

09 April 2024

India | Equity Research | Sector Update

Banking

Q4FY24 preview: Continued pressure on NII / PAT, but deposits growth to outpace loan growth; Sustained healthy deposits growth and easing liquidity could aid re-rating

We see continued pressure on NII on the back of moderating loan growth (up 3.5% QoQ) and NIM (10-15bps QoQ dip), though benign credit costs (including part reversals of AIF provisions) should somewhat cushion PAT growth. We see systemic deposits growth accelerating (~5.5% QoQ), though reckon some seasonal tailwinds alongside. Interestingly, provisional update from banks comprising ~50% of systemic credit/deposits indicates clear trend of improvement in the loan to deposits ratio (LDR) QoQ, which holds true for even select PSU banks with low LDR. Notwithstanding concerns on softening loan growth and NIM moderation (due to policy rates), the sustainability of healthy deposits growth and easing systemic liquidity could aid re-rating among private banks, as asset quality and headline RoA remain strong.

Acceleration in deposits but deceleration in loan growth QoQ

Unlike a typical Q4 that usually keeps loan growth in the cross hairs, we envisage deposits growth to be the centre piece this quarter, and expect it to score better than loan growth QoQ. We expect overall deposits growth to accelerate to 13-13.5% YoY for FY24, from 11-11.5% YoY as of FY23 (as per RBI trend and progress). On the credit front, adjusted systemic loan growth will likely decelerate to 15-15.5% YoY vs. 17-18% YoY (as per RBI trend and progress), as of FY23. As against ~4.5% QoQ loan growth for both Q2FY24 and Q3FY24, we estimate ~3.5% QoQ loan growth for Q4FY24. On the other hand, deposits growth shall likely see a significant rise, from 2.0-3.5% QoQ range for the last three quarters, to ~5.5% QoQ in Q4FY24.

We continue to believe that actual reported growth by the banking system (quarter-end basis) may be divergent from that indicated by fortnightly systemic loan and in deposits data due to the difference in reporting date.

Battle on deposits continues, but sustained deposit growth along with easing liquidity could prepare ground for re-rating

Apart from the usual concerns of peaking RoA, subdued deposits growth and tight liquidity, fresh concerns have surfaced for the banking sector in the last couple of months – cautious regulatory stance on strong loan growth in select segments and apparent prescription to soften the elevated LDR; the latter being more relevant for private banks. While the concerns on moderating NIM/RoA remain, provisional business figures from ~22 banks accounting for ~50% of the system loan/deposits indicate deposits growth (up 6.0% QoQ) outpacing loans growth (up 3% QoQ). We argue that an unmissable trend from the business updates is the QoQ improvement in LDR for almost all banks. Interestingly, the LDR improvement phenomenon also applies to even select PSU banks which had one of the lowest LDR.

Data from select banks (HDFCB, FB, etc.) suggests that banks have seen faster growth in retail deposits and have not relied too much on bulk / wholesale deposits. While some growth in retail deposit could be seasonal, overall trend in terms of healthy retail deposits growth is encouraging.

Jai Prakash Mundhra
jai.mundhra@icicisecurities.com

+91 22 6807 7572

Chintan Shah
chintan.shah@icicisecurities.com

At the same time, liquidity situation since 1 Apr'24 (new financial year) has also eased considerably, as per Bloomberg data. Going by usual seasonality, liquidity situation should remain relatively comfortable in H1FY25, in our view.

As deposits growth is supposed to be the key constraint for loan growth in the current situation, strong QoQ acceleration in deposits growth along with the likely easing in liquidity conditions are key positives for banks, especially private banks. Improvement in LDR has an adverse impact on NIM, but prudent loan growth could aid pricing power as well. We believe the sustained healthy growth in deposits and benign liquidity situation could prepare the ground for healthy re-rating of private banks, even if NIM were to come under marginal pressure due to adverse LDR.

Cost of deposits rise to be calibrated, but NIM to decline 10-15bps QoQ; new LCR norms awaited

We expect the usual pressure on NIM/RoA to continue in Q4FY24 as well. While a few banks have talked about a hike in card rates for select loan products, the overall rise in yields on advance is likely to be calibrated, as yields on EBLR linked loans have been unchanged. The rise in cost of deposits is likely to be contained, as incremental term deposits cost has started to plateau. Nonetheless, the overall cost of deposits is likely to inch-up, also impacted by moderating share of CASA deposits. Further, improvement in LDR would also have additional pressure on NIM in Q4. Overall, we estimate 10–15 bps QoQ decline in NIM for most of the banks. We expect NIM compression of ~20bps for RBL, but to remain flattish for IIB, IDFC First and Federal. We estimate ~15bps rise in NIM QoQ for City Union, off low base. For KVB, we estimate ~30bps dip QoQ on reported-basis, but ~10–15bps on adjusted for one-off in Q3. For SBI, we estimate ~5–6bps QoQ dip in NIM.

RBI in its recent monetary policy had talked about reviewing the LCR framework, highlighting the increased ability of depositors to quickly withdraw or transfer deposits during times of stress, using digital channels. We would be monitoring, changes to the LCR framework to assess its implication.

