

### Jan-Mar'23 Earnings Preview

April 11, 2023

#### Top Picks

ICICI Bank

State Bank of India

DCB Bank

#### Deposits gathering steam; lower NIM expansion

*Banks in our coverage are expected to see better growth in core earnings at +10.5% QoQ to Rs496bn compared to +3.8% QoQ in previous quarter, mainly driven by lower provisions. Coverage banks would report better loan growth at 5.5% QoQ (vs 3.8% in Q3FY23), while deposit accretion might be better at +6.6% QoQ (2.6% last quarter). We expect NIM for banks to grow at a slower pace by 7bps QoQ to 4.2% compared to +23bps in previous quarter. ICICIB, and KMB could be outliers on NIM expansion. Opex to remain elevated at Rs720bn (+8.1% QoQ), which would be offset by higher fees. Core PPOp at Rs847bn may improve by +6.6% QoQ/27.8% YoY. Slippage ratio might rise by 8bps QoQ to 1.4% due to movement of accounts to NPA from OTR/ECLGS pool. However, provisions may decline by 8bps QoQ to 79bps. Banks' PAT is expected to be at Rs528bn (+4.8% QoQ). Our preference is towards ICICIB, SBI and DCB. Key monitorable would be guidance on deposits and NIM.*

- **System loan growth at 16%; deposit accretion picking up pace:** System credit in Feb'23 grew by +16% YoY (17% in Oct'22). Retail/services remain key growth drivers (+20.7% & +20.4% 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 is slowing and was +7.0% YoY (13.6% in Oct'22) with offtake declining in large industries and MSME. Momentum in agri continues (+14.3% YoY). Coverage banks are expected to grow by 5.5% QoQ and 18% YoY compared to 15.7% for the system (10<sup>th</sup> Mar'23 over 10<sup>th</sup> Mar'22). Deposit growth is gathering momentum, which might further improve with hikes in deposit rates. As at 10<sup>th</sup> Mar'23, system deposit accretion improved to +10.3% YoY (8.25% in Sep'22) with CASA/TD YoY growth being +11.3%/+10.1%.
- **Pace of margin expansion to be slower at +7bps:** Further hike in systemic rates and transmission of the same would lead to more increase in NIM this quarter albeit at a slower pace, as deposit rate hikes are catching up. Margin expansion in Q4FY23 for coverage banks is expected at 7bps QoQ to 4.19% (vs +23bps QoQ in Q3FY23). With sustained credit offtake and cushion on NII, opex is expected to remain elevated (+8.1% QoQ/20.2% YoY) which would be partly offset by healthy fee income growth of 11.7% QoQ to Rs296bn, mainly led by SBI (Q4 is seasonally strong). Core PPOp would come in at Rs847bn, growing by 6.6% QoQ and 27.8% YoY.
- **Asset quality might see a blip:** Asset quality is expected to see a slight blip as slippage ratio could rise from 1.36% to 1.44%, driven by retail/MSME slippages that may emanate from OTR/ECLGS pool. However, recoveries and upgrades might remain healthy that would keep GNPA ratio controlled for coverage banks at 2.66% (last quarter 2.8%). Provisions for our banks could decline by 8bps QoQ to 0.79%, mainly led by normalization in standard asset provisioning for SBI.
- **Core profitability to remain strong:** Core PAT for our coverage banks is expected to improve by 10.5% QoQ to Rs496bn, led by decline in provisions and increase in core income. PAT is expected to be at Rs528bn (+4.8% QoQ).

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- **Large private banks** – While system could see credit growth of 15-16% YoY, private banks under our coverage could see loan growth of 18.1% YoY. Deposit growth is expected to pick-up to 7.5% QoQ/16% YoY (last quarter 3.8%/14.3%). We envisage a decent NII growth of 8.2% QoQ, as credit growth and NIM could see further uptick QoQ. However, NIM accretion would be lower this quarter at 6bps to 4.94% compared to 25bps in the previous quarter, given deposit rate hikes across banks were much steeper in Q3FY23. With cushion on revenue, opex could remain higher (+9.2% QoQ to Rs375bn) although core PPop may be Rs505bn (+4.5% QoQ). Provisions would largely be stable QoQ at 0.9%; core PAT could be Rs315bn (+2.9% QoQ/26.7% YoY).
- **Public Sector Banks** – Coverage PSU banks may see tad better loan growth than the system at 4.8% QoQ/17.9% YoY, although NII growth may be 6.4% QoQ/30.6% YoY. NIMs to improve by 7bps QoQ to 3.53% (last quarter at 20bps). Driven by steady NII growth and jump in fees for SBI, core PPop might grow by 24.9% YoY to Rs323bn. Asset quality expected to remain steady as slippages would remain range bound, while provisions would fall from 87bps to 69bps as SBI may see normalization of standard asset provisions. Core PAT is expected to be at Rs189bn (+24% QoQ).
- **Mid-cap Banks** – Our coverage mid-cap banks could see loan growth of 17.7% YoY (slightly lower with large banks), while NII growth would be 31.2% YoY. Loan growth would be largely led by FB (+20.5% YoY). NIM might remain flattish; however, FB and DCB could see margin expansion by 5-10bps. Mid-cap bank's asset quality could improve mainly led by CUB; slippage ratio might decline marginally to 2.2% resulting in provisions at 77bps (vs 89bps last quarter). Core PAT is expected to improve 5.6% QoQ at Rs11.4bn.
- **Top Picks:**

