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Strong business growth, but margin squeeze, higher opex to hurt PPoP

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Strong business growth, while margins will continue to retract albeit at a slower pace
Systematic credit growth (15-Dec-23) remains healthy at 15.6% YoY (20% incl. HDFCL) and 5% QoQ, largely in line with 15.4% growth for our coverage banks, given strong retail growth during the festive season. We believe retail growth should moderate hereon, given the RBI's recent action on unsecured loans, which has been the key growth driver and, thus, should lead to some moderation in overall credit growth as well. On the other hand, deposit growth has also picked up well at 14% YoY/2% QoQ, gradually narrowing the gap with credit growth. However, this growth is mainly driven by higher TD and bulk deposit growth, which coupled with deposit rate hikes by select banks should drive up funding costs, partly offset by some relief on the withdrawal of ICRR. Thus, we expect NIMs to compress for most banks under our coverage, but at a relatively moderate pace (4-13bps) unlike Q2 (10-30bps), except banks like IIB, RBL, and HDFCB, which should see margins to be largely stable/improve QoQ. Within the NBFC-MFI space, we expect CREDAG and Fusion to report sequential margin improvement, benefiting from portfolio repricing.

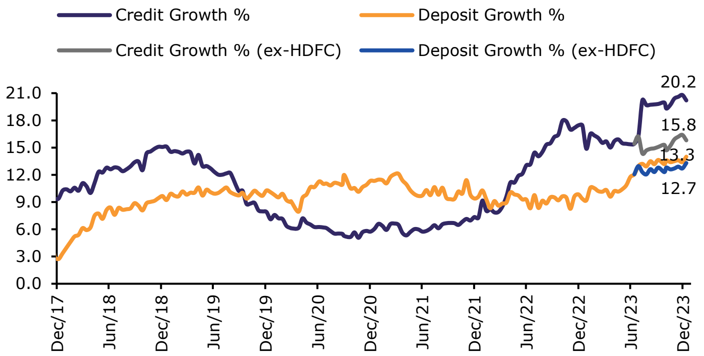
NPAs to moderate further, though the pace may come off a bit
We expect GNPA ratio to trend down, though the pace of the fall could moderate further at 25bps QoQ to 2.9% from 3.1% for our coverage universe. This is mainly due to stress in KCC book for select PSBs/PVBs and unsecured loans, including cards. Fresh corporate NPA formation in general could be lower vs. Q2 but could be elevated for select banks due to the impact of the recent RBI audit. We believe these resolutions should primarily benefit banks like Indian Bank, BOB, and Yes Bank. Our discussion with bankers/channel checks suggests that there could be some stress built up in the unsecured PL/Cards and SBL segment, but the collectability post soft follow-up still remains healthy and does not pose any material risk. That said, banks have stepped up vigilance and cut incremental credit flow to relatively risky customers. Within our coverage universe, we expect fresh slippages to be slightly higher for select players like SBI, Federal, IDFC First Bank, AU SFB, and SBI Cards. For Bandhan Bank, CGFMU recovery has been delayed due to a continued audit process by the agency, while the non-EEB collection efficiency has dropped by 100bps. However, the bank would benefit from the recent sale of housing NPAs to ARC and, thus, should limit provisions.

Lower margins, higher opex to hurt PPoP for banks, but lower provisions to support profitability
We expect PPoP growth to be largely flat in Q3 (vs. 8% YoY in Q2) mainly due to continued margin contraction, lack of treasury gains, and higher opex including staff cost/franchise cost. For PSBs – PPoP could decline 8% YoY, accentuated by the recent wage hike @ 17% vs. earlier expectation of 15%, calling for ad hoc provisions. This could be more pronounced for SBI, as the bank had earlier made provisions based on a 14% wage hike assumption. However, we believe continued moderation in NPAs and healthy provision cover across banks should lead to lower NPA provisions, thereby supporting profitability. For select banks (such as Federal and IIB), we expect a marginal hit on account of provision on AIF exposure as per the recent RBI guidelines. Within large PVBs, we expect IIB to be an outlier, led by better margins and one-off gains from Nippon MF stake sale, which could be used to shore up the provision buffer. HDFCB reported strong credit revival (~5% QoQ), but deposit growth has been lower (2% QoQ), which we believe could be due to the unwinding of ICRR and should help the bank witness some margin recovery from the lows of Q2. Within small-mid size PVBs, we expect RBL to report healthy profitability, while CUBK would continue to disappoint. Among PSBs, we expect mid-size banks like Indian, Union, and PNB to report healthy profitability, while higher opex could hurt SBI. Among NBFCs under our coverage, we expect CREDAG to report strong profitability, while SBI Cards would continue to drag due to sub-par margins and elevated credit costs.

Stay selective with banks offering healthy profitability and capital/provision buffers
Overall credit growth continues to surprise positively, but we expect Q3 to be another soft quarter, led by retracting margins (though at a slower pace) and higher opex. Amid rising concerns on unsecured loans (PL/Cards) forcing the RBI to increase risk weights and regulatory oversight, we prefer banks with relatively healthy capital/provision buffers, management stability, and reasonable valuations. Among large PVBs, we prefer ICICI and IIB, followed by HDFCB, which we believe should see some relief from the merger pain and is available at reasonable valuations. Management's transition will remain a drag on Kotak Bank, at least in the near-medium term. Among small-mid size PVBs, we prefer KVB followed by RBL, given its still undemanding valuations and management stability. Indian Bank remains our top pick among PSBs. Within SFBs/NBFC-MFIs, we prefer Ujjivan and CREDAG.

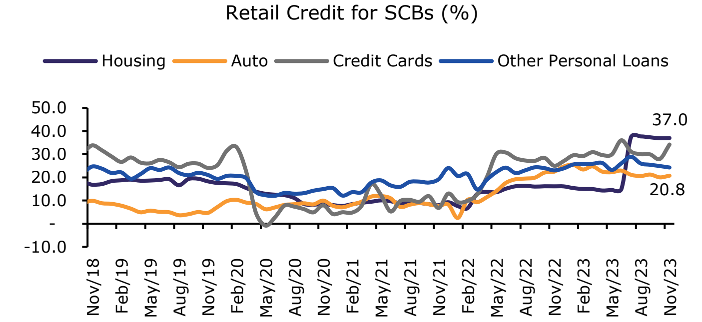
Story in Charts

Exhibit 1: Credit and deposit growth remains healthy



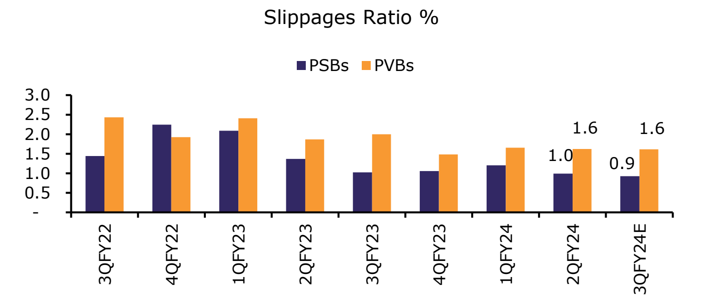
Source: RBI, Emkay Research

Exhibit 2: Retail credit growth remains robust amid growth across segments



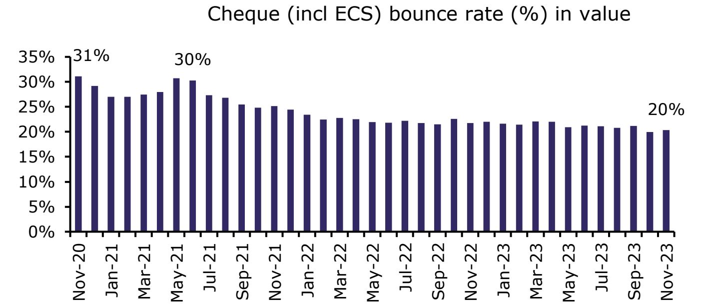
Source: RBI, Emkay Research

Exhibit 3: Slippages to moderate further in Q3FY24



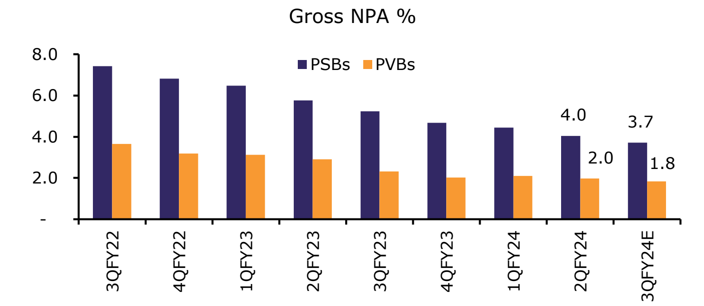
Source: Company, Emkay Research, IDFC First included from Q4FY23

