4
	PAT (Rs mn)	5,295	3,673	44.2	5,405	(2.0)
	Loans (Rs bn)	1,505	1,298	16.0	1,449	3.9
	Margin (%)	3.44	3.20	24	3.16	28
	GNPA (%)	2.69	3.50	(81)	2.80	(11)
	Credit Cost (%)	0.36	1.98	(162)	0.21	15

Company Name	Q1FY23E	Q1FY22	YoY gr. (%)	Q4FY22	QoQ gr. (%)	Remark
IDFC First Bank	NII (Rs mn)	28,207	21,848	29.1	26,692	5.7
	PPOP (Rs mn)	8,343	10,012	(16.7)	8,265	0.9
	Provisions (Rs mn)	3,748	18,786	(80.0)	3,695	1.4
	PAT (Rs mn)	3,446	(6,300)	(154.7)	3,427	0.6
	Loans (Rs bn)	1,249	983	27.1	1,179	6.0
	Margin (%)	6.00	5.51	49	6.27	(27)
	GNPA (%)	3.47	4.61	(114)	3.70	(23)
	Credit Cost (%)	1.20	7.65	(645)	1.25	(5)
DCB Bank	NII (Rs mn)	3,857	3,087	24.9	3,805	1.4
	PPOP (Rs mn)	2,001	2,012	(0.5)	2,208	(9.4)
	Provisions (Rs mn)	840	1,555	(46.0)	676	24.3
	PAT (Rs mn)	859	338	154.6	1,134	(24.2)
	Loans (Rs bn)	288	255	13.0	291	(1.0)
	Margin (%)	4.01	3.31	70	3.93	8
	GNPA (%)	4.30	4.87	(57)	4.33	(3)
	Credit Cost (%)	1.17	2.44	(127)	0.93	24
City Union Bank	NII (Rs mn)	5,025	4,476	12.3	5,007	0.4
	PPOP (Rs mn)	3,694	3,830	(3.6)	4,398	(16.0)
	Provisions (Rs mn)	1,500	1,700	(11.8)	1,709	(12.2)
	PAT (Rs mn)	1,701	1,730	(1.7)	2,090	(18.6)
	Loans (Rs bn)	402	356	13.0	404	(0.4)
	Margin (%)	3.83	3.86	(3)	4.01	(18)
	GNPA (%)	4.71	5.60	(89)	4.70	0
	Credit Cost (%)	1.49	1.91	(42)	1.69	(20)

Source: Company, PL

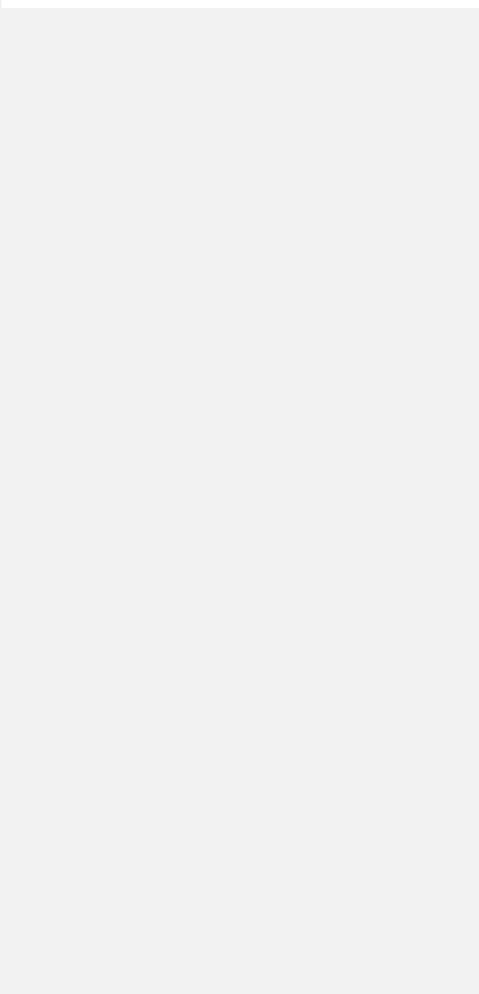


Exhibit 16: Q1FY23 Result Preview (PSU Banks)