  - **ICICI Bank** – Higher share of EBLR linked loans and superior deposit franchise (longer maturity) to result in higher NIM expansion vs private peers of 15bps QoQ. Hence, core PPop may see higher growth of 8.5% QoQ to Rs144bn. Valuation at 2.22x on FY25E core ABV suggests a discount of 13% to HDFCB. **Maintain BUY with TP at Rs1,090.**
  - **State Bank of India** – Loan growth is expected at 4.7% QoQ and 17% YoY, while NIM could expand by 7bps QoQ. Core PPop is set to expand by 12% QoQ to Rs250bn as fees would jump by 37% QoQ (seasonally Q4 is strong). Led by higher fees and decline in provisions, core PAT could expand by 23.8% QoQ to Rs149bn. Valuation is attractive at 1.2x/1.0x on core ABV of FY24E/FY25E. **Retain BUY at TP of Rs730.**
  - **DCB Bank** – Loan growth could come in at 5% QoQ and 19% YoY, while NIM may increase by 7bps QoQ. Hence core PPop might enhance by 14% QoQ. Net slippages materially declined (FY21-2.3%, FY22-1.1%, 9MFY23 - 0.14%) due to stronger recoveries. Hence, GNPA and NNPA reduced from a peak of 4.9%/2.8% in Q1FY22 to 3.6%/1.4% in Q3FY23. Valuation is compelling at 0.6x on FY25E ABV. **Reiterate BUY with TP at Rs150.**

**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	846	2,600	BUY	BUY	1,100	1,100	30.1%	2.4	2.1	1.9	1.6	12.0	17.6	16.0	16.3
HDFC Bank	1,658	9,249	BUY	BUY	1,850	1,850	11.5%	3.9	3.4	3.0	2.6	16.7	17.0	16.5	16.3
ICICI Bank	868	6,060	BUY	BUY	1,090	1,090	25.5%	3.8	3.2	2.8	2.5	15.0	17.6	16.3	16.5
IndusInd Bank	1,069	829	BUY	BUY	1,500	1,500	40.3%	1.8	1.6	1.4	1.2	10.2	14.3	15.2	16.2
Kotak Mahindra Bank	1,757	3,490	BUY	BUY	2,100	2,100	19.5%	5.1	4.3	3.6	3.3	12.6	13.2	11.7	12.4
Federal Bank	127	269	BUY	BUY	175	175	37.8%	1.5	1.3	1.2	1.1	10.8	14.6	14.4	15.3
IDFC First Bank	54	338	UR	UR	NA	NA	NA	1.8	NA	NA	NA	0.7	NA	NA	NA
DCB Bank	102	32	BUY	BUY	150	150	47.2%	0.8	0.7	0.7	0.7	7.8	11.1	11.7	14.0
City Union Bank	126	93	BUY	BUY	190	190	51.2%	1.7	1.5	1.2	1.1	12.2	13.7	13.0	13.2
Bank of Baroda	166	861	BUY	BUY	220	220	32.4%	1.3	1.0	0.9	0.8	9.6	15.5	14.8	15.1
Punjab National Bank	47	243	UR	UR	NA	NA	NA	1.0	NA	NA	NA	4.0	NA	NA	NA
State Bank of India	526	4,697	BUY	BUY	730	730	38.7%	2.1	1.6	1.5	1.3	10.7	17.1	15.6	15.8

Source: Company, PL

ACC=Accumulate / UR=Under Review

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

**Exhibit 2: Q4FY23 Banks Results Preview – Margin expansion to be slower, credit cost may see uptick**

Rs Million	Nil	YoY	QoQ	PPOP	YoY	QoQ	PAT	YoY	QoQ
HDFC Bank	249,999	32.5%	8.8%	197,272	20.6%	3.7%	122,454	21.8%	-0.1%
ICICI Bank	179,580	42.5%	9.1%	144,212	40.1%	8.7%	92,409	31.7%	11.2%
Axis Bank	124,158	40.8%	8.3%	94,526	46.2%	1.9%	59,029	43.4%	0.9%
Kotak	59,988	35.1%	6.1%	38,632	18.5%	0.3%	27,774	3.4%	-0.5%
IndusInd	47,216	18.5%	5.0%	38,255	14.9%	3.9%	19,265	41.5%	-1.7%
Federal	20,991	37.6%	7.3%	13,700	71.6%	3.6%	8,184	51.4%	1.8%
IDFC First Bank	34,311	28.5%	4.4%	14,548	76.0%	15.4%	7,347	114.4%	21.5%
DCB Bank	4,864	27.8%	9.0%	2,222	0.6%	14.5%	1,273	12.2%	11.8%
City Union Bank	5,716	14.2%	2.9%	4,515	2.7%	-9.2%	2,427	16.1%	11.4%
SBI	403,858	29.5%	6.1%	257,018	30.4%	1.9%	154,773	69.8%	9.0%
PNB	91,571	25.4%	-0.2%	56,859	8.0%	-0.5%	6,211	208.1%	-1.2%
BOB	116,232	35.0%	7.4%	75,873	34.6%	-7.8%	40,183	125.9%	4.3%
<b>Total Banks</b>	<b>1,338,484</b>	<b>32.6%</b>	<b>6.8%</b>	<b>937,631</b>	<b>29.1%</b>	<b>2.4%</b>	<b>541,328</b>	<b>44.2%</b>	<b>4.9%</b>
<b>Total Private Banks</b>	<b>726,823</b>	<b>35.1%</b>	<b>8.0%</b>	<b>547,882</b>	<b>30.5%</b>	<b>4.6%</b>	<b>340,161</b>	<b>28.6%</b>	<b>3.3%</b>
<b>Total Public Banks</b>	<b>611,661</b>	<b>29.8%</b>	<b>5.3%</b>	<b>389,750</b>	<b>27.3%</b>	<b>-0.5%</b>	<b>201,167</b>	<b>81.3%</b>	<b>7.6%</b>