Exhibit 4: Cheque bounce rate under the comfort zone, indicating no signs of stress



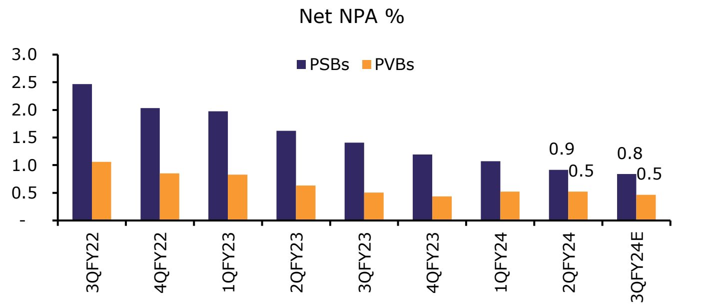
Source: NPCI, Emkay Research

Exhibit 5: GNPA to moderate due to better recoveries/write-offs and contained slippages



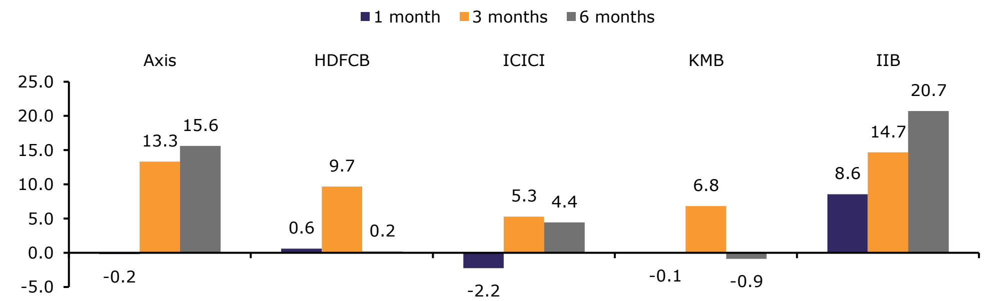
Source: Company, Emkay Research, IDFC First included from Q4FY23

Exhibit 6: Lower GNPA ratios coupled with better growth and healthy PCR to help in containing NNPA



Source: Company, Emkay Research, IDFC First included from Q4FY23

Exhibit 7: IIB has been the top performer, while ICICI has been an underperformer, KMB has also underperformed on the management change rejig



Source: Bloomberg, Emkay Research

Exhibit 8: Valuation summary for banks under our coverage

Companies	Reco	CMP (Rs/sh)	TP	Market Cap		RoA (%)			RoE (%)			P/ABV (x)			ABV (Rs)			EPS (Rs)		
				Rs bn	USD bn	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Large PVBs																				
AXIS	BUY	1,117	1,300	3,444	41.4	1.8	1.8	1.8	18.1	17.7	17.3	2.2	1.8	1.5	477	568	672	81	94	110
HDFCB	BUY	1,651	2,100	12,531	150.8	1.9	2.0	2.0	15.9	16.9	17.4	2.7	2.3	2.0	557	637	731	102	102	121
ICICI	BUY	980	1,375	6,873	82.7	2.4	2.3	2.1	19.0	18.2	17.4	2.5	2.1	1.8	326	380	440	58	65	72
INDUSIND	BUY	1,625	2,000	1,264	15.2	1.9	1.9	2.0	16.1	17.3	18.3	2.3	2.0	1.7	718	832	973	121	149	185
KOTAK	ADD	1,827	1,955	3,631	43.7	2.4	2.4	2.3	14.1	14.5	13.8	3.3	2.5	2.2	413	542	613	55	65	71
YES	SELL	24	12	696	8.4	0.4	0.5	0.6	3.8	5.0	6.4	1.6	1.6	1.6	15	15	15	1	1	1
Small-to-Mid PVBs																				
CUB	REDUCE	149	152	110	1.3	1.4	1.4	1.5	12.4	12.3	12.4	1.5	1.3	1.1	102	116	131	13	15	16
DCB	SELL	156	95	49	0.6	1.0	1.0	0.9	12.0	12.7	13.1	1.1	1.0	0.9	142	160	181	17	20	24
FB	BUY	151	182	368	4.4	1.3	1.3	1.4	15.1	14.6	15.5	1.3	1.1	1.0	115	131	151	17	19	23
KVB	BUY	163	185	130	1.6	1.5	1.5	1.5	16.3	16.3	16.4	1.4	1.2	1.0	120	139	160	19	22	25
RBL	BUY	281	350	169	2.0	1.0	1.2	1.4	9.2	11.5	13.9	1.2	1.1	0.9	238	264	299	22	30	41
IDFCB	BUY	84	98	595	7.2	1.3	1.4	1.4	11.4	12.5	13.6	1.8	1.6	1.5	46	51	58	5	6	8
New-Age PVBs/SFBs																				
AU SFB	REDUCE	777	650	520	6.3	1.7	1.6	1.5	14.7	14.7	14.3	4.2	3.7	3.2	185	211	239	26	30	33
BANDHAN	BUY	235	290	378	4.6	2.0	2.4	2.5	16.2	19.1	20.3	1.8	1.5	1.2	131	157	190	21	29	37
EQUITAS	ADD	113	107	128	1.5	2.0	2.0	2.0	14.8	16.2	17.6	2.2	2.0	1.7	50	58	67	7	9	11
UJJIVAN	ADD	58	65	114	1.4	3.4	2.9	2.5	29.7	25.8	22.5	2.2	1.8	1.5	26	32	38	7	8	8
PSBs																				
BOB	BUY	223	250	1,154	13.9	1.1	1.1	1.0	16.3	15.8	14.9	1.0	0.9	0.8	207	234	263	33	36	39
CANARA	ADD	450	425	817	9.8	1.0	1.0	1.0	19.9	18.4	17.9	1.1	0.9	0.8	391	454	525	79	85	95
INDIAN	BUY	421	550	567	6.8	1.0	1.0	1.1	15.9	15.2	15.7	1.1	1.0	0.8	395	442	500	58	65	77
PNB	REDUCE	95	78	1,045	12.6	0.4	0.6	0.7	7.1	9.7	11.2	1.1	1.0	1.0	79	86	94	6	9	11
SBI	BUY	625	700	5,581	67.2	1.1	1.0	1.0	19.1	17.8	16.4	1.2	1.0	0.9	374	432	491	69	75	79
UBI	REDUCE	123	105	911	11.0	1.0	1.0	1.0	17.3	16.3	15.1	1.1	1.0	0.9	111	127	144	19	21	22
Card Company																				
SBI Cards	BUY	762	865	725	8.7	4.9	4.8	4.7	22.8	23.0	23.0	6.2	5.1	4.1	123	151	184	26	32	40
NBFC-MFI																				
CredAG	Buy	1,758	1,960	280	3.4	5.8	5.4	5.0	25.4	23.8	21.7	4.3	3.4	2.7	412	522	646	94	112	128
Fusion	Buy	610	810	62	0.7	5.1	5.0	4.7	20.5	20.5	19.8	2.2	1.8	1.5	278	343	418	53	65	77

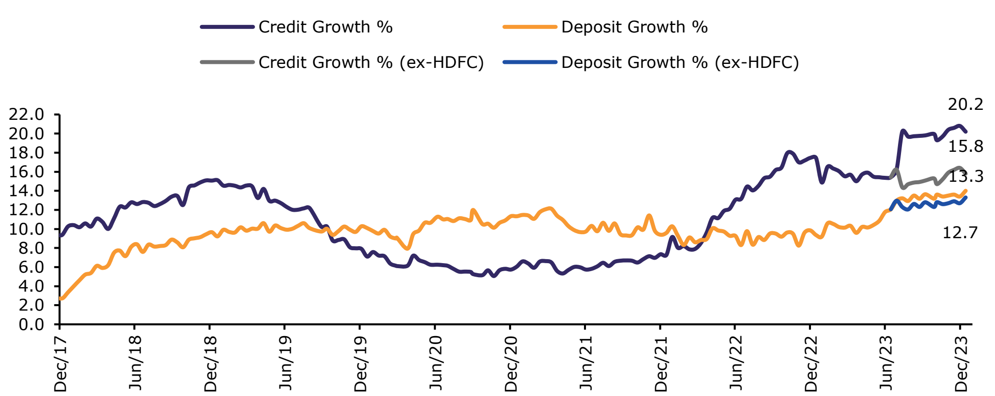
Source: Emkay Research

Credit growth continues to surprise positively; deposit growth too catching up and thus should soften margins

Systematic credit growth (15-Dec-23) remains healthy at 15.6% YoY (20% incl. HDFCL) and 5% QoQ, largely in line with 15.4% growth for our coverage banks, given strong retail growth during the festive season. Within retail, cards, PL, and vehicles continue to grow at a faster pace, while mortgages growth continues to drag. We believe retail growth should moderate hereon, given the RBI's pre-emptive action on unsecured loans, which has been the key growth driver and, thus, should lead to some moderation in overall credit growth as well. Corporate growth remains <10% as large corporate growth continues to drag. On the other hand, deposit growth has picked up well at 14% YoY/2% QoQ, mainly led by higher TD and bulk deposit growth, while CASA ratio continues to moderate.