Company Name		Q1FY23E	Q1FY22	YoY gr. (%)	Q4FY22	QoQ gr. (%)	Remark
State Bank of India	NII (Rs mn)	3,21,543	2,76,384	16.3	3,11,979	3.1	SBI should continue to report decent NII growth of 3% YoY in line with loan growth of 1.5% QoQ.
	PPOP (Rs mn)	1,67,913	1,89,748	(11.5)	1,97,168	(14.8)	
	Provisions (Rs mn)	72,000	1,00,520	(28.4)	72,375	(0.5)	
	PAT (Rs mn)	70,016	65,040	7.7	91,135	(23.2)	We build higher slippages particularly from the SME segment, although expect credit cost below 1%
	Loans (Rs bn)	27,750	24,319	14.1	27,340	1.5	
	Margin (%)	3.04	2.92	12	3.12	(8)	Margin may remain steady
	GNPA (%)	3.88	5.32	(144)	3.98	(10)	
	Credit Cost (%)	1.04	1.65	(62)	1.06	(2)	
Punjab National Bank	NII (Rs mn)	75,696	72,266	4.7	73,041	3.6	NII & Operating profit should improve sequentially.
	PPOP (Rs mn)	51,422	60,987	(15.7)	52,648	(2.3)	
	Provisions (Rs mn)	42,000	46,781	(10.2)	48,515	(13.4)	
	PAT (Rs mn)	7,067	10,235	(31.0)	2,016	250.6	Asset quality should come down due to recoveries/w.off's keeping GNPA's rise limited.
	Loans (Rs bn)	7,355	6,613	11.2	7,282	1.0	
	Margin (%)	2.65	2.73	(8)	2.76	(11)	
	GNPA (%)	11.73	14.33	(260)	11.78	(5)	
	Credit Cost (%)	2.28	2.83	(55)	2.66	(38)	
Bank of Baroda	NII (Rs mn)	86,832	78,917	10.0	86,117	0.8	Earnings should look better YoY on lower base.
	PPOP (Rs mn)	53,251	57,074	(6.7)	56,351	(5.5)	
	Provisions (Rs mn)	37,099	41,120	(9.8)	37,364	(0.7)	Margins to remain stable.
	PAT (Rs mn)	12,518	12,086	3.6	17,788	(29.6)	
	Loans (Rs bn)	7,849	6,684	17.4	7,772	1.0	- Slippages to remain under control and so will the credit cost.
	Margin (%)	3.08	3.04	4	3.08		
	GNPA (%)	6.49	8.86	(237)	6.61	(12)	
	Credit Cost (%)	2.28	2.83	(55)	2.66	(38)	

Source: Company, PL

Exhibit 17: Q1FY23 Result Preview (HFCs)

Company Name		Q1FY23E	Q1FY22	YoY gr. (%)	Q4FY22	QoQ gr. (%)	Remark
HDFC Ltd	NII (Rs mn)	47,600	41,252	15.4	46,009	3.5	
	PPOP (Rs mn)	56,326	45,906	22.7	50,235	12.1	
	Provisions (Rs mn)	4,500	6,860	(34.4)	4,010	12.2	HDFC Ltd. Is expected to see a stable quarter on asset quality
	PAT (Rs mn)	41,461	30,007	38.2	37,003	12.0	
	Loans (Rs bn)	5,814	5,007	16.1	5,700	2.0	Earnings may improve owing to home loans seeing strong traction.
	Margin (%)	3.52	3.42	10	3.44	7	
	GNPA (%)	1.90	2.24	(34)	2.26	(36)	
	Credit Cost (%)	0.31	0.55	(24)	0.28	3	
LIC Housing	NII (Rs mn)	16,608	12,727	30.5	16,312	1.8	
	PPOP (Rs mn)	15,473	10,233	51.2	14,913	3.8	
	Provisions (Rs mn)	2,400	8,304	(71.1)	1,769	35.6	Owing to higher business volumes opex might see a QoQ blip leading to a QoQ dip in PAT.
	PAT (Rs mn)	9,778	1,534	537.3	11,186	(12.6)	
	Loans (Rs bn)	2,546	2,325	9.5	2,511	1.4	Asset quality is expected to remain flat and recoveries remain the key monitorable
	Margin (%)	2.73	2.20	53	2.65	8	
	GNPA (%)	4.50	5.93	(143)	4.64	(14)	
	Credit Cost (%)	0.38	1.43	(105)	0.28	10	
Aavas	NII (Rs mn)	2,336	1,502	55.5	2,261	3.3	
	PPOP (Rs mn)	1,483	919	61.4	1,357	9.4	
	Provisions (Rs mn)	60	170	(64.7)	(104)	(157.5)	We expect steady AuM growth of 20% YoY which would lead to a maintaining NII/PPoP growth.
	PAT (Rs mn)	1,103	599	84.2	1,157	(4.6)	
	Loans (Rs bn)	119	96	24.1	114	5.1	Asset quality may remain flat QoQ
	Margin (%)	8.68	6.93	175	8.23	45	
	GNPA (%)	4.17	4.96	(79)	4.13	4	
	Credit Cost (%)	0.20	0.71	(51)	(0.37)	57	
Canfin Homes	NII (Rs mn)	2,382	1,812	31.5	2,373	0.4	
	PPOP (Rs mn)	2,107	1,526	38.1	1,946	8.3	
	Provisions (Rs mn)	270	65	312.4	302	(10.7)	Disbursal momentum to continue and we envisage a 25% YoY & 4% QoQ loan growth.
	PAT (Rs mn)	1,372	1,088	26.1	1,229	11.6	
	Loans (Rs bn)	278	222	25.0	267	4.0	Earnings might see a slight uptick QoQ and outlook on the OTR pool is the key.
	Margin (%)	3.81	3.31	50	4.15	(34)	
	GNPA (%)	0.67	0.90	(23)	0.64	3	
	Credit Cost (%)	0.39	0.12	27	0.45	(6)	

Source: Company, PL

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	AAVAS Financiers	Accumulate	2,300	2,172
2	Axis Bank	BUY	940	780
3	Bank of Baroda	BUY	125	95
4	Can Fin Homes	BUY	800	642
5	City Union Bank	BUY	170	127
6	DCB Bank	BUY	120	78
7	Federal Bank	BUY	135	91
8	HDFC	BUY	2,900	2,264
9	HDFC Bank	BUY	1,740	1,395
10	ICICI Bank	BUY	950	748
11	IDFC First Bank	UR	-	42
12	IndusInd Bank	BUY	1,297	979
13	Kotak Mahindra Bank	Accumulate	1,925	1,776
14	LIC Housing Finance	BUY	435	354
15	Punjab National Bank	BUY	50	38
16	State Bank of India	BUY	600	445

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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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