Rs Billion	Loans	YoY	QoQ	Margins	YoY	QoQ	Credit Cost	YoY	QoQ
HDFC Bank	16,005	16.9%	6.2%	4.93%	0.55%	0.03%	0.85%	-0.12%	0.10%
ICICI Bank	10,223	19.0%	4.9%	5.21%	0.97%	0.14%	0.82%	0.32%	-0.11%
Axis Bank	8,275	16.9%	8.6%	4.49%	0.68%	-0.01%	0.74%	0.18%	-0.01%
Kotak	3,281	21.0%	5.6%	5.58%	0.80%	0.11%	0.20%	0.65%	0.00%
IndusInd	2,900	21.3%	6.3%	4.65%	0.20%	0.05%	1.72%	-0.72%	0.16%
Federal	1,746	20.5%	3.8%	3.94%	0.69%	0.05%	0.62%	0.41%	0.03%
IDFC First Bank	1,545	31.1%	5.0%	7.14%	0.49%	-0.44%	1.22%	-0.04%	-0.01%
DCB Bank	346	19.0%	5.0%	4.41%	0.44%	0.07%	0.58%	-0.35%	0.08%
City Union Bank	431	6.7%	2.3%	3.88%	0.05%	-0.10%	1.30%	-0.39%	-0.83%
SBI	32,019	17.1%	4.7%	3.48%	0.47%	0.07%	0.56%	-0.50%	-0.19%
PNB	8,260	13.4%	3.2%	2.99%	0.47%	-0.07%	2.28%	-0.39%	-0.08%
BOB	9,379	20.7%	5.3%	3.02%	-0.06%	-0.35%	0.98%	-0.94%	-0.10%
<b>Total Banks</b>	<b>94,409</b>	<b>17.8%</b>	<b>5.3%</b>	<b>4.48%</b>	<b>0.48%</b>	<b>-0.04%</b>	<b>0.88%</b>	<b>-0.09%</b>	<b>-0.19%</b>
<b>Total Private Banks</b>	<b>44,751</b>	<b>18.4%</b>	<b>6.1%</b>	<b>4.91%</b>	<b>0.54%</b>	<b>-0.12%</b>	<b>0.84%</b>	<b>0.07%</b>	<b>0.01%</b>
<b>Total Public Banks</b>	<b>49,658</b>	<b>17.1%</b>	<b>4.6%</b>	<b>3.16%</b>	<b>0.29%</b>	<b>0.12%</b>	<b>0.93%</b>	<b>-0.57%</b>	<b>-0.16%</b>

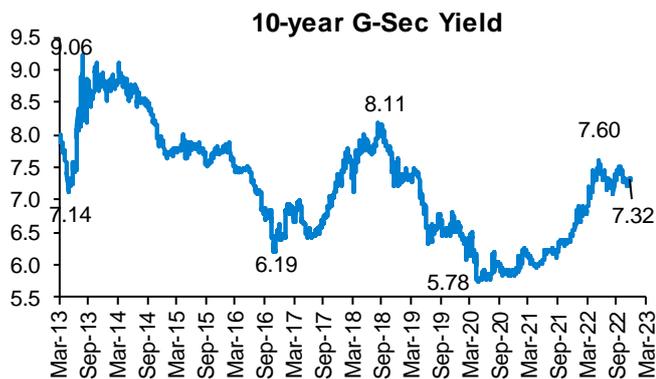
Source: Company, PL

Exhibit 3: Asset quality to be sequentially steady

	Q3FY23			Q4FY23E		
	GNPA	NNPA	PCR	GNPA	NNPA	PCR
HDFCB	1.23%	0.33%	73.22%	1.22%	0.33%	73.00%
ICICIBC	3.12%	0.56%	82.63%	3.03%	0.59%	81.00%
Axis	2.46%	0.48%	80.81%	2.32%	0.47%	80.00%
KMB	1.90%	0.43%	77.57%	1.77%	0.40%	78.00%
IIB	2.06%	0.62%	70.56%	1.96%	0.56%	72.00%
SBI	3.14%	0.77%	76.12%	2.95%	0.67%	78.00%
BOB	4.53%	0.99%	78.85%	4.21%	0.93%	79.00%
PNB	9.75%	3.29%	68.46%	9.34%	3.19%	68.00%
Federal	2.42%	0.73%	70.38%	2.33%	0.73%	69.00%
IDFCFB	2.87%	1.00%	65.97%	2.70%	0.92%	66.50%
DCB	3.63%	1.37%	62.95%	3.46%	1.31%	63.00%
CUBK	4.63%	2.67%	43.46%	4.55%	2.65%	43.00%