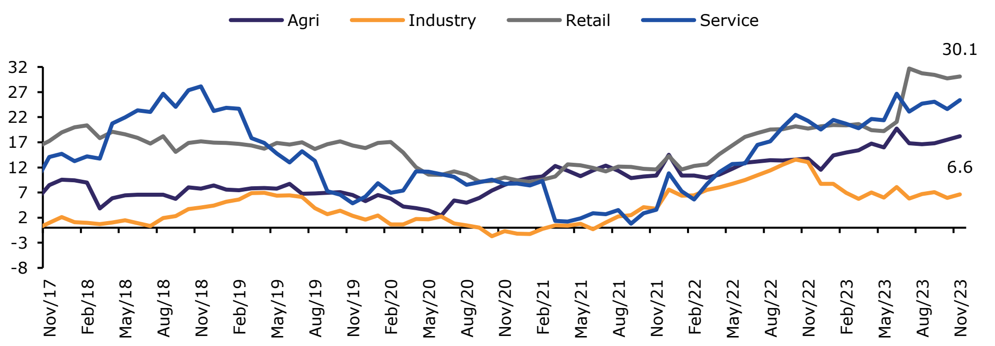
Among banks that have released business updates for Q3, HDFCB and Bandhan Bank surprised positively on credit growth, while AU, IIB, and Federal Bank reported slightly lower growth vs. our expectations. On the deposits front, HDFCB continues to drag (up 2% QoQ), which we believe could be partly due to the bank's call to run down excess liquidity built up during Q2 to meet ICRR. On an overall basis, we believe the increase in funding cost would outpace any loan yield improvement and, thus, could lead to continued margin compression. However, we expect NIM compression to be relatively moderate at (4-13bps) vs. Q2 (10-30bps), except banks like IIB, RBL, and HDFCB, which should see margins largely stable/improve QoQ.

Exhibit 9: Deposit growth catching up and, thus, narrowing the gap with credit growth



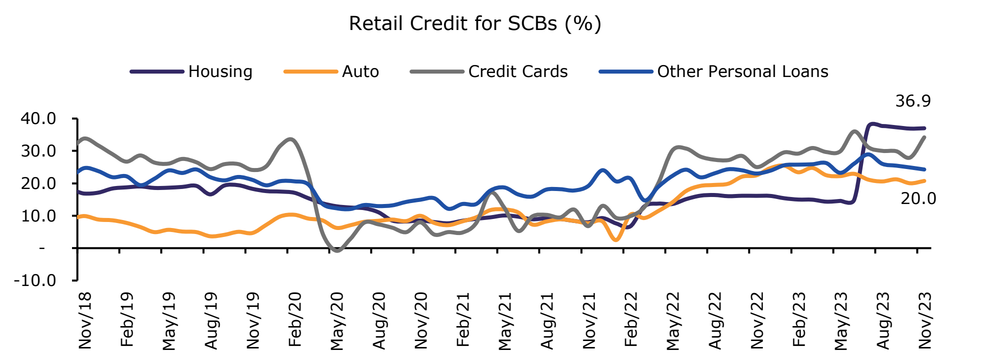
Source: RBI, Emkay Research

Exhibit 10: Retail growth (including HDFCL mortgage portfolio) remains high



Source: RBI, Emkay Research

Exhibit 11: Mortgage growth (excl. HDFCL) should be meaningfully lower; cards, PL, and auto loans continued to trend high



Source: RBI, Emkay Research

Exhibit 12: Provisional credit numbers for banks under our coverage

Bank (Rs bn)	Q3FY24E	Q3FY23	YoY (%)	Q2FY24	QoQ (%)
HDFC Bank	24,466	20,959	16.7	23,312	4.9
IndusInd Bank	3,267	2,728	19.8	3,155	3.6
Yes Bank	2,177	1,946	11.9	2,091	4.1
AU SFB	676	563	20.0	650	4.0
RBL Bank	819	684	19.8	782	4.7
Federal Bank	2,025	1,711	18.3	1,960	3.3
KVB Bank	727	621	17.1	704	3.2
Ujjivan SFB	278	219	26.9	266	4.6
Equitas SFB	328	249	31.6	312	5.0
Bandhan Bank	1,160	978	18.6	1,076	7.7
PNB	9,721	8,568	13.5	9,417	3.2
BOB	10,494	9,237	13.6	10,245	2.4
IDFC First	1,832	1,522	20.4	1,748	4.8

Source: Company, Emkay Research; Credit numbers for HDFC Bank, IndusInd Bank, and Yes Bank as Net; AU SFB, RBL Bank, PNB, Federal Bank, BOB, and KVB Bank as Gross; Ujjivan SFB, Bandhan Bank, and Equitas SFB as AUM

Exhibit 13: Provisional deposit numbers for banks under our coverage

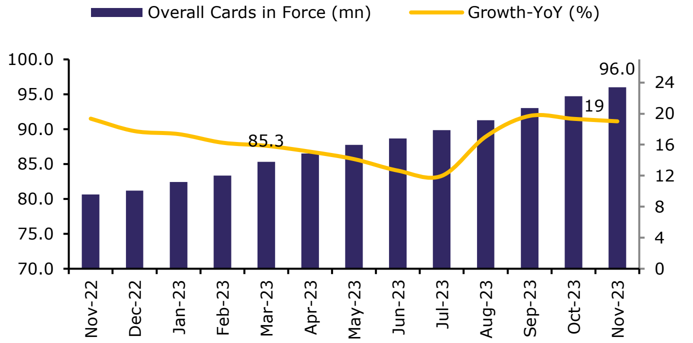
Bank (Rs bn)	Q3FY24	Q3FY23	YoY (%)	Q2FY24	QoQ (%)
HDFC Bank	22,140	18,947	16.9	21,729	1.9
IndusInd Bank	3,690	3,253	13.4	3,595	2.6
Yes Bank	2,418	2,136	13.2	2,344	3.2
AU SFB	801	611	31.1	757	5.8
RBL Bank	927	817	13.5	898	3.3
Federal Bank	2,396	2,014	19.0	2,329	2.9
KVB Bank	857	762	12.5	831	3.1
Ujjivan SFB	299	232	28.7	291	2.5
Equitas SFB	324	234	38.4	308	5.0
Bandhan Bank	1,174	1,023	14.8	1,121	4.8
PNB	13,235	12,104	9.4	13,099	1.0
BOB	12,453	11,495	8.3	12,496	-0.3
IDFC First	1,823	1,330	37.0	1,647	10.6

Source: Company, Emkay Research

Credit card growth remains strong, but asset quality noise is on the rise

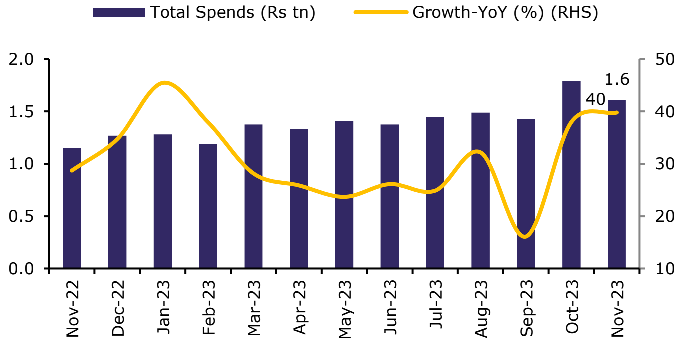
Net card addition remains strong at 1.3mn in November and 10.7mn YTD despite cancellation due to de-activation, underpinning the underlying demand for credit cards amid rising competition from alternate payment and credit products. That said, we believe the recent devaluation of cards by a few players to cut burn could have some impact on the growth of a few players, as reflected in their market share loss (e.g. SBIC). We believe the RBI's recent approval of the RBL-Bajaj co-branded partnership, which was delayed by a year due to regulatory inconsistencies, emphasizes the need for RBL to lessen its reliance on Bajaj for card sourcing. Separately, a few players like SBIC, RBL, and AU have seen early-stage delinquencies in the card portfolio and, thus, need to be watchful. Our discussion with the experts suggests that the lower share of the revolver portfolio should hopefully help avoid a blowout scenario as seen post COVID-19. However, as a prudent measure, RBL has started building a contingent provision buffer on the card portfolio (1% of the loans at the end of Q2).

