

Jul-Sep'22 Earnings Preview

October 5, 2022

Top Picks

Axis Bank

Kotak Mahindra Bank

ICICI Bank

Federal Bank

Can Fin Homes

Fundamentals stronger than ever; deposits a key

With RBI hiking repo rate over May-Aug'22 by 140bps to tackle inflation, Q2 earnings for frontline banks would be characterized sequentially by better margins, even as credit momentum would be sustained. However, due to tight liquidity, deposit growth would be a key. We expect coverage banks to report a 4.0% QoQ loan growth, while deposit growth could be +2.9%. NII growth may be 5.5% and NIM is expected to enhance by 9bps QoQ to 3.74%. NIM expansion for private banks may be higher by 11bps compared to 5bps for PSU banks as proportion of repo linked loans is higher for private banks. Fees + recovery income may be largely flat QoQ. Opex could see a 4.6% QoQ growth that would be offset by superior NII accretion leading to a core PPOP of Rs683bn (+3.2% QoQ/18.5% YoY). Slippages/GNPA may remain stable QoQ although provisions may rise by 11bps to 0.8%. Banks' core PAT may come in at Rs387bn (+0.9% QoQ). Among frontline banks, positive outliers on a core PAT basis could be ICICIB, Kotak and Axis while among mid-caps FB may outperform. Key monitorable would be guidance on deposit accretion.

For coverage HFCs, AuM may uptick by 2.8% compared to a NII rise of ~1.5%. NIM may decline 5bps to 3.13% as repricing of liabilities is usually faster compared to assets. Other income may see a 11% QoQ growth while opex might decline QoQ leading to sequential PPOP growth. Asset quality may improve QoQ with stage-3 at 2.82% (-6bps QoQ), although provisions may slightly rise. We see overall PAT at Rs425bn (+2.8% QoQ).

We prefer Axis, SBI and ICICIB among large banks, while FB and Canfin look attractive among mid/small caps.

- **Systemic loan growth sustaining; deposit accretion slows:** System growth in Aug'22 continued to inch up (+14.8% YoY). Of major segments, retail remains a key driver, while services continue to see improved offtake from NBFCs. Momentum in agri continues, while industrial credit growth sees sharp improvement with +10% YoY growth. Within retail; unsecured credit, home loans and credit card loans enhanced while within services, trade and NBFC saw better offtake. Growth in industries was largely been driven by MSME, while corporate sees green shoots of revival. Loan growth for coverage banks is expected at 20% YoY and 4% QoQ compared to 16.2% for the system (9th Sep'22 over 30th Jun'22). As at 9th Sep'22, system deposit growth was 9.5% YoY although TD growth (+5% YTD) is outpacing that of CASA (-5% YTD).
- **Margins likely to slightly improve:** A sharp rise in systemic rates and transmission of the same would lead to higher NII and thus better NIM. With improved offtake, other income and opex are expected to increase, however opex growth would be slower to total income, providing cushion to core PPOP. Provisions could be tad higher. The overall earnings could improve primarily, led by better NII thereby leading to better earnings.

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- **Asset quality trends robust:** Asset quality is expected to be steady as slippages could slightly soften QoQ although credit costs may witness a minor increase. Retail and MSME could see slippages from OTR pool while corporate is expected to remain resilient. For our coverage universe, provisions could rise by 11bps on a QoQ basis to 0.82%.
- **Large private banks –** For private banks, we expect a decent NII growth of 21% YoY & 7.0% QoQ, as both, credit growth and NIM could see an uptick QoQ rate hikes. Loan growth may be higher than system. NIM increase would be driven by 1) increase in yields outpacing rise in funding cost as asset repricing would be faster than that of liabilities 2) moderation in deposit growth and 3) deployment of excess liquidity towards lending. Fee income could improve due to better volumes while MTM losses are expected to subside. For coverage banks, core earnings should see a 1.1% uptick mainly led by NII growth.
 - **HDFCB** might see sustained growth in PAT while NIM expansion could be lower as compared to peers.
 - **ICICIB** might maintain its loan growth momentum as retail continues to be a mainstay. NIM enhancement might be higher than peers.
 - **Axis** may see loan growth slightly lower than peers as focus has been on NIM. Margin improvement may be better.
 - **Kotak Bank** could see strong NII growth owing to stronger loan growth/NIM although deposit accretion would be watched.
- **Mid Cap Banks –** Our coverage mid-cap banks could see loan growth of ~18% YoY compared to 20% for large banks, while NII growth would be 16% YoY compared to 18% for large banks. Loan growth would be largely led by FB (+20% YoY). NIM might enhance by 7bps QoQ to 3.67% again largely driven by Federal Bank. Mid-cap bank's asset quality would remain steady, however performance of the OTR & ECLGS pool remains key for CUB/DCB.
- **Public Sector Banks –** PSU banks might see loan growth in-line with the system, while NII growth may be higher at 15% 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 better as NII and fee income improve with controlled opex.
- **Housing Finance Companies –** Second quarter being seasonally stronger, coverage HFCs might see credit offtake of 2.8%/13.9% YoY with large HFCs expected to see a loan growth of 14-16%, while mid-sized HFCs are likely to see 20%+ YoY accretion.
 - **HDFC and LICHF** might see continued momentum in credit offtake, mainly led by individual housing. Asset quality might improve QoQ.
 - **Canfin and Aavas** might see a sequential decline in earnings, mainly led by increase in credit costs.