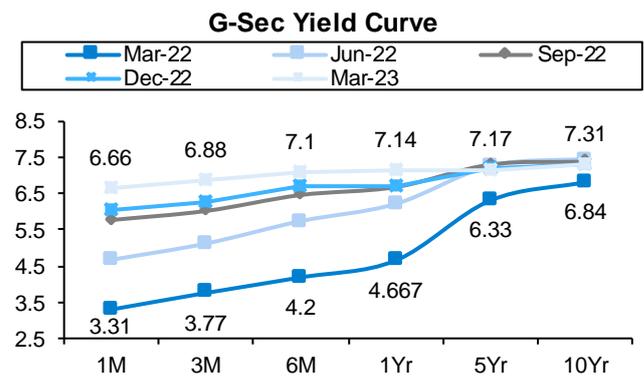
Source: Company, PL

Exhibit 4: G-Sec yields stabilized at 7.3%



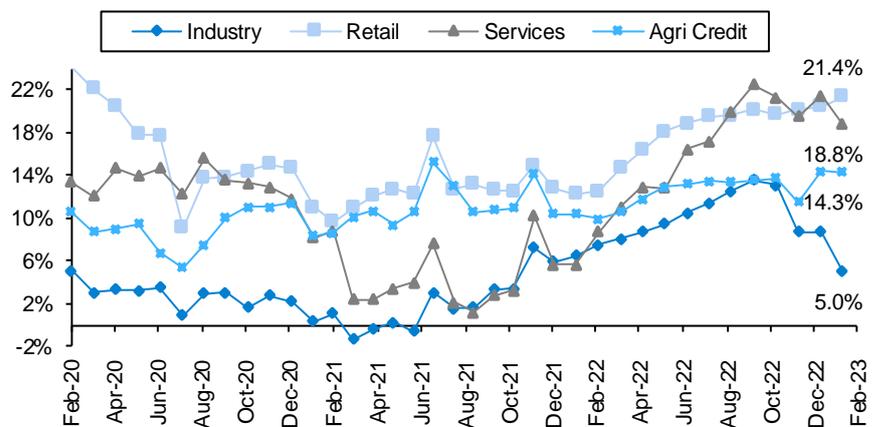
Source: Bloomberg, PL

Exhibit 5: Short-term curve moving up, long term steady



Source: Bloomberg, PL

Exhibit 6: Retail and services mainstay with ~20% YoY growth



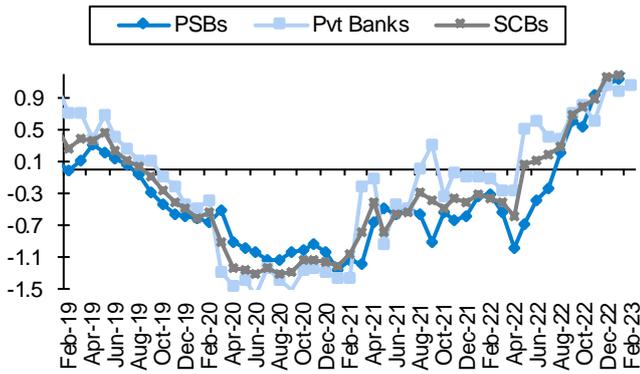
Source: RBI, PL

**Exhibit 7: Across banks rates have been hiked in-line with the system**

Banks MCLR Profile	MCLR 1YR			% Change	
	Sep-22	Dec-22	Mar-23	3Months	6Months
HDFC Bank	8.20%	8.60%	8.95%	0.35%	0.75%
Axis Bank	8.10%	8.75%	8.95%	0.20%	0.85%
ICICI Bank	8.00%	8.40%	8.75%	0.35%	0.75%
KMB	8.20%	8.65%	9.05%	0.40%	0.85%
IndusInd Bank	9.40%	9.95%	10.15%	0.20%	0.75%
SBI	7.70%	8.30%	8.50%	0.20%	0.80%
Bank of Baroda	7.70%	8.30%	8.55%	0.25%	0.85%
Punjab National Bank	7.70%	8.10%	8.50%	0.40%	0.80%
Federal	8.50%	9.00%	9.30%	0.30%	0.80%
PSBs – Median	7.70%	8.15%	8.53%	0.38%	1.18%
Pvt – Median	8.75%	9.05%	9.30%	0.25%	1.02%