Exhibit 14: Overall, net card addition stood healthy at 1.3mn in Nov-23 despite de-activation



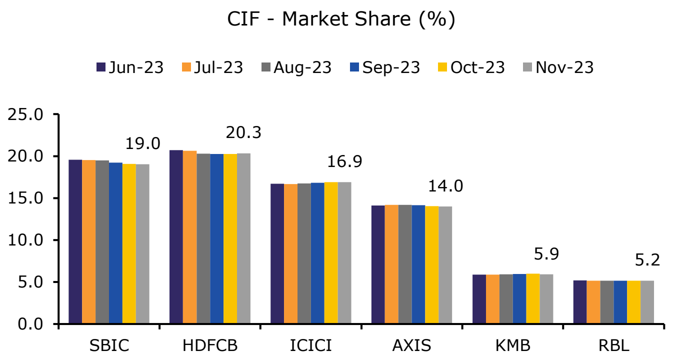
Source: RBI, Emkay Research

Exhibit 15: Spends normalize a tad in Nov-23 from a festive high in October



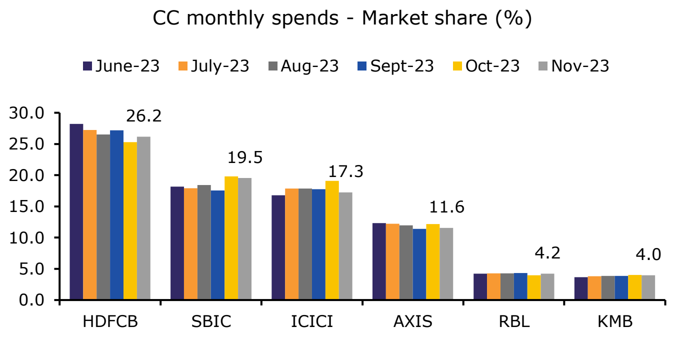
Source: RBI, Emkay Research

Exhibit 16: CIF market share stood largely flat among players



Source: RBI, Emkay Research

Exhibit 17: Barring HDFCB and RBL, other players witnessed a marginal decline in spends market share



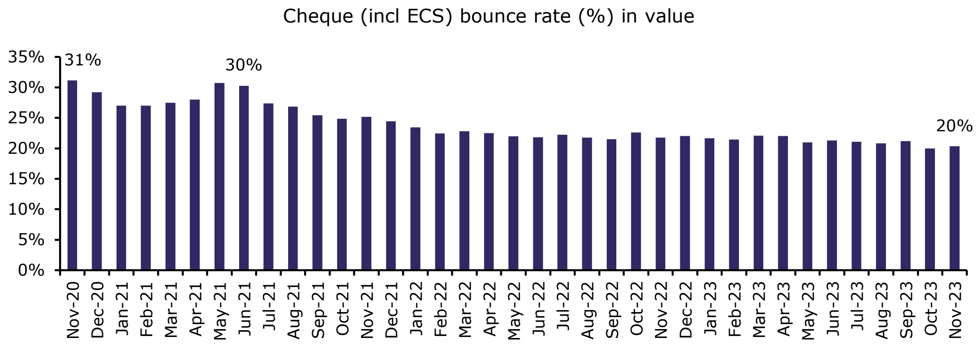
Source: RBI, Emkay Research

NPAs to moderate further, though the pace may come off a bit

We expect GNPA ratio to trend down further, though the pace of the fall could moderate at 25bps QoQ to 2.9% from 3.1% for our coverage universe. This is mainly due to stress in the KCC book for select PSBs/PVBs and unsecured loans, including cards. Fresh corporate NPA formation in general could be lower vs. Q2, but it could be elevated for select banks due to the impact of recent RBI annual supervision.

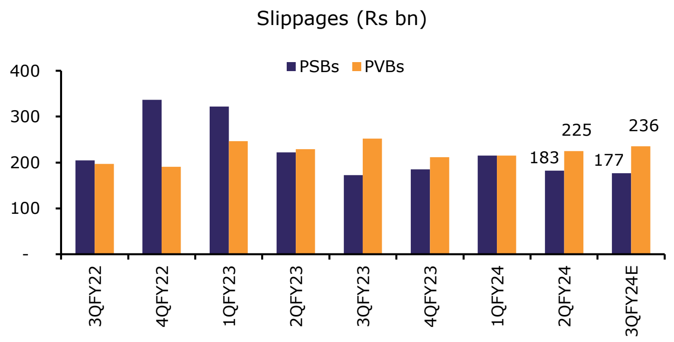
Our discussion with bankers/channel checks suggests that there could be some stress built up in the unsecured PL/Cards and SBL segment, but collectability post soft follow-up remains healthy and does not pose any material risk. That said, banks have stepped up vigilance and cut incremental credit flow to relatively risky customers. Within our coverage universe, we expect fresh NPAs to be slightly elevated for select players like SBI, Federal Bank, IDFC First Bank, AU SFB, and SBI Cards. However, we expect BOB to report lower slippages in Q3 from a high base in Q2 in the absence of lumpy corporate NPA like Go Air. For Federal Bank, corporate slippages could be slightly elevated due to possible recognition of a technically stressed corporate.

Exhibit 18: Cheque bounce rate under the comfort zone, indicating no signs of stress



Source: NPCI, Emkay Research

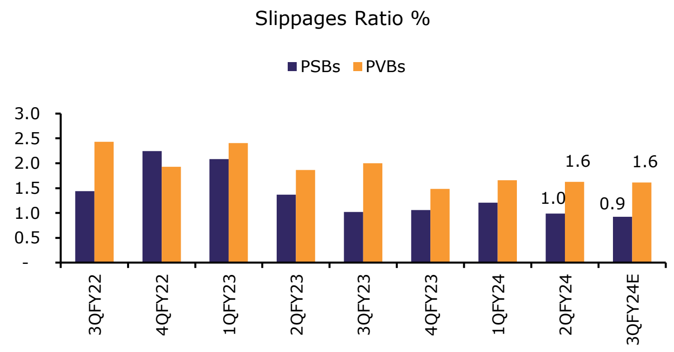
Exhibit 19: While fresh slippages are expected to remain similar to Q2FY24…



Source: Company, Emkay Research,

Note: IDFC First included from Q4FY23

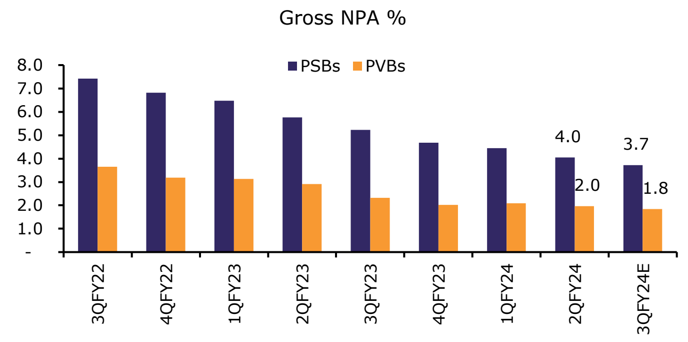
Exhibit 20: …slippages ratio (%) is expected to moderate slightly in Q3FY24, owing to healthy credit growth



Source: Company, Emkay Research

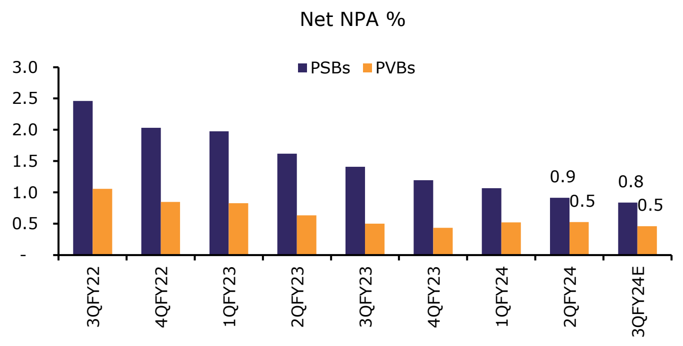
Note: IDFC First included from Q4FY23

Exhibit 21: GNPA ratio to trend down further, though the pace of the fall could moderate