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	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E
Axis Bank	743	2,285	BUY	BUY	940	940	26.5%	2.1	2.0	1.8	1.6	12.0	13.0	14.2	14.5
HDFC Bank	1,454	8,066	BUY	BUY	1,800	1,800	23.8%	3.4	3.0	2.7	2.3	16.7	15.7	16.5	16.4
ICICI Bank	868	6,073	BUY	BUY	950	950	9.5%	3.8	3.3	2.9	2.5	15.0	16.1	16.6	16.6
IndusInd Bank	1,217	962	BUY	BUY	1,300	1,300	6.8%	2.1	1.9	1.7	1.4	10.2	12.9	14.2	15.5
Kotak Mahindra Bank	1,823	3,618	Acc	Acc	1,950	1,950	7.0%	5.3	4.2	3.8	3.4	12.6	11.8	11.8	11.9
Federal Bank	121	255	BUY	BUY	135	135	11.8%	1.5	1.3	1.2	1.1	10.8	11.5	12.6	14.0
IDFC First Bank	53	331	UR	UR	NA	NA	NA	1.7	1.7	1.7	1.5	0.2	2.2	4.5	10.5
DCB Bank	103	32	BUY	BUY	120	120	16.5%	0.9	0.8	0.8	0.7	7.8	10.1	12.2	14.8
City Union Bank	173	128	BUY	BUY	190	190	9.8%	2.4	2.0	1.8	1.5	12.2	13.0	13.7	15.1
Bank of Baroda	133	691	Acc	Acc	130	130	-2.6%	1.0	1.0	0.9	0.9	8.9	9.3	9.1	9.1
Punjab National Bank	36	401	UR	BUY	NA	50	NA	0.7	0.6	0.6	NA	4.5	4.1	5.1	NA
State Bank of India	533	4,756	BUY	BUY	650	650	22.0%	2.1	1.9	1.7	1.4	10.7	14.3	15.3	15.3
HDFC	2,349	4,259	BUY	BUY	2,900	2,900	23.5%	3.7	3.3	3.0	2.6	12.0	12.7	12.5	12.7
AAVAS Financiers	2,197	173	HOLD	HOLD	2,300	2,300	4.7%	6.3	5.7	4.9	4.3	13.7	14.1	15.6	15.7
Can Fin Homes	497	66	BUY	BUY	675	675	36.0%	2.2	1.9	1.7	1.4	16.6	16.2	16.2	16.2
LIC Housing Finance	418	230	BUY	BUY	450	450	7.6%	1.3	1.1	1.0	0.9	10.1	13.0	13.5	13.5

Source: Company, PL

ACC=Accumulate / UR=Under Review

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

Exhibit 2: Q2FY23 Banks Results Preview – Rate transmission to improve margins, credit cost to be controlled

Rs Million	NII	YoY	QoQ	PPOP	YoY	QoQ	PAT	YoY	QoQ
HDFC Bank	205,175	16.0%	5.3%	171,156	8.3%	11.4%	103,289	16.9%	12.3%
ICICI Bank	145,015	24.1%	9.8%	111,412	12.4%	8.1%	72,459	31.5%	4.9%
Axis Bank	100,124	26.7%	6.7%	69,856	17.8%	18.7%	47,780	53.4%	15.8%
Kotak	50,196	24.8%	6.9%	34,342	10.1%	23.4%	24,681	21.5%	19.2%
IndusInd	43,276	18.3%	4.9%	35,093	10.5%	3.4%	16,529	48.4%	3.1%
Federal	17,159	16.0%	6.9%	10,271	18.8%	5.5%	6,233	35.4%	3.8%
IDFC First Bank	28,786	26.7%	4.6%	10,069	45.4%	6.7%	4,968	227.4%	4.7%
DCB Bank	3,815	18.0%	2.0%	1,707	-2.5%	2.8%	944	45.4%	-2.8%
City Union Bank	5,480	14.6%	4.4%	4,021	-0.7%	-10.1%	2,340	28.5%	4.0%
SBI	325,322	11.2%	4.3%	197,036	22.0%	54.5%	106,902	-28.9%	76.2%
PNB	76,578	20.5%	1.5%	53,872	34.0%	0.1%	2,625	-76.3%	-14.9%
BOB	89,714	18.6%	1.5%	52,048	-8.2%	15.0%	24,660	18.1%	13.7%
Total Banks	1,090,641	17.7%	5.1%	750,883	13.9%	19.3%	413,412	4.1%	22.2%
Total Private Banks	599,027	21.0%	6.7%	447,927	11.8%	11.2%	279,225	30.1%	10.4%
Total Public Banks	491,614	13.9%	3.3%	302,955	17.2%	33.7%	134,187	-26.4%	57.0%
Rs Billion	Loans	YoY	QoQ	Margins	YoY	QoQ	Credit Cost	YoY	QoQ
HDFC Bank	14,800	23.5%	6.1%	4.53%	-0.05%	0.08%	0.90%	-0.40%	-0.01%
ICICI Bank	9,332	22.0%	4.2%	4.72%	0.48%	0.15%	0.64%	-0.78%	0.13%
Axis Bank	7,257	16.7%	3.5%	4.14%	0.32%	0.13%	0.34%	-0.78%	0.13%
Kotak	2,942	25.2%	5.0%	5.06%	0.61%	0.14%	0.20%	-0.52%	0.17%
IndusInd	2,606	18.0%	5.1%	4.70%	0.17%	0.08%	2.07%	-1.01%	0.05%
Federal	1,613	20.0%	6.3%	3.53%	0.22%	0.10%	0.50%	-0.23%	0.06%
IDFC First Bank	1,352	32.2%	2.0%	5.95%	0.19%	0.06%	1.01%	-0.85%	0.08%
DCB Bank	307	14.4%	3.0%	3.81%	0.25%	-0.02%	0.59%	-0.70%	0.12%
City Union Bank	413	11.3%	3.0%	4.04%	0.13%	0.05%	0.97%	-0.63%	-0.55%
SBI	28,997	18.7%	3.0%	3.01%	0.01%	0.05%	0.76%	0.73%	0.13%
PNB	7,575	12.5%	2.0%	2.79%	0.40%	0.00%	2.59%	0.65%	0.01%
BOB	8,236	18.7%	3.0%	3.04%	0.19%	0.02%	0.95%	-0.64%	0.11%
Total Banks	85,430	19.4%	3.8%	4.11%	0.24%	0.07%	0.94%	0.11%	-0.04%
Total Private Banks	40,622	21.6%	4.9%	4.50%	0.26%	0.02%	0.75%	-0.62%	0.07%
Total Public Banks	44,808	17.6%	2.8%	2.95%	0.20%	-0.02%	1.10%	0.45%	0.11%