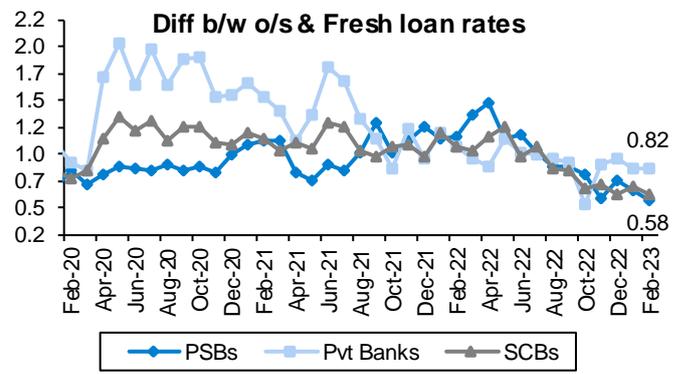
Source: Company, PL

**Exhibit 8: Lending rates continue to rise with repo hikes**



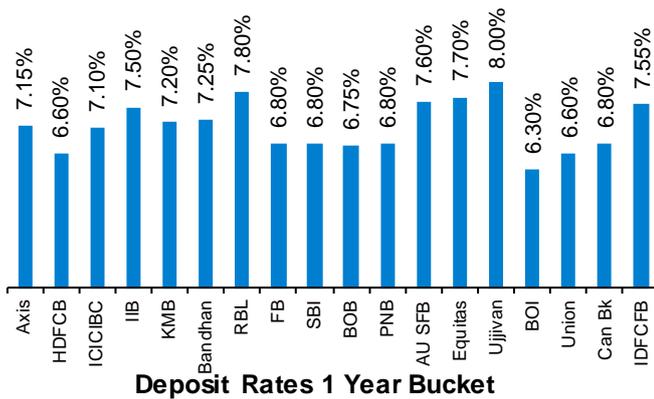
Source: Company, PL

**Exhibit 9: PSBs gap reduce while PVBs steady**



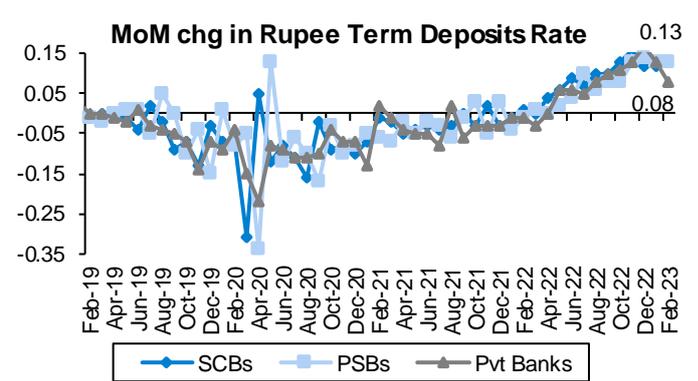
Source: RBI, PL

**Exhibit 10: Deposit rates increased across banks**

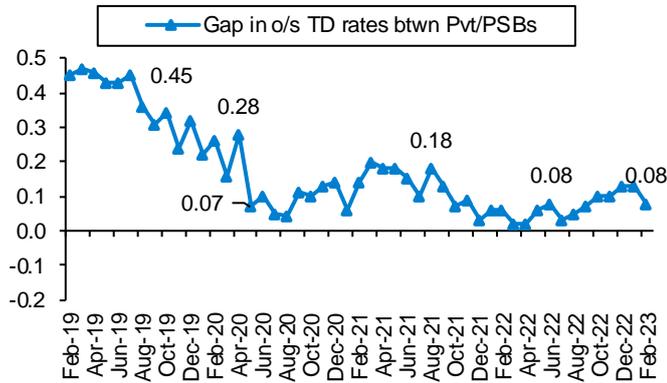


Source: Company, PL

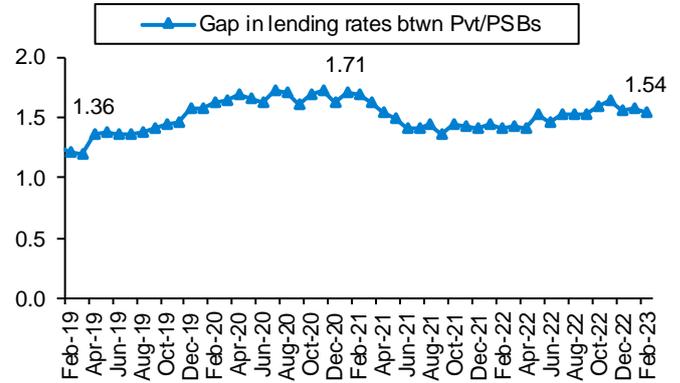
**Exhibit 11: TD rates go up in-line with repo rate hikes**