For private banks under coverage (ex-HDFCB), we estimate loan growth and deposits growth at ~4.5% QoQ and ~6%, respectively. Including HDFCB, the same are estimated at ~3.0% and ~6.6%, respectively. We estimate NII, PPOP and PAT growth for private banks under coverage (ex-HDFCB) at ~2%/0%/4% QoQ. We estimate flattish NII growth for HDFCB, but build-in strong treasury gains from Credila stake sale; thus, factor in ~1%/11%/17% QoQ rise in NII/PPOP/PAT for private banks including HDFCB. For SBI, we reckon strong ~5% QoQ loan and deposits growth, but flattish NII and overall RoA at ~0.9%.

Core PPOP growth to remain muted

We expect softer NII growth to percolate to operating levels as well. Core fee income is likely be helped by some tailwinds from the usual Q4 seasonality for select banks. Federal Bank and SIB could see some slack in core fee income as both of them have stopped issuance of fresh co-branded credit cards in around mid-Mar'24, pursuant to RBI's observation [([link](#)) and ([link](#))]. SBI should see sharp QoQ rise in core fee income due to seasonality.

On a QoQ-basis, 10/5-years G-Sec yields have softened by ~12bps/7bps. Thus, there is unlikely to be any MTM provisions in the quarter on the government bonds, though there could be small MTM loss (especially for PSU banks) on fresh security receipts acquired upon resolution in Q4FY24. HDFC Bank should include strong treasury gains from stake sale in Credila ([link](#)) in Q4FY24. We have factored-in slightly higher treasury gains for Kotak Mahindra as well.

We envisage heightened activity in treasury portfolios at banks, especially PSU banks, in Q4FY24 as their investment books would have new classification norms from 1 Apr'24. Investors would be keenly awaiting the AFS reserves as of 1 Apr'24 across banks and its impact, if any, on capital and treasury gains for coming quarters.

For PSU banks and old generation private banks, the wage bipartite has been finalised at 17% hike; almost all banks have made provisions, including for previous quarters. While there is no step-up provisioning needed this quarter, the banks could have higher retirement liabilities due to moderation in G-sec yields.

We continue to build elevated opex growth trajectory due to continued investment in tech and digital capabilities, healthy volume growth and franchise investment. It could be interesting to see the outlook on opex ahead as select banks have already re-calibrated their distribution strategy and have talked about extracting benefits from current investments, possibly to offset likely slower revenue growth.

Overall, we expect PPOP growth for our coverage private banks (ex-HDFCB) to be muted at ~1% for both QoQ and YoY. For SBI, we see PPOP growth to be strong at 42% QoQ, off a low base but lower by 24% on a YoY-basis.

Net NPA and credit costs to sustain improving trajectory; banks to see part reversal of AIF provisions

Asset quality is likely to remain comfortable with contained gross slippages and healthy recoveries. The monthly data on bounce rate suggest healthy retail asset quality behaviour. Agri slippages, which saw an uptick last quarter, should also see a benign trend. There have been media reports ([link](#)) on tight monitoring of gold loan portfolio (retail and non-retail), but we do not expect any substantial delinquencies and credit costs. We are likely to witness a deceleration in unsecured retail loan growth, and would be closely monitoring delinquencies trends there, though we expect broadly stable asset quality trends in Q4FY24 for banks under coverage. Due to the approaching general elections, select banks may see elevated slippages in MFI portfolio, but overall slippages are likely to see a decline QoQ across almost all banks.

Recovery is likely to remain strong driven by granular exposures and aided by seasonal tailwinds. There has been healthy progress on the stress resolution by NARCL in the last week of the fiscal, as per media reports ([link here](#)), which is likely to further boost recoveries including those from technical write-offs. Overall, we believe that most of the banks should sustain improving gross NPA and net NPA trajectory.

Due to contained net slippages and healthy coverage ratio, credit costs are likely to see an improving trajectory. With revised norms on AIF, we see significant (30-50%) write-back in AIF provisions for most of the banks, though the same could be used to shore-up contingent cushions.

PAT growth to remain muted

Moderating loan growth and downtick in NIM is likely to keep NII growth restrained. NII softness is likely to percolate to PPOP levels. Credit costs, however, would likely remain comfortable, lending some support to profitability. We estimate NII, PPOP and PAT growth for private banks under coverage (ex-HDFCB) at ~1%/0%/4% QoQ. We estimate flattish NII growth for HDFCB, but build-in strong treasury gains from Credila stake sale; thus, we build in ~1%/11%/17% QoQ rise in NII/PPOP/PAT for private banks including HDFCB. For SBI, we build strong ~5% QoQ loan and deposits growth, but flattish NII and overall RoA at ~0.9%.