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	45,149	1.5%	9.9%	57,541	12.7%	12.3%	41,981	14.4%	11.0%
LIC Housing	16,411	1.2%	41.9%	14,628	1.0%	56.6%	9,175	-0.9%	270.2%
AAVAS	2,023	0.2%	3.3%	1,132	-2.0%	-8.0%	839	-6.0%	-8.9%
CANFIN Homes	2,615	4.4%	36.4%	2,236	4.0%	37.3%	1,548	-4.6%	25.2%
Total HFCs	66,197	1.5%	17.1%	75,537	9.8%	19.1%	53,542	10.5%	26.2%
Rs Billion	Loans	QoQ	YoY	Margins	QoQ	YoY	Credit Cost	QoQ	YoY
HDFC	6,000	3.0%	15.2%	3.22%	-0.1%	-0.1%	0.33%	0.0%	0.0%
LIC Housing	2,614	2.2%	10.0%	2.63%	0.1%	0.5%	0.50%	0.0%	-0.5%
AAVAS	124	4.6%	22.6%	7.67%	0.0%	-0.1%	0.16%	0.1%	0.0%
CANFIN Homes	283	2.7%	20.0%	4.03%	0.0%	0.6%	0.21%	0.3%	0.3%
Total HFCs	9,021	2.8%	13.9%	4.39%	0.0%	0.2%	0.30%	0.1%	-0.1%

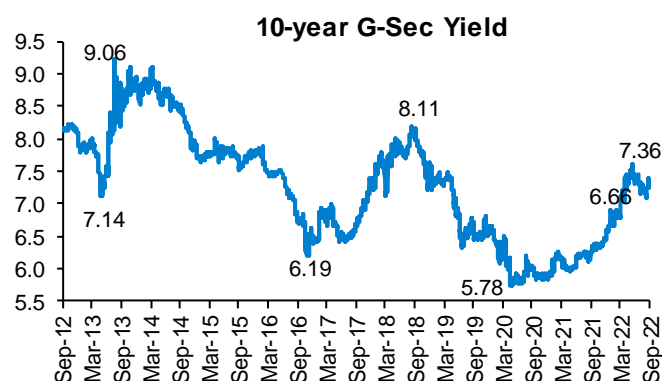
Source: Company, PL

Exhibit 4: Asset quality to be steady sequentially

	Q1FY23			Q2FY23E		
	GNPA	NNPA	PCR	GNPA	NNPA	PCR
HDFCB	1.28%	0.35%	72.9%	1.26%	0.34%	73.0%
ICICIBC	3.41%	0.70%	79.9%	3.27%	0.67%	80.0%
Axis	2.76%	0.65%	77.3%	2.77%	0.64%	77.0%
KMB	2.24%	0.62%	72.6%	2.18%	0.60%	73.0%
IIB	2.35%	0.67%	72.0%	2.40%	0.67%	72.5%
SBI	3.91%	1.00%	75.1%	3.73%	0.96%	75.0%
BOB	6.26%	1.58%	75.9%	6.02%	1.52%	76.0%
PNB	11.27%	4.28%	64.8%	10.59%	4.17%	64.8%
Federal	2.69%	0.94%	65.8%	2.55%	0.88%	66.0%
IDFCFB	3.36%	1.30%	62.0%	3.33%	1.27%	62.7%
DCB	4.22%	1.82%	57.8%	4.13%	1.82%	57.0%
CUBK	4.66%	2.89%	39.0%	4.56%	2.83%	39.0%
HDFC	1.78%	1.00%	52.7%	1.65%	0.80%	50.9%
LIC HF	4.96%	2.95%	40.0%	4.90%	2.94%	40.0%
CANFIN	0.65%	0.30%	55.0%	0.70%	0.32%	55.0%
AAVAS	1.08%	0.84%	22.9%	1.14%	0.85%	25.0%