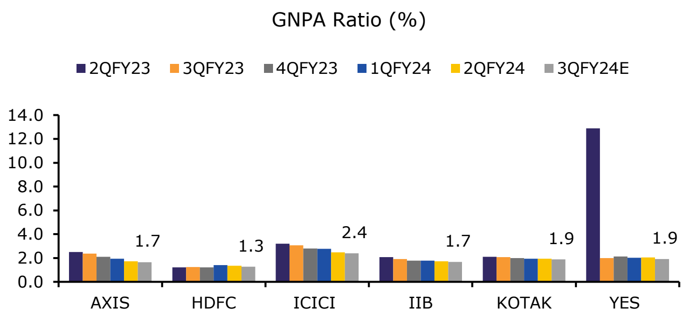
Source: Company, Emkay Research, IDFC First included from Q4FY23

Exhibit 22: Lower GNPA ratios coupled with better growth and healthy PCR to help in containing NNPA



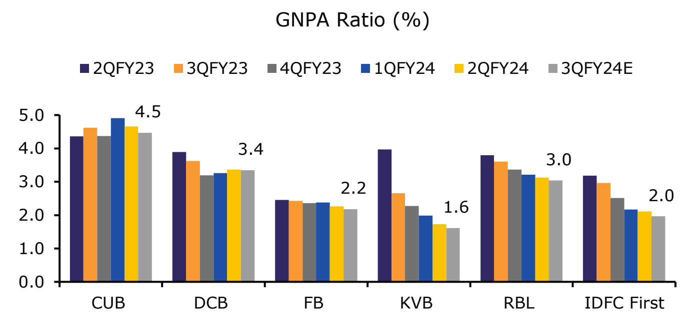
Source: Company, Emkay Research, IDFC First included from Q4FY23

Exhibit 23: For large banks, we expect the GNPA ratio to trend down at a slower pace, led by moderate slippages and better recoveries…



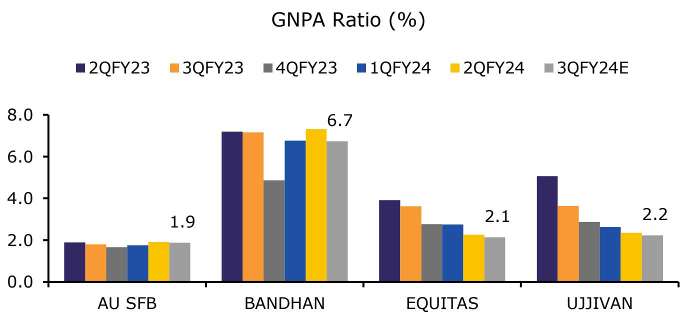
Source: Company, Emkay Research

Exhibit 24: …and a similar trend is expected for mid-size PVBs as well



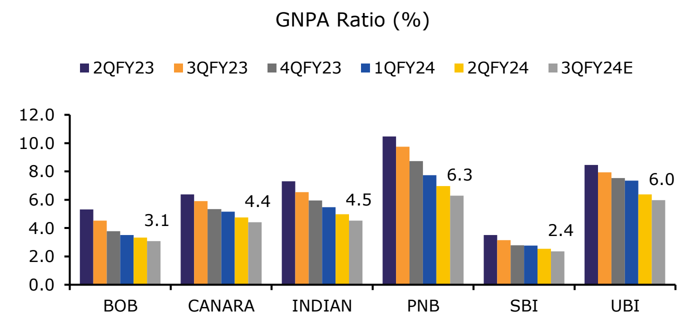
Source: Company, Emkay Research

Exhibit 25: New-gen banks are also expected to report a decline in NPA ratios



Source: Company, Emkay Research

Exhibit 26: PSBs are also expected to report moderation in the GNPA ratio



Source: Company, Emkay Research

Lower margins, higher opex to hurt PPoP for banks, but lower provisions to support profitability

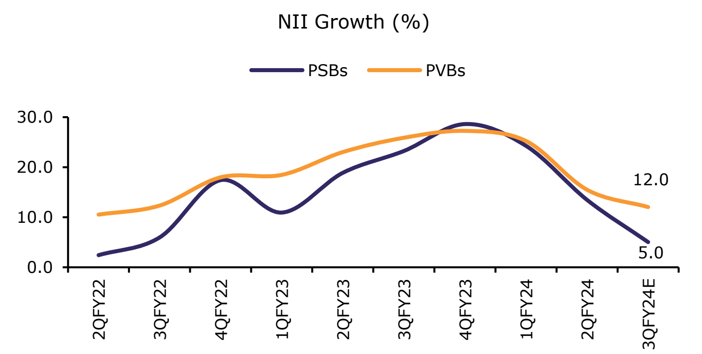
We expect PPoP growth to be largely flat in Q3 (vs. 8% YoY in Q2) mainly due to continued margin contraction, lack of treasury gains, and higher opex including staff cost/franchise cost. For PSBs – PPoP could decline 8% YoY accentuated by the recent wage hike @ 17% vs. earlier expectation of 15%, calling for ad hoc provisions. This could be more pronounced for SBI, as the bank had earlier made provisions based on a 14% wage hike assumption. However, we believe continued moderation in NPAs and healthy provision cover across banks should lead to lower NPA provisions, thereby supporting profitability. For select banks (such as Federal and IIB), we expect a marginal hit on account of the provision of AIF exposure as per the recent RBI guidelines. Within large PVBs, we expect IIB to be an outlier led by better margins and one-off gains from Nippon MF, which could be used to shore up the provision buffer. HDFCB reported strong credit revival (~5% QoQ), but deposit growth has been lower (2% QoQ), which we believe could be due to the unwinding of ICRR and should help the bank witness some margin recovery from the lows of Q2. Within small-mid size PVBs, we expect RBL to report healthy profitability, while CUBK would continue to disappoint. Among PSBs, we believe mid-size banks like Indian, Union, and PNB should report healthy profitability, while higher opex could hurt SBI. Among NBFCs under our coverage, we expect CREDAG to report strong profitability, while SBI Cards would continue to drag due to sub-par margins and elevated credit cost.

Exhibit 27: NIM contraction partly along with lack of treasury gains and elevated opex leading to flat PPoP growth, while lower LLP should aid profitability

(Rs bn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24E	YoY (%)	QoQ (%)
NII	1,615	1,689	1,689	1,701	1,748	8.2	2.8
Non-interest Income	554	616	626	605	635	14.6	5.0
Total Net Income	2,169	2,305	2,315	2,305	2,383	9.9	3.4
PPOP	1,194	1,215	1,246	1,155	1,194	0.0	3.3
LLP	337	271	242	201	199	-41.1	-1.1
PAT	**635**	**600**	**745**	**716**	**738**	**16.3**	**3.1**
PAT - PVBs	**383**	**300**	**438**	**422**	**440**	**14.8**	**4.3**
PAT - PSBs	**252**	**300**	**307**	**294**	**298**	**18.4**	**1.4**

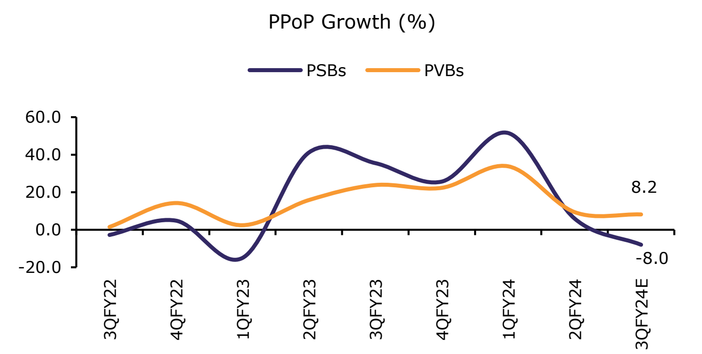
Source: Company, Emkay Research

Exhibit 28: NII is expected to decline amid continued cost pressure weighing on margins



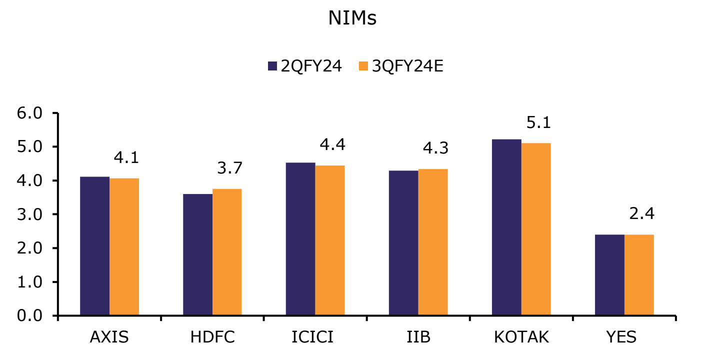
Source: Company, Emkay Research

Exhibit 29: PPoP growth to be flat (negative for PSBs) amid margin pressure along with the lack of treasury gains and higher opex