Within banks, **HDFC Bank** is likely to report flattish NII QoQ, but PPOP/PAT growth QoQ is likely to be strong, driven by huge treasury gains. We would be closely monitoring the commentary on near-term deposits growth and opex trends. **IIB**, is likely to post steady NIM with NII/PPoP/PAT growth similar to loan growth QoQ. While there are chances of a rise in MFI slippages, overall slippages should improve QoQ. The stressed telecom exposure should also stand reduced to zero, giving more flexibility in

o/s contingent provisions. We model strong >6% QoQ deposits growth for **Axis Bank**, factoring-in strong seasonality in the business. We estimate ~4% QoQ rise in both deposits and loan at **Kotak** and would monitor guidance change, if any, on growth of unsecured personal loans.

We estimate strong QoQ growth in business figures and stable NIM QoQ for **IDFCB**, but estimate marginal deterioration in cost to income ratio in the quarter. Despite strong business growth (~5% each QoQ in deposits and advances), we see QoQ decline in PAT for **Federal Bank** given higher opex/credit costs and lower other income. Clarity on management succession and credit card re-issuance are key likely events for the bank. We estimate ~20bps NIM decline for **RBL** on adverse LDR and elevated cost of deposits. However, we expect the bank to report ~1.1% RoA on partial reversal in AIF provisions. We expect sluggish credit growth YoY for **CUB** in Q4FY24, but believe growth is likely to be bottoming-out. **DCB** should see healthy loan growth, though pressure on NIM/opex is likely to continue. We estimate ~10–15bps QoQ dip in core NIM for **KVB** (though ~30bps on reported-basis) and yet report strong ~1.5% RoA, driven by easing credit costs. **SIB** is likely to report reasonable 3–4% QoQ loan growth (and <1% RoA), though outlook on growth has improved post recent capital raise. **Yes Bank** has also shown strong business update and should see better RoAs, off a low base. For **SBI**, we see strong loan growth QoQ at >5% (up 16% YoY) with 5–6bps QoQ dip in NIM. Both other income and non-staff opex are likely to see strong growth QoQ on seasonality. Staff cost would include the pending retirement provisions and should come at around INR 220bn. Asset quality would remain comfortable. Thus, overall, RoA would rise QoQ, but still be below 1%, in our view.

Exhibit 1: Valuation summary

Bank	CMP	Market Cap (INR bn)	Reco	RoA (%)		RoE (%)		P/ABV (x)	
				FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Axis	1,076	3,321	BUY	1.7	1.7	17.2	17.0	1.9	1.6
CUB	155	115	HOLD	1.4	1.5	12.1	12.6	1.3	1.1
DCB	126	40	ADD	0.9	1.0	11.9	13.2	0.8	0.7
Federal	154	376	BUY	1.2	1.1	13.0	13.2	1.1	1.0
HDFCB	1,547	11,749	ADD	1.8	1.8	15.1	15.6	2.1	1.8
IDFC FB	83	583	HOLD	1.2	1.3	11.2	13.5	1.7	1.5
IndusInd	1,568	1,221	BUY	1.9	1.9	16.1	16.5	1.7	1.5
KVB	194	155	BUY	1.6	1.4	16.7	15.6	1.4	1.2
Kotak	1,788	3,555	HOLD	2.0	1.9	12.1	12.0	2.4	2.0
RBL	256	155	ADD	1.1	1.2	10.6	11.5	1.0	0.9
SIB	29	75	BUY	0.8	0.9	11.9	13.1	0.8	0.8
YES	25	712	SELL	0.7	1.0	6.3	9.2	1.7	1.5
SBI	768	6,857	BUY	1.0	0.9	17.0	16.4	1.4	1.2

Source: Company data, Bloomberg, I-Sec research

Exhibit 2: Current and historical P/B and RoA

Banks	FY25E P/ABV (x)	1Y-fwd P/ABV avg (x)			RoAs (current and historical)			
		3Y	5Y	10Y	3 Year Avg	5 Year Avg	10 Year Avg	Avg for FY25E-26E
Axis	1.9	1.8	1.8	2.0	1.2	0.9	1.0	1.7
CUB	1.3	1.6	2.0	2.2	1.3	1.3	1.4	1.5
DCB	0.8	0.8	1.0	1.4	0.8	0.9	1.0	0.9
Federal	1.1	1.0	0.9	1.2	1.0	0.9	0.9	1.2
HDFCB	2.1	2.7	2.9	3.2	1.9	1.9	1.9	1.8
IDFCFB	1.7	1.5	1.4	NA	0.5	-0.3	0.6	1.3
IndusInd	1.7	1.6	1.7	2.6	1.3	1.3	1.6	1.9
KVB	1.4	0.8	0.7	1.1	0.9	0.7	0.8	1.5
Kotak	2.4	3.1	3.4	3.6	2.1	2.0	1.8	2.0
RBL	1.0	0.8	1.1	NA	0.4	0.6	0.8	1.1
SIB	0.8	0.5	0.5	0.8	0.3	0.3	0.4	0.9
YES	1.7	1.2	2.4	2.8	-0.2	-1.1	0.3	0.8
SBI	1.4	1.1	0.9	1.2	0.7	0.5	0.4	0.9

Source: Bloomberg, Company data, I-Sec research