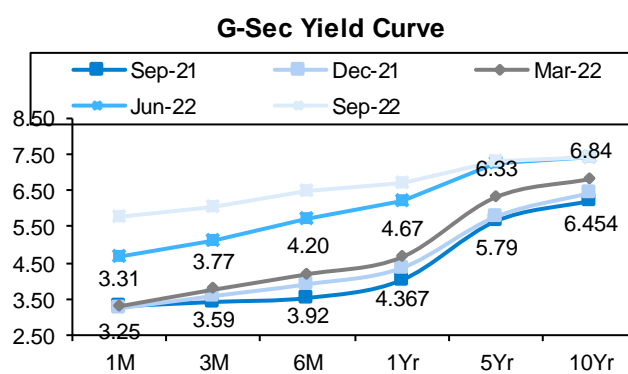
Source: Company, PL

Exhibit 5: G-Sec yields have started inching up



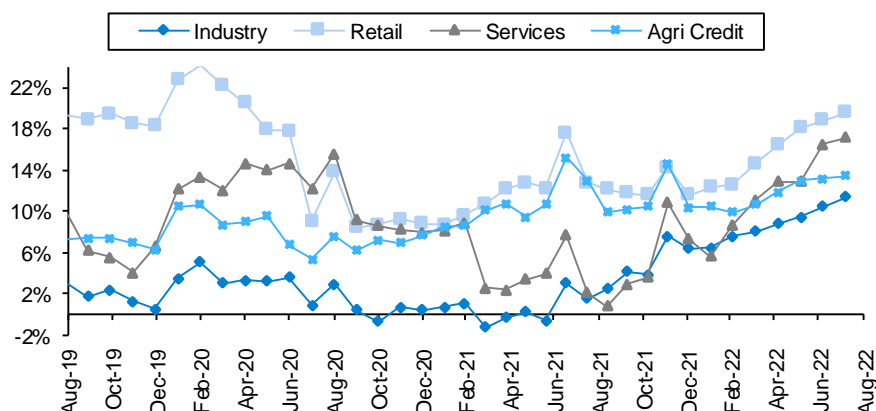
Source: Bloomberg, PL

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



Source: Bloomberg, PL

Exhibit 7: Retail continues to be mainstay, services catch-up



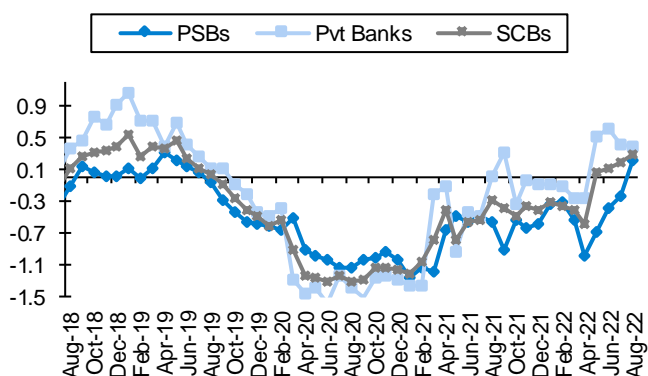
Source: RBI, PL

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

Banks MCLR Profile	MCLR 1YR			% Change	
	Mar-22	Jun-22	Sep-22	3Months	6Months
HDFC Bank	7.25%	7.85%	8.20%	0.35%	0.95%
Axis Bank	7.35%	7.95%	8.10%	0.15%	0.75%
ICICI Bank	7.25%	7.55%	8.00%	0.45%	0.75%
KMB	7.35%	7.85%	8.20%	0.35%	0.85%
IndusInd Bank	8.50%	9.00%	9.40%	0.40%	0.90%
SBI	7.00%	7.20%	7.70%	0.50%	0.70%
Bank of Baroda	7.30%	7.50%	7.70%	0.20%	0.40%
Punjab National Bank	7.25%	7.40%	7.70%	0.30%	0.45%
Federal	7.90%	8.30%	8.50%	0.20%	0.60%
PSBs – Median	7.25%	7.43%	7.70%	0.27%	0.45%
Pvt – Median	8.35%	8.35%	8.75%	0.40%	0.40%