Source: Company, PL

**Exhibit 12: Pvt/PSBs TD rates gap declining and near to 0**


Source: RBI, PL

**Exhibit 13: Gap in lending rates for Pvt/PSB steady**


Source: RBI, PL

**Exhibit 14: Q4FY23 Result Preview (Private Banks)**

Company Name		Q4FY23E	Q4FY22	YoY gr. (%)	Q3FY23	QoQ gr. (%)	Remark
Axis Bank	NII (Rs mn)	124,158	88,191	40.8	114,593	8.3	
	PPOP (Rs mn)	94,526	64,660	46.2	92,775	1.9	We expect NII growth of 38.4% YoY and 10.7% QoQ as rate transmission takes place.
	Provisions (Rs mn)	15,336	9,872	55.3	14,377	6.7	
	PAT (Rs mn)	59,029	41,178	43.4	58,531	0.9	
	Loans (Rs bn)	8,275	7,077	16.9	7,621	8.6	Credit Costs to remain muted at 79bps.
	Margin (%)	4.49	3.81	68	4.50	(1)	Margins expected to be flat as cost of funds are expected to move up.
	GNPA (%)	2.31	2.82	(51)	2.46	(15)	
	Credit Cost (%)	0.74	0.56	18	0.75	(1)	
HDFC Bank	NII (Rs mn)	249,999	188,727	32.5	229,878	8.8	
	PPOP (Rs mn)	197,272	163,570	20.6	190,241	3.7	We expect a NII growth of 32.5% YoY /8.8% QoQ led by strong loan growth of 6.2% QoQ, however margin growth would be flattish.
	Provisions (Rs mn)	34,000	33,124	2.6	28,064	21.1	
	PAT (Rs mn)	122,454	100,552	21.8	122,595	(0.1)	
	Loans (Rs bn)	16,005	13,688	16.9	15,068	6.2	
	Margin (%)	4.93	4.38	55	4.90	3	Bank may continue to build in buffer provisions, which would lead to steady earnings.
	GNPA (%)	1.22	1.17	5	1.23	(1)	
	Credit Cost (%)	0.85	0.97	(12)	0.75	10	
ICICI Bank	NII (Rs mn)	179,580	126,046	42.5	164,650	9.1	We expect NII to grow at 42.5% YoY higher than industry aided by stable loan growth of ~19% mainly from retail portfolio.
	PPOP (Rs mn)	144,212	102,929	40.1	132,712	8.7	
	Provisions (Rs mn)	21,000	10,690	96.5	22,574	(7.0)	
	PAT (Rs mn)	92,409	70,187	31.7	83,119	11.2	
	Loans (Rs bn)	10,223	8,590	19.0	9,740	4.9	Margins would continue to expand however at a slower rate, as CoF goes up
	Margin (%)	5.21	4.24	97	5.08	14	
	GNPA (%)	3.03	3.60	(57)	3.12	(9)	Asset quality would continue to improve, as recoveries would be higher than slippages.
	Credit Cost (%)	0.82	0.50	32	0.93	(11)	
IndusInd Bank	NII (Rs mn)	47,216	39,852	18.5	44,954	5.0	
	PPOP (Rs mn)	38,255	33,285	14.9	36,804	3.9	We expect earnings driven by decent loan growth of 21% YoY.
	Provisions (Rs mn)	12,500	14,635	(14.6)	10,647	17.4	
	PAT (Rs mn)	19,265	13,614	41.5	19,592	(1.7)	We expect margins to slightly uptick (5bps) sequentially to 4.65%
	Loans (Rs bn)	2,900	2,391	21.3	2,728	6.3	
	Margin (%)	4.65	4.45	20	4.60	5	With asset quality improving we expect, provisions to remain range bound.
	GNPA (%)	1.96	2.27	(31)	2.06	(10)	
	Credit Cost (%)	1.72	2.45	(72)	1.56	16	