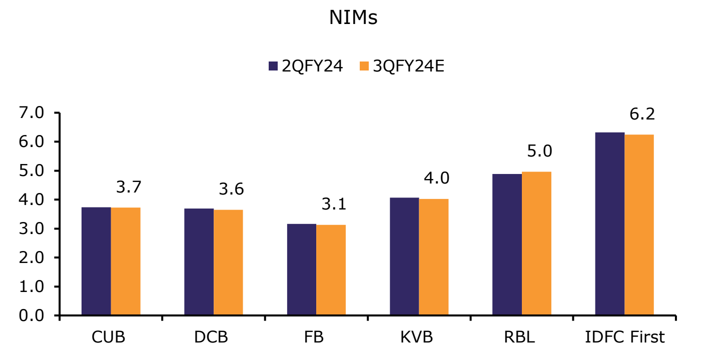
Source: Company, Emkay Research

Exhibit 30: We expect IIB and HDFCB to be outliers among large PVBs…



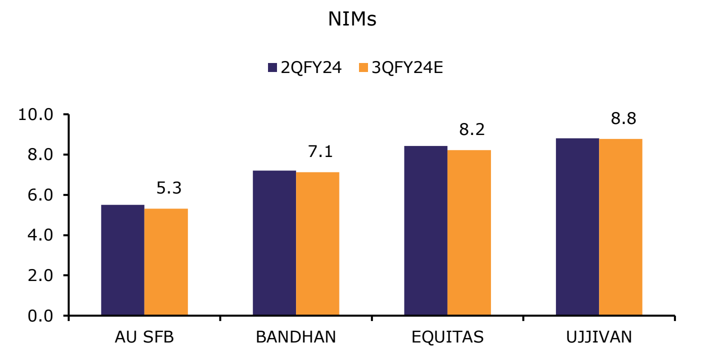
Source: Company, Emkay Research

Exhibit 31: …while margins of small/mid-cap banks may moderate except RBL



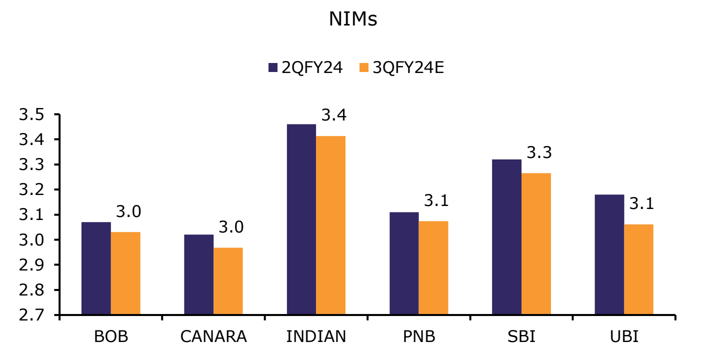
Source: Company, Emkay Research

Exhibit 32: New-age banks to see a slight moderation in NIMs due to rising funding cost…



Source: Company, Emkay Research

Exhibit 33: …and so also for PSU banks



Source: Company, Emkay Research

Exhibit 34: Summary of financial estimates (Q3FY24E)

Banks	NII			PPoP			PAT		
Rs mn	**Q3FY24E**	**YoY (%)**	**QoQ (%)**	**Q3FY24E**	**YoY (%)**	**QoQ (%)**	**Q3FY24E**	**YoY (%)**	**QoQ (%)**
Large Private									
Axis Bank	1,26,643	10.5	2.8	91,289	-1.6	5.8	63,086	7.8	7.6
HDFC Bank	2,95,546	6.2	7.9	2,47,034	2.9	8.9	1,64,270	3.0	2.8
ICICI Bank	1,86,430	13.2	1.8	1,46,955	10.7	3.3	1,05,873	27.4	3.2
IndusInd Bank	52,782	17.4	4.0	46,793	26.9	19.7	24,422	24.4	10.9
Kotak Bank	64,132	13.4	1.9	45,872	19.2	-0.5	31,532	12.9	-0.9
Yes Bank	20,590	4.5	5.3	8,534	-6.6	2.7	4,151	705.6	62.6
Sub Total	7,46,121	9.9	4.6	5,86,477	6.6	6.8	3,93,333	12.6	4.2
Small-Mid Private									
City Union Bank	5,493	-1.2	2.0	4,329	-13.0	12.0	2,362	8.4	-15.8
DCB Bank	4,885	9.5	2.7	2,221	14.4	5.5	1,377	21.0	8.6
Federal Bank	21,122	8.0	2.7	14,438	13.3	9.0	9,679	20.4	1.5
Karur Vysya Bank	9,442	6.2	3.2	6,695	-2.8	4.9	3,911	35.2	3.4
RBL Bank	15,591	22.1	5.7	7,752	36.8	6.1	3,013	44.7	2.8
IDFC First	41,390	26.0	4.8	16,760	32.9	11.0	8,256	36.5	9.9
Sub Total	97,923	16.4	4.1	52,194	16.5	8.7	28,599	27.8	2.7
New Age/SFBs									
AU SFB	12,923	12.1	3.5	6,425	15.6	-0.8	4,376	11.4	8.9
Bandhan	24,855	19.5	1.7	16,409	-14.6	3.6	8,160	180.8	13.2
Equitas SFB	7,845	21.2	2.5	3,457	23.9	4.7	2,066	21.4	4.3
Ujjivan SFB	8,695	24.8	5.6	5,139	32.1	6.3	3,337	13.8	1.8
Sub Total	54,318	18.7	2.9	31,430	-0.1	3.2	17,939	56.4	8.8
PSBs									
BOB	1,10,716	2.3	2.2	74,963	-8.9	-6.5	42,303	9.8	-0.5
Canara Bank	86,568	0.7	-2.8	71,511	2.9	-6.1	35,245	22.3	-2.3
Indian Bank	58,295	6.0	1.6	41,079	1.1	-4.5	21,194	51.8	6.6
PNB	1,02,031	11.2	2.8	61,991	8.5	-0.3	19,169	204.8	9.2
SBI	4,00,665	5.2	1.4	2,04,191	-19.0	5.2	1,45,127	2.2	1.3
Union Bank	91,382	5.9	0.1	69,990	5.7	-3.1	35,428	57.8	0.9
Sub Total	**8,49,657**	**5.2**	**1.1**	**5,23,726**	**-7.8**	**-0.8**	**2,98,466**	**18.4**	**1.4**
Card Player									
SBI Cards	13,655	19.3	5.3	15,756	29.4	1.6	6,076	19.3	0.8
Sub Total	**13,655**	**19.3**	**5.3**	**15,756**	**29.4**	**1.6**	**6,076**	**19.3**	**0.8**
NBFC-MFI									
CREDAG	8,332	46.8	7.9	6,076	60.1	7.6	3,782	75.3	8.3
Fusion	3,165	25.5	3.5	2,444	33.0	1.1	1,342	31.0	6.8
Sub Total	**11,496**	**40.3**	**6.6**	**8,520**	**51.3**	**5.6**	**5,124**	**61.0**	**7.9**
Total	**17,73,172**	**8.4**	**2.8**	**12,18,103**	**0.5**	**3.3**	**7,49,536**	**16.5**	**3.1**