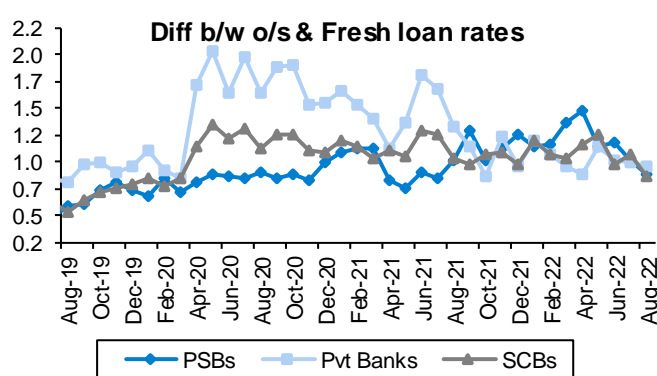
Source: Company, PL

Exhibit 9: Lending rates rise sharply



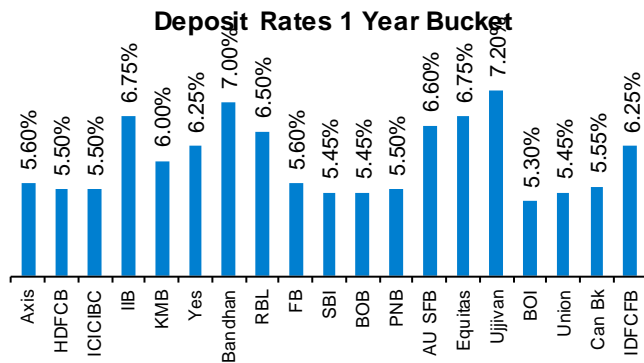
Source: Company, PL

Exhibit 10: PSBs gap reduce while PVBs steady



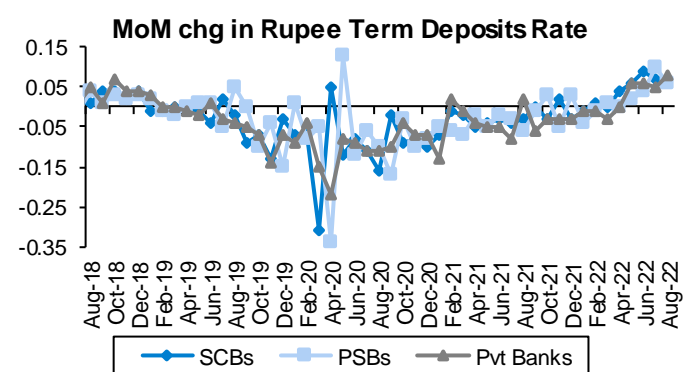
Source: RBI, PL

Exhibit 11: Deposit rates have increased across sector



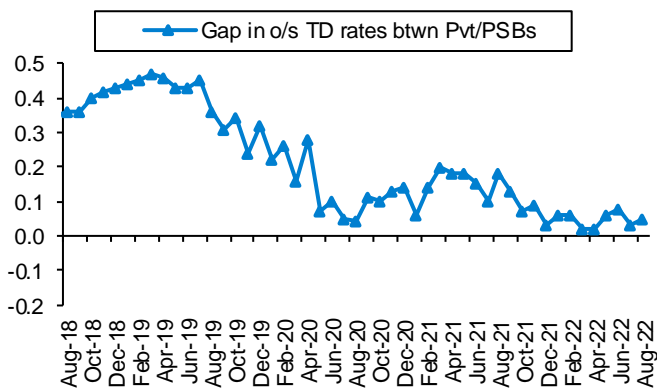
Source: Company, PL

Exhibit 12: TD rates go up as liquidity tightens



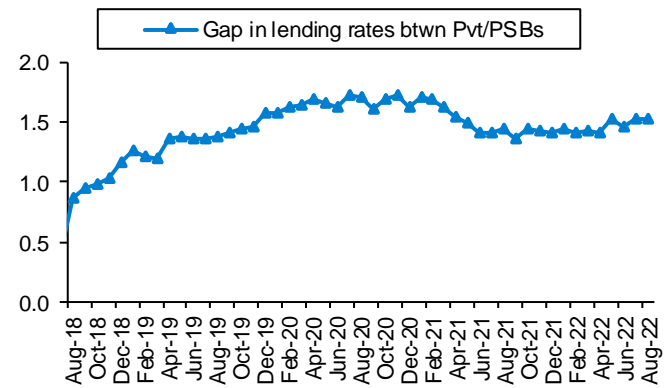
Source: Company, PL

Exhibit 13: Pvt/PSBs TD rates gap sees increase



Source: RBI, PL

Exhibit 14: Gap in lending rates for Pvt/PSB steady



Source: RBI, PL

Exhibit 15: Q2FY23 Result Preview (Private Banks)