Company Name	Q3FY23E	Q3FY22	YoY gr. (%)	Q2FY23	QoQ gr. (%)	Remark
<b>Kotak Mahindra Bank</b>	NII (Rs mn)	59,988	44,408	35.1	56,529	6.1
	PPOP (Rs mn)	38,632	32,593	18.5	38,498	0.3
	Provisions (Rs mn)	1,600	(3,062)	(152.3)	1,488	7.5
	PAT (Rs mn)	27,774	26,868	3.4	27,919	(0.5)
	Loans (Rs bn)	3,281	2,713	21.0	3,107	5.6
	Margin (%)	5.58	4.78	80	5.47	11
	GNPA (%)	1.77	2.34	(57)	1.90	(13)
	Credit Cost (%)	0.20	(0.45)	65	0.19	0
<b>Federal Bank</b>	NII (Rs mn)	20,991	15,252	37.6	19,565	7.3
	PPOP (Rs mn)	13,700	7,982	71.6	13,218	3.6
	Provisions (Rs mn)	2,700	752	258.9	2,463	9.6
	PAT (Rs mn)	8,184	5,405	51.4	8,036	1.8
	Loans (Rs bn)	1,746	1,449	20.5	1,682	3.8
	Margin (%)	3.94	3.24	69	3.89	5
	GNPA (%)	2.33	2.80	(48)	2.42	(10)
	Credit Cost (%)	0.62	0.21	41	0.59	3
<b>IDFC First Bank</b>	NII (Rs mn)	34,311	26,692	28.5	32,853	4.4
	PPOP (Rs mn)	14,548	8,265	76.0	12,608	15.4
	Provisions (Rs mn)	4,700	3,695	27.2	4,502	4.4
	PAT (Rs mn)	7,347	3,427	NA	6,046	21.5
	Loans (Rs bn)	1,545	1,179	31.1	1,471	5.0
	Margin (%)	7.14	6.65	49	7.58	(44)
	GNPA (%)	2.70	3.71	(100)	2.87	(17)
	Credit Cost (%)	1.22	1.25	(4)	1.22	(1)
<b>DCB Bank</b>	NII (Rs mn)	4,864	3,805	27.8	4,460	9.0
	PPOP (Rs mn)	2,222	2,208	0.6	1,941	14.5
	Provisions (Rs mn)	500	676	(26.0)	407	22.9
	PAT (Rs mn)	1,273	1,134	12.2	1,139	11.8
	Loans (Rs bn)	346	291	19.0	330	5.0
	Margin (%)	4.41	3.97	44	4.33	7
	GNPA (%)	3.46	4.33	(87)	3.63	(17)
	Credit Cost (%)	0.58	0.93	(35)	0.49	8
<b>City Union Bank</b>	NII (Rs mn)	5,716	5,007	14.2	5,557	2.9
	PPOP (Rs mn)	4,515	4,398	2.7	4,973	(9.2)
	Provisions (Rs mn)	1,400	1,709	(18.1)	2,245	(37.6)
	PAT (Rs mn)	2,427	2,090	16.1	2,178	11.4
	Loans (Rs bn)	431	404	6.7	421	2.3
	Margin (%)	3.88	3.82	5	3.98	(10)
	GNPA (%)	4.55	4.70	(15)	4.63	(8)
	Credit Cost (%)	1.30	1.69	(39)	2.13	(83)

Source: Company, PL

**Exhibit 15: Q4FY23 Result Preview (PSU Banks)**

Company Name		Q4FY23E	Q4FY22	YoY gr. (%)	Q3FY23	QoQ gr. (%)	Remark
<b>State Bank of India</b>	NII (Rs mn)	403,858	311,979	29.5	380,686	6.1	SBI should continue to report better NII growth of 29.5% YoY & 6.1%, while loan growth would be higher than industry at 4.7% QoQ.
	PPOP (Rs mn)	257,018	197,168	30.4	252,193	1.9	
	Provisions (Rs mn)	45,000	72,375	(37.8)	57,606	(21.9)	
	PAT (Rs mn)	154,773	91,135	69.8	142,057	9.0	We expect slippages to go up, however credit cost below 1%
	Loans (Rs bn)	32,019	27,340	17.1	30,582	4.7	
	Margin (%)	3.48	3.01	47	3.41	7	
	GNPA (%)	2.95	3.98	(103)	3.14	(19)	
Credit Cost (%)	0.56	1.06	(50)	0.75	(19)	Margin may improve 6-7bps sequentially.	
<b>Punjab National Bank</b>	NII (Rs mn)	91,571	73,041	25.4	91,794	(0.2)	NII & Operating profit would be flattish sequentially; however, opex & provisions would remain elevated.
	PPOP (Rs mn)	56,859	52,648	8.0	57,159	(0.5)	
	Provisions (Rs mn)	47,000	48,515	(3.1)	47,133	(0.3)	
	PAT (Rs mn)	6,211	2,016	NA	6,289	(1.2)	Asset quality should come down due to recoveries/w.offts keeping GNPA's rise limited.
	Loans (Rs bn)	8,260	7,282	13.4	8,004	3.2	
	Margin (%)	2.99	2.53	47	3.06	(7)	
	GNPA (%)	9.34	11.77	(243)	9.7	(41)	
Credit Cost (%)	2.28	2.66	(39)	2.36	(8)		
<b>Bank of Baroda</b>	NII (Rs mn)	116,232	86,117	35.0	108,182	7.4	Earnings should continue to improve with 4.3% QoQ growth.
	PPOP (Rs mn)	75,873	56,351	34.6	82,321	(7.8)	
	Provisions (Rs mn)	23,000	37,364	(38.4)	24,039	(4.3)	Margins to remain muted sequentially (due to one-off in previous quarter).
	PAT (Rs mn)	40,183	17,788	NA	38,527	4.3	
	Loans (Rs bn)	9,379	7,772	20.7	8,907	5.3	Slippages may be tad higher at 2%, however credit cost would remain in 1-1.2% range.
	Margin (%)	3.02	3.08	(6)	3.37	(35)	
	GNPA (%)	4.21	6.61	(240)	4.53	(32)	
Credit Cost (%)	2.28	2.66	(39)	2.36	(8)		