Source: Company, Emkay Research

Exhibit 35: Q3FY24E result preview for banks under our coverage

Name			Q3FY24E	Q2FY24	Q3FY23	% Chg YoY	% Chg QoQ	Comments
Axis Bank								
CMP (Rs)	1,117	NII (Rs mn)	1,26,643	1,23,146	1,14,593	10.5%	2.8%	We expect growth to be healthy, while margins may be range-bound. Slippages may inch up a bit from a low base in Q2, but higher write-offs to help reduce GNPAs
Mkt Cap (Rs bn)	3,483	Op. Profit (Rs mn)	91,289	86,319	92,775	-1.6%	5.8%	
Reco.	BUY	NIM (%)	4.1	4.1	4.3	-20bps	-5bps	
		PAT (Rs mn)	63,086	58,636	58,531	7.8%	7.6%	
		EPS (Rs)	20.5	19.0	19.0	7.8%	7.6%	
HDFC Bank								
CMP (Rs)	1,651	NII (Rs mn)	2,95,546	2,73,852	2,78,279	6.2%	7.9%	Margins should recover a bit with the drag of ICRR being largely behind and MCLR revision. The bank is expected to report elevated NPAs on a merged basis, including agri slippages.
Mkt Cap (Rs bn)	12,629	Op. Profit (Rs mn)	2,47,034	2,26,939	2,40,059	2.9%	8.9%	
Reco.	BUY	NIM (%)	3.6	3.6	4.1	-46bps	5bps	
		PAT (Rs mn)	1,64,270	1,59,761	1,59,503	3.0%	2.8%	
		EPS (Rs)	21.6	21.0	21.0	3.0%	2.8%	
ICICI Bank								
CMP (Rs)	988	NII (Rs mn)	1,86,430	1,83,079	1,64,650	13.2%	1.8%	We expect margins to slip QoQ due to rising CoF, but lower provisions should support profitability. Slippages could be up slightly due to agri NPAs.
Mkt Cap (Rs bn)	6,933	Op. Profit (Rs mn)	1,46,955	1,42,293	1,32,712	10.7%	3.3%	
Reco.	BUY	NIM (%)	4.4	4.5	4.7	-21bps	-9bps	
		PAT (Rs mn)	1,05,873	1,02,610	83,119	27.4%	3.2%	
		EPS (Rs)	15.1	14.6	11.8	27.4%	3.2%	
IndusInd Bank								
CMP (Rs)	1,638	NII (Rs mn)	52,782	50,767	44,954	17.4%	4.0%	Margins should remain stable QoQ, while the bank would utilize gains from Nippon MF stake sale (Gross at Rs7.95bn) to shore up contingent buffers. Slippages are expected to remain largely flat QoQ.
Mkt Cap (Rs bn)	1,274	Op. Profit (Rs mn)	46,793	39,087	36,864	26.9%	19.7%	
Reco.	BUY	NIM (%)	4.3	4.3	4.3	7bps	5bps	
		PAT (Rs mn)	24,422	22,012	19,635	24.4%	10.9%	
		EPS (Rs)	31.4	28.3	25.2	24.4%	10.9%	

Source: Company, Emkay Research

Q3FY24E result preview for banks under our coverage (Contd.)

Name			Q3FY24E	Q2FY24	Q3FY23	% Chg YoY	% Chg QoQ	Comments
Kotak Bank								
CMP (Rs)	1,837	NII (Rs mn)	64,132	62,966	56,529	13.4%	1.9%	Credit growth should remain healthy, but rising CoF is expected to hurt margins while slippages are likely to remain elevated.
Mkt Cap (Rs bn)	3,651	Op. Profit (Rs mn)	45,872	46,101	38,498	19.2%	-0.5%	
Reco.	ADD	NIM (%)	5.1	5.2	5.5	-37bps	-12bps	
		PAT (Rs mn)	31,532	31,827	27,919	12.9%	-0.9%	
		EPS (Rs)	15.9	16.0	14.0	12.9%	-0.9%	
Yes Bank								
CMP (Rs)	24	NII (Rs mn)	20,590	19,551	19,706	4.5%	5.3%	We expect margins to remain largely flat, which coupled with some moderation in LLP should support profitability. Slippages are expected to moderate QoQ.
Mkt Cap (Rs bn)	698	Op. Profit (Rs mn)	8,534	8,314	9,136	-6.6%	2.7%	
Reco.	SELL	NIM (%)	2.4	2.4	2.5	-8bps	3bps	
		PAT (Rs mn)	4,151	2,552	515	705.6%	62.6%	
		EPS (Rs)	0.1	0.1	0.0	705.6%	62.6%	
City Union Bank								
CMP (Rs)	150	NII (Rs mn)	5,493	5,384	5,557	-1.2%	2.0%	Growth is likely to remain soft, which coupled with rising CoF should keep margins in check. This along with elevated provisions to shore-up PCR should hurt profitability. NPA ratio is likely to moderate QoQ due to moderation in slippages.
Mkt Cap (Rs bn)	111	Op. Profit (Rs mn)	4,329	3,866	4,973	-13.0%	12.0%	
Reco.	REDUCE	NIM (%)	3.7	3.7	3.9	-16bps	-2bps	
		PAT (Rs mn)	2,362	2,806	2,178	8.4%	-15.8%	
		EPS (Rs)	3.2	3.8	2.9	8.4%	-15.8%	
DCB Bank								
CMP (Rs)	160	NII (Rs mn)	4,885	4,757	4,460	9.5%	2.7%	We expect margins to shrink, which coupled with elevated credit cost should weigh on profitability, and we believe NPA ratios should remain elevated amid rising stress.
Mkt Cap (Rs bn)	50	Op. Profit (Rs mn)	2,221	2,105	1,941	14.4%	5.5%	
Reco.	SELL	NIM (%)	3.6	3.7	4.0	-37bps	-4bps	
		PAT (Rs mn)	1,377	1,268	1,139	21.0%	8.6%	
		EPS (Rs)	4.4	4.1	3.6	21.0%	8.6%	

Source: Company, Emkay Research

Q3FY24E result preview for banks under our coverage (Contd.)

Name			Q3FY24E	Q2FY24	Q3FY23	% Chg YoY	% Chg QoQ	Comments
Federal Bank								
CMP (Rs)	152	NII (Rs mn)	21,122	20,564	19,565	8.0%	2.7%	Margins may slip a bit due to higher deposit growth; one-off gain from stake sale in Fedfina is to be consumed by provisions on AIF and wage revision. Slippages could be up QoQ due to the recognition of a chemical corporate as NPA.
Mkt Cap (Rs bn)	369	Op. Profit (Rs mn)	14,438	13,245	12,742	13.3%	9.0%	
Reco.	BUY	NIM (%)	3.1	3.2	3.5	-36bps	-3bps	
		PAT (Rs mn)	9,679	9,538	8,036	20.4%	1.5%	
		EPS (Rs)	4.0	3.9	3.3	20.4%	1.5%	
Karur Vysya Bank								
CMP(Rs)	164	NII (Rs mn)	9,442	9,154	8,890	6.2%	3.2%	Despite some margin contraction and additional staff cost due to the recent wage revision, we expect the bank to register 1.5% RoA, led by contained provisions, while slippages are likely to remain range-bound.
Mkt Cap (Rs bn)	131	Op. Profit (Rs mn)	6,695	6,379	6,890	-2.8%	4.9%	
Reco	BUY	NIM (%)	4.1	4.1	4.4	-30bps	-1bps	
		PAT (Rs mn)	3,911	3,785	2,893	35.2%	3.4%	
		EPS (Rs)	4.9	4.7	3.6	35.2%	3.4%	
RBL Bank								
CMP (Rs)	290	NII (Rs mn)	15,591	14,750	12,772	22.1%	5.7%	Margins could inch up QoQ due to better growth and loan yields. We expect provisions to moderate QoQ but remain elevated including the build-up of some contingent provisions and impact on AIF investments. Slippages are likely to remain elevated, though flat QoQ.
Mkt Cap (Rs bn)	175	Op. Profit (Rs mn)	7,752	7,304	5,666	36.8%	6.1%	
Reco.	BUY	NIM (%)	5.0	4.9	4.7	22bps	7bps	
		PAT (Rs mn)	3,013	2,932	2,082	44.7%	2.8%	
		EPS (Rs)	5.0	4.9	3.5	44.7%	2.8%	
IDFC First bank								
CMP (Rs)	86	NII (Rs mn)	41,390	39,502	32,853	26.0%	4.8%	We expect NIMs to contract QoQ, which coupled with elevated opex/LLP should keep the bank's RoA in check around 1.2%. Slippages are likely to remain elevated.
Mkt Cap (Rs bn)	610	Op. Profit (Rs mn)	16,760	15,103	12,608	32.9%	11.0%	
Reco.	BUY	NIM (%)	6.2	6.3	6.1	11bps	-8bps	
		PAT (Rs mn)	8,256	7,513	6,046	36.5%	9.9%	
		EPS (Rs)	1.2	1.1	0.9	36.5%	9.9%	

Source: Company, Emkay Research

Q3FY24E result preview for banks under our coverage (Contd.)