Company Name		Q2FY23E	Q2FY22	YoY gr. (%)	Q1FY23	QoQ gr. (%)	Remark
Axis Bank	NII (Rs mn)	1,00,124	79,003	26.7	93,840	6.7	
	PPOP (Rs mn)	69,856	59,282	17.8	58,870	18.7	We expect NII growth of 26.7% YoY and 6.7% QoQ as rate hikes would be passed on
	Provisions (Rs mn)	6,150	17,351	(64.6)	3,594	71.1	
	PAT (Rs mn)	47,780	31,155	53.4	41,253	15.8	
	Loans (Rs bn)	7,257	6,217	16.7	7,011	3.5	Credit Costs may inch up though remain range bound 1-1.5%
	Margin (%)	4.14	3.82	32	4.00	13	
	GNPA (%)	2.77	3.53	(76)	2.76	1	Margins expected to improve
	Credit Cost (%)	0.34	1.12	(78)	0.21	13	
HDFC Bank	NII (Rs mn)	2,05,175	1,76,844	16.0	1,94,814	5.3	
	PPOP (Rs mn)	1,71,156	1,58,073	8.3	1,53,678	11.4	We expect a NII growth of 16% YoY /5.3% QoQ led by decent loan growth of 23.5% YoY, while margin would see slow improvement as loan mix changes
	Provisions (Rs mn)	33,471	39,247	(14.7)	31,877	5.0	
	PAT (Rs mn)	1,03,289	88,343	16.9	91,960	12.3	
	Loans (Rs bn)	14,800	11,988	23.5	13,951	6.1	Bank may continue to build in buffer provisions which would lead to steady earnings.
	Margin (%)	4.53	4.58	(5)	4.45	8	
	GNPA (%)	1.26	1.35	(9)	1.28	(2)	
	Credit Cost (%)	0.90	1.31	(40)	0.91	(1)	
ICICI Bank	NII (Rs mn)	1,45,015	1,16,898	24.1	1,32,100	9.8	
	PPOP (Rs mn)	1,11,412	99,147	12.4	1,03,089	8.1	We expect NII to grow at 24% YoY higher than industry aided stable loan growth of ~22% mainly from the retail portfolio.
	Provisions (Rs mn)	15,000	27,135	(44.7)	11,438	31.1	
	PAT (Rs mn)	72,459	55,110	31.5	69,049	4.9	
	Loans (Rs bn)	9,332	7,649	22.0	8,956	4.2	Margins are expected to improve as rate hike transmission would take place in this quarter.
	Margin (%)	4.72	4.24	48	4.57	15	
	GNPA (%)	3.27	4.82	(155)	3.41	(14)	Asset quality would continue to improve
	Credit Cost (%)	0.64	1.42	(78)	0.51	13	
IndusInd Bank	NII (Rs mn)	43,276	36,584	18.3	41,253	4.9	
	PPOP (Rs mn)	35,093	31,745	10.5	33,937	3.4	We expect earnings driven by decent loan growth of 18% YoY.
	Provisions (Rs mn)	13,500	17,034	(20.7)	12,510	7.9	
	PAT (Rs mn)	16,529	11,135	48.4	16,033	3.1	Margin expansion would be limited as nearly half of the portfolio is fixed rate
	Loans (Rs bn)	2,606	2,208	18.0	2,480	5.1	
	Margin (%)	4.70	4.53	17	4.62	8	Provisions to come down as asset quality risks abate.
	GNPA (%)	2.40	2.77	(37)	2.352163	4	
	Credit Cost (%)	2.07	3.09	(101)	2.02	5	
Kotak Mahindra Bank	NII (Rs mn)	50,196	40,206	24.8	46,970	6.9	
	PPOP (Rs mn)	34,342	31,202	10.1	27,833	23.4	Kotak's loan traction has been strong in the past two quarters and expected the same to continue and build-in 25.2% YoY & 5.0% QoQ growth.
	Provisions (Rs mn)	1,500	4,240	(64.6)	236	535.9	
	PAT (Rs mn)	24,681	20,320	21.5	20,712	19.2	
	Loans (Rs bn)	2,942	2,350	25.2	2,802	5.0	Bank could see drop in credit cost with PCR at near to 70%.
	Margin (%)	5.06	4.45	61	4.92	14	
	GNPA (%)	2.18	3.19	(101)	2.24	(6)	CASA accretion may be slow as rates harden, hence margins would see marginal improvement.
	Credit Cost (%)	0.20	0.72	(52)	0.03	17	
Federal Bank	NII (Rs mn)	17,159	14,794	16.0	16,045	6.9	
	PPOP (Rs mn)	10,271	8,648	18.8	9,734	5.5	With better than industry average loan growth of 20% YoY & 6.3% QoQ, NII is expected to grow at 16% YoY.
	Provisions (Rs mn)	2,000	2,453	(18.5)	1,667	20.0	
	PAT (Rs mn)	6,233	4,603	35.4	6,007	3.8	
	Loans (Rs bn)	1,613	1,344	20.0	1,517	6.3	Margins to remain range bound in 3.3-3.5%
	Margin (%)	3.53	3.31	22	3.43	10	
	GNPA (%)	2.55	3.24	(69)	2.69	(14)	We build in lower slippages
	Credit Cost (%)	0.50	0.73	(23)	0.44	6	