Source: Company, PL

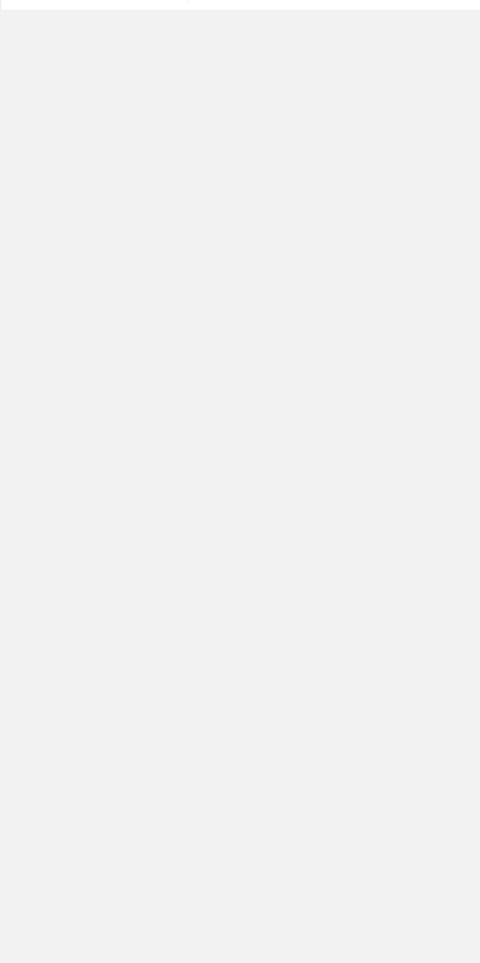




Exhibit 16: Change in Estimates

	Rating		Target Price			NII (Rs bn)						PPoP (Rs bn)						PAT (Rs bn)					
	C	P	C	P	% Chng.	FY23E			FY24E			FY23E			FY24E			FY23E			FY24E		
						C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.
Axis Bank	BUY	BUY	1,100	1,100	0.0%	436.2	434.0	0.5%	489.0	482.7	1.3%	323.3	320.7	0.8%	352.3	347.5	1.4%	212.1	210.2	0.9%	216.4	213.7	1.3%
HDFC Bank	BUY	BUY	1,850	1,850	0.0%	884.9	874.6	1.2%	1,012.7	1,000.4	1.2%	715.1	706.6	1.2%	814.7	804.7	1.2%	443.1	438.2	1.1%	490.3	484.9	1.1%
ICICI Bank	BUY	BUY	1,090	1,090	0.0%	624.2	618.8	0.9%	673.1	670.5	0.4%	496.8	489.3	1.5%	540.0	534.9	1.0%	320.2	316.8	1.1%	341.0	337.5	1.0%
IndusInd Bank	BUY	BUY	1,500	1,500	0.0%	176.4	176.2	0.1%	201.7	199.9	0.9%	144.2	143.9	0.2%	169.0	167.9	0.6%	72.8	72.6	0.3%	88.2	87.9	0.3%
Kotak Mahindra Bank	BUY	BUY	2,100	2,100	0.0%	214.5	212.7	0.9%	234.3	233.9	0.2%	140.6	138.6	1.4%	156.9	156.5	0.2%	102.2	100.8	1.4%	106.1	105.8	0.3%
Federal Bank	BUY	BUY	175	175	0.0%	74.2	73.3	1.2%	83.7	83.7	0.0%	48.8	48.0	1.7%	54.6	54.5	0.2%	29.3	28.8	1.5%	32.5	32.4	0.3%
DCB Bank	BUY	BUY	150	150	0.0%	17.2	17.0	0.8%	19.1	19.1	0.0%	7.6	7.6	1.3%	9.7	9.7	0.0%	4.5	4.5	0.5%	5.3	5.3	0.0%
City Union Bank	BUY	BUY	190	190	0.0%	22.2	22.7	-2.4%	23.7	24.6	-3.8%	18.5	19.0	-2.4%	19.6	20.3	-3.2%	9.6	9.8	-2.1%	10.4	10.7	-3.0%
Bank of Baroda	BUY	BUY	220	220	0.0%	414.5	411.7	0.7%	452.7	448.7	0.9%	263.8	259.9	1.5%	289.6	284.0	2.0%	133.5	130.6	2.3%	143.6	140.2	2.4%
State Bank of India	BUY	BUY	730	730	0.0%	1,440.2	1,433.6	0.5%	1,553.4	1,543.1	0.7%	839.8	832.7	0.8%	937.4	934.7	0.3%	488.5	487.0	0.3%	503.3	501.2	0.4%

Source: Company, PL C=Current / P=Previous / UR = Under Review

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	AAVAS Financiers	Accumulate	2,200	1,999
2	Axis Bank	BUY	1,100	865
3	Bank of Baroda	BUY	220	164
4	Can Fin Homes	BUY	700	530
5	City Union Bank	BUY	190	160
6	DCB Bank	BUY	150	114
7	Federal Bank	BUY	175	129
8	HDFC	BUY	3,000	2,613
9	HDFC Asset Management Company	BUY	2,100	1,797
10	HDFC Bank	BUY	1,850	1,601
11	ICICI Bank	BUY	1,090	870
12	IDFC First Bank	UR	-	60
13	IndusInd Bank	BUY	1,500	1,223
14	Kotak Mahindra Bank	BUY	2,100	1,763
15	LIC Housing Finance	Accumulate	410	376
16	Punjab National Bank	UR	-	57
17	State Bank of India	BUY	730	544
18	UTI Asset Management Company	BUY	830	668

**PL's Recommendation Nomenclature**

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

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