Name			Q3FY24E	Q2FY24	Q3FY23	% Chg YoY	% Chg QoQ	Comments
AU SFB								
CMP (Rs)	806	NII (Rs mn)	12,923	12,490	11,527	12.1%	3.5%	Margins are likely to remain under pressure due to rising funding costs, though lower interest reversal should provide some support. Slippages are expected to moderate QoQ and so also GNPA ratio.
Mkt Cap (Rs bn)	539	Op. Profit (Rs mn)	6,425	6,477	5,557	15.6%	-0.8%	
Reco.	REDUCE	NIM (%)	5.4	5.5	6.2	-79bps	-9bps	
		PAT (Rs mn)	4,376	4,018	3,928	11.4%	8.9%	
		EPS (Rs)	6.5	6.0	5.9	11.4%	8.9%	
Bandhan Bank								
CMP (Rs)	236	NII (Rs mn)	24,855	24,434	20,804	19.5%	1.7%	We expect growth to improve QoQ, while lower interest reversal should help protect NIMs. Slippages could be elevated due to some stress recognition from floods in East India. Any delay in CGFMU recovery could affect asset quality.
Mkt Cap (Rs bn)	380	Op. Profit (Rs mn)	16,409	15,834	19,222	-14.6%	3.6%	
Reco.	BUY	NIM (%)	7.1	7.2	6.5	62bps	-8bps	
		PAT (Rs mn)	8,160	7,212	2,906	180.8%	13.2%	
		EPS (Rs)	5.1	4.5	1.8	180.8%	13.2%	
Equitas SFB								
CMP (Rs)	114	NII (Rs mn)	7,845	7,656	6,475	21.2%	2.5%	We believe margin contraction coupled with elevated opex/LLP should keep earnings in check. We expect slippages to remain elevated mainly from the non-MFI book.
Mkt Cap (Rs bn)	128	Op. Profit (Rs mn)	3,457	3,302	2,791	23.9%	4.7%	
Reco.	ADD	NIM (%)	8.3	8.4	9.0	-71bps	-13bps	
		PAT (Rs mn)	2,066	1,981	1,701	21.4%	4.3%	
		EPS (Rs)	1.8	1.8	1.5	21.4%	4.3%	
Ujjivan SFB								
CMP (Rs)	58	NII (Rs mn)	8,695	8,233	6,970	24.8%	5.6%	Strong growth coupled with contained provisions is expected to lead to healthy profitability/RoAs. The bank is expected to report moderate slippages as asset quality holds up well in Southern India.
Mkt Cap (Rs bn)	113	Op. Profit (Rs mn)	5,139	4,834	3,889	32.1%	6.3%	
Reco.	ADD	NIM (%)	8.8	8.8	9.4	-63bps	-3bps	
		PAT (Rs mn)	3,337	3,277	2,932	13.8%	1.8%	
		EPS (Rs)	1.7	1.7	1.5	13.8%	1.8%	

Source: Company, Emkay Research

Q3FY24E result preview for banks under our coverage (Contd.)

Name			Q3FY24E	Q2FY24	Q3FY23	% Chg YoY	% Chg QoQ	Comments
Bank of Baroda								Credit growth is expected to remain healthy, but margins may slip a bit due to rising funding costs. Corporate slippages could be lower due to the absence of Go Air as well as international accounts.
CMP (Rs)	225	NII (Rs mn)	1,10,716	1,08,307	1,08,183	2.3%	2.2%	
Mkt Cap (Rs bn)	1,163	Op. Profit (Rs mn)	74,963	80,197	82,322	-8.9%	-6.5%	
Reco.	BUY	NIM (%)	3.0	3.1	3.4	-34bps	-4bps	
		PAT (Rs mn)	42,303	42,529	38,527	9.8%	-0.5%	
		EPS (Rs)	8.2	8.2	7.5	9.8%	-0.5%	
Canara Bank								The bank should report healthy credit growth but rising CoF should reflect on margins. Slippages are likely to remain largely flat QoQ, while healthy recoveries and write-offs should reduce NPAs.
CMP (Rs)	454	NII (Rs mn)	86,568	89,030	86,000	0.7%	-2.8%	
Mkt Cap (Rs bn)	824	Op. Profit (Rs mn)	71,511	76,156	69,521	2.9%	-6.1%	
Reco.	ADD	NIM (%)	3.0	3.0	3.1	-8bps	-5bps	
		PAT (Rs mn)	35,245	36,061	28,815	22.3%	-2.3%	
		EPS (Rs)	19.4	19.9	15.9	22.3%	-2.3%	
Indian Bank								The bank will continue to report moderate growth, but healthy margins, PSLC fees, and recovery from write-offs are likely to support RoA at 1-1.1%. Slippages could be largely flat QoQ.
CMP (Rs)	429	NII (Rs mn)	58,295	57,402	54,992	6.0%	1.6%	
Mkt Cap (Rs bn)	577	Op. Profit (Rs mn)	41,079	43,027	40,614	1.1%	-4.5%	
Reco	BUY	NIM (%)	3.4	3.5	3.7	-33bps	-5bps	
		PAT (Rs mn)	21,194	19,878	13,958	51.8%	6.6%	
		EPS (Rs)	15.7	14.8	10.4	51.8%	6.6%	
Punjab National bank								We expect margins to remain largely range-bound, while lower provisions should support profitability. Slippages could inch up QoQ due to seasonal agri stress.
CMP (Rs)	96	NII (Rs mn)	1,02,031	99,229	91,794	11.2%	2.8%	
Mkt Cap (Rs bn)	1,059	Op. Profit (Rs mn)	61,991	62,164	57,159	8.5%	-0.3%	
Reco.	REDUCE	NIM (%)	3.1	3.1	3.2	-4bps	1bps	
		PAT (Rs mn)	19,169	17,561	6,289	204.8%	9.2%	
		EPS (Rs)	1.7	1.6	0.6	204.8%	9.2%	

Source: Company, Emkay Research

Q3FY24E result preview for banks under our coverage (Contd.)

Name			Q3FY24E	Q2FY24	Q3FY23	% Chg YoY	% Chg QoQ	Comments
State Bank of India								
CMP (Rs)	631	NII (Rs mn)	4,00,665	3,95,000	3,80,686	5.2%	1.4%	
Mkt Cap (Rs bn)	5,631	Op. Profit (Rs mn)	2,04,191	1,94,166	2,52,193	-19.0%	5.2%	We expect margins to be range-bound, but higher staff costs due to wage revision could hurt operating profitability. We expect slippages to remain contained in the absence of any lumpy corporate NPA.
Reco.	BUY	NIM (%)	3.2	3.3	3.5	-25bps	-7bps	
		PAT (Rs mn)	1,45,127	1,43,300	1,42,053	2.2%	1.3%	
		EPS (Rs)	16.3	16.1	15.9	2.2%	1.3%	
Union Bank of India								
CMP (Rs)	123	NII (Rs mn)	91,382	91,261	86,281	5.9%	0.1%	
Mkt Cap (Rs bn)	914	Op. Profit (Rs mn)	69,990	72,208	66,192	5.7%	-3.1%	We expect some margin correction due to rising CoF but contained provisions should support profitability. Slippages are likely to remain range-bound.
Reco.	REDUCE	NIM (%)	3.1	3.2	3.2	-7bps	-6bps	
		PAT (Rs mn)	35,428	35,114	22,448	57.8%	0.9%	
		EPS (Rs)	4.8	4.7	3.0	57.8%	0.9%	
SBI Cards								
CMP (Rs)	767	NII (Rs mn)	13,655	12,969	11,446	19.3%	5.3%	
Mkt Cap (Rs bn)	730	Op. Profit (Rs mn)	15,756	15,509	12,174	29.4%	1.6%	Healthy AUM growth coupled with fees but offset by higher opex and elevated credit cost should limit profitability. We expect NPA ratio to trend down due to lower slippages and better AUM growth.
Reco.	BUY	NIM (%)	11.4	11.3	11.6	-22bps	8bps	
		PAT (Rs mn)	6,076	6,030	5,095	19.3%	0.8%	
		EPS (Rs)	6.4	6.3	5.4	19.3%	0.8%	
CREDAG								
CMP (Rs)	1,780	NII (Rs mn)	8,332	7,722	5,674	46.8%	7.9%	
Mkt Cap (Rs bn)	283	Op. Profit (Rs mn)	6,076	5,648	3,795	60.1%	7.6%	Strong credit growth coupled with healthy margins should lead to robust profitability, while slippages should remain slightly elevated.
Reco.	BUY	NIM (%)	13.2	13.1	11.9	128bps	8bps	
		PAT (Rs mn)	3,782	3,492	2,158	75.3%	8.3%	
		EPS (Rs)	23.8	21.9	13.6	75.3%	8.3%	

Source: Company, Emkay Research

Q3FY24E result preview for banks under our coverage (Contd.)

Name			Q3FY24E	Q2FY24	Q3FY23	% Chg YoY	% Chg QoQ	Comments
Fusion								
CMP (Rs)	607	NII (Rs mn)	3,165	3,058	2,522	25.5%	3.5%	We expect strong profitability growth, despite elevated provisions to build buffers, while slippages should remain slightly elevated from the restructured pool.
Mkt Cap (Rs bn)	61	Op. Profit (Rs mn)	2,444	2,418	1,838	33.0%	1.1%	
Reco.	BUY	NIM (%)	11.8	11.1	10.3	145bps	64bps	
		PAT (Rs mn)	1,342	1,257	1,025	31.0%	6.8%	
		EPS (Rs)	13.3	12.4	10.1	31.0%	6.8%	

Source: Company, Emkay Research

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