Company Name		Q2FY23E	Q2FY22	YoY gr. (%)	Q1FY23	QoQ gr. (%)	Remark
IDFC First Bank	NII (Rs mn)	28,786	22,722	26.7	27,511	4.6	NII should be strong at 26.7% YoY led by lending growth in retail remains robust although on low base.
	PPOP (Rs mn)	10,069	6,926	45.4	9,438	6.7	
	Provisions (Rs mn)	3,400	4,749	(28.4)	3,080	10.4	
	PAT (Rs mn)	4,968	1,517	227.4	4,743	4.7	Opex would continue to remain elevated due to thrust on retail
	Loans (Rs bn)	1,352	1,023	32.2	1,326	2.0	
	Margin (%)	5.95	5.76	19	5.89	6	We remain watchful of the asset quality surprises especially from the legacy book
	GNPA (%)	3.33	4.27	(94)	3.36	(3)	
	Credit Cost (%)	1.01	1.86	(85)	0.93	8	
DCB Bank	NII (Rs mn)	3,815	3,233	18.0	3,740	2.0	We expect earnings to be muted sequentially despite NII growing as opex may be elevated.
	PPOP (Rs mn)	1,707	1,751	(2.5)	1,661	2.8	
	Provisions (Rs mn)	450	863	(47.9)	350	28.5	
	PAT (Rs mn)	944	649	45.4	971	(2.8)	Asset quality is expected to slightly improve QoQ with trend in healthy recoveries continuing, however watchful of slippages from the OTR pool.
	Loans (Rs bn)	307	269	14.4	298	3.0	
	Margin (%)	3.81	3.57	25	3.84	(2)	
	GNPA (%)	4.13	4.68	(56)	4.22	(9)	
	Credit Cost (%)	0.59	1.29	(70)	0.47	12	
City Union Bank	NII (Rs mn)	5,480	4,783	14.6	5,249	4.4	Competitive pressure is easing off which would help in pricing
	PPOP (Rs mn)	4,021	4,051	(0.7)	4,471	(10.1)	
	Provisions (Rs mn)	1,000	1,480	(32.4)	1,520	(34.2)	
	PAT (Rs mn)	2,340	1,821	28.5	2,251	4.0	Slippages are expected to reduce sequentially, which would help in controlling credit costs hence improving earnings
	Loans (Rs bn)	413	371	11.3	401	3.0	
	Margin (%)	4.04	3.91	13	3.99	5	
	GNPA (%)	4.56	5.58	(103)	4.66	(10)	
	Credit Cost (%)	0.97	1.59	(63)	1.51	(55)	

Source: Company, PL

Exhibit 16: Q2FY23 Result Preview (PSU Banks)

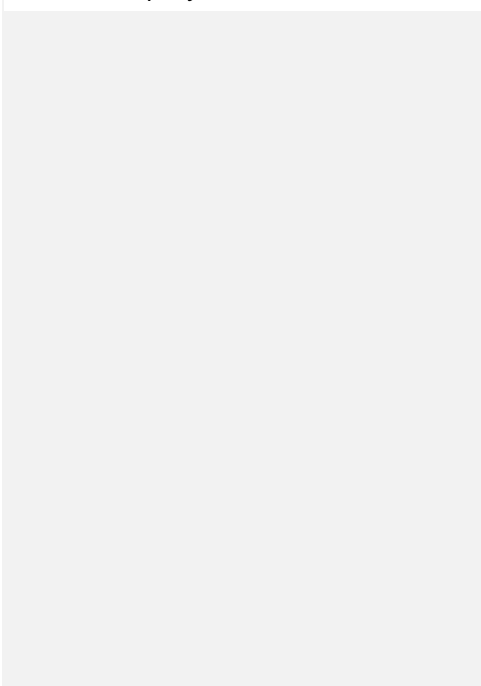
Company Name		Q2FY23E	Q2FY22	YoY gr. (%)	Q1FY23	QoQ gr. (%)	Remark
State Bank of India	NII (Rs mn)	3,25,322	2,92,619	11.2	3,11,959	4.3	SBI should continue to report better NII growth of 10.9% YoY & 4.0%, while loan growth would be in-line with industry at 2.5% QoQ.
	PPOP (Rs mn)	1,97,036	1,61,571	22.0	1,27,526	54.5	
	Provisions (Rs mn)	55,000	1,888	2,813.9	43,924	25.2	
	PAT (Rs mn)	1,06,902	1,50,450	(28.9)	60,681	76.2	
	Loans (Rs bn)	28,997	24,432	18.7	28,152	3.0	We expect slippages to decline, and credit cost below 1%
	Margin (%)	3.01	3.00	1	2.97	5	
	GNPA (%)	3.73	4.90	(117)	3.91	(18)	Margin may remain steady
	Credit Cost (%)	0.76	0.03	73	0.62	13	
Punjab National Bank	NII (Rs mn)	76,578	63,528	20.5	75,428	1.5	NII & Operating profit should improve sequentially, however opex & provisions would remain elevated.
	PPOP (Rs mn)	53,872	40,211	34.0	53,792	0.1	
	Provisions (Rs mn)	49,099	32,614	50.5	47,902	2.5	
	PAT (Rs mn)	2,625	11,052	(76.3)	3,084	(14.9)	
	Loans (Rs bn)	7,575	6,732	12.5	7,426	2.0	Asset quality should come down due to recoveries/w.offes keeping GNPA's rise limited.
	Margin (%)	2.79	2.39	40	2.79		
	GNPA (%)	10.59	13.63	(304)	11.27	(68)	
	Credit Cost (%)	2.59	1.94	65	2.58	1	
Bank of Baroda	NII (Rs mn)	89,714	75,660	18.6	88,384	1.5	Earnings should continue to improve with 19% YoY & 14.5% QoQ growth.
	PPOP (Rs mn)	52,048	56,696	(8.2)	45,275	15.0	
	Provisions (Rs mn)	19,600	27,536	(28.8)	16,848	16.3	
	PAT (Rs mn)	24,660	20,879	18.1	21,681	13.7	
	Loans (Rs bn)	8,236	6,938	18.7	7,996	3.0	Margins to remain stable as rates go up.
	Margin (%)	3.04	2.85	19	3.02	2	
	GNPA (%)	6.02	8.11	(209)	6.26	(24)	Slippages to remain under control and so will the credit cost.
	Credit Cost (%)	2.59	1.94	65	2.58	1	

Source: Company, PL

Exhibit 17: Q2FY23 Result Preview (HFCs)

Company Name		Q2FY23E	Q2FY22	YoY gr. (%)	Q1FY23	QoQ gr. (%)	Remark
HDFC Ltd	NII (Rs mn)	45,149	41,096	9.9	44,469	1.5	HDFC Ltd. is expected to see a stable quarter on earnings and flattish margins QoQ & YoY.
	PPOP (Rs mn)	57,541	51,231	12.3	51,038	12.7	
	Provisions (Rs mn)	5,000	4,520	10.6	5,140	(2.7)	
	PAT (Rs mn)	41,981	37,805	11.0	36,688	14.4	
	Loans (Rs bn)	6,000	5,210	15.2	5,825	3.0	Asset quality metrics would remain steady.
	Margin (%)	3.22	3.30	(8)	3.28	(6)	
	GNPA (%)	1.67	2.00	(33)	1.78	(11)	
	Credit Cost (%)	0.33	0.35	(1)	0.35	(2)	
LIC Housing	NII (Rs mn)	16,411	11,563	41.9	16,209	1.2	LIC Housing may see decent loan growth of 10% YoY largely in-line with the system.
	PPOP (Rs mn)	14,628	9,343	56.6	14,481	1.0	
	Provisions (Rs mn)	3,300	6,253	(47.2)	3,077	7.2	
	PAT (Rs mn)	9,175	2,479	NA	9,255	(0.9)	
	Loans (Rs bn)	2,614	2,377	10.0	2,557	2.2	Asset quality is expected to remain flat and recoveries remain the key monitorable.
	Margin (%)	2.63	2.09	54	2.54	9	
	GNPA (%)	4.90	5.14	(24)	4.96	(6)	
	Credit Cost (%)	0.50	1.05	(55)	0.48	2	
Aavas	NII (Rs mn)	2,023	1,958	3.3	2,019	0.2	Aavas would continue with AuM growth of 20% YoY which would lead to a maintaining NII/PPoP growth.
	PPOP (Rs mn)	1,132	1,231	(8.0)	1,156	(2.0)	
	Provisions (Rs mn)	50	47	5.3	9	445.8	
	PAT (Rs mn)	839	921	(8.9)	892	(6.0)	
	Loans (Rs bn)	124	101	22.6	119	4.6	- Asset quality may remain flat QoQ
	Margin (%)	7.67	7.80	(13)	7.67		
	GNPA (%)	1.14	0.96	18	1.08	6	
	Credit Cost (%)	0.16	0.19	(3)	0.03	13	
Canfin Homes	NII (Rs mn)	2,615	1,918	36.4	2,504	4.4	Disbursal momentum to continue and we envisage a 20% YoY & 2.7% QoQ loan growth.
	PPOP (Rs mn)	2,236	1,628	37.3	2,150	4.0	
	Provisions (Rs mn)	150	(62)	NA	(37)	NA	
	PAT (Rs mn)	1,548	1,236	25.2	1,622	(4.6)	
	Loans (Rs bn)	283	236	20.0	275	2.7	Earnings might see a slight uptick QoQ
	Margin (%)	4.03	3.40	63	4.03	1	
	GNPA (%)	0.70	0.78	(8)	0.65	5	
	Credit Cost (%)	0.21	(0.11)	32	(0.05)	27	

Source: Company, PL



Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	AAVAS Financiers	Hold	2,300	2,383
2	Axis Bank	BUY	940	727
3	Bank of Baroda	Accumulate	130	116
4	Can Fin Homes	BUY	675	538
5	City Union Bank	BUY	190	163
6	DCB Bank	BUY	120	89
7	Federal Bank	BUY	135	99
8	HDFC	BUY	2,900	2,378
9	HDFC Bank	BUY	1,800	1,521
10	ICICI Bank	BUY	950	800
11	IDFC First Bank	UR	-	34
12	IndusInd Bank	BUY	1,300	1,018
13	Kotak Mahindra Bank	Accumulate	1,950	1,827
14	LIC Housing Finance	BUY	450	379
15	Punjab National Bank	BUY	50	31
16	State Bank of India	BUY	650	520

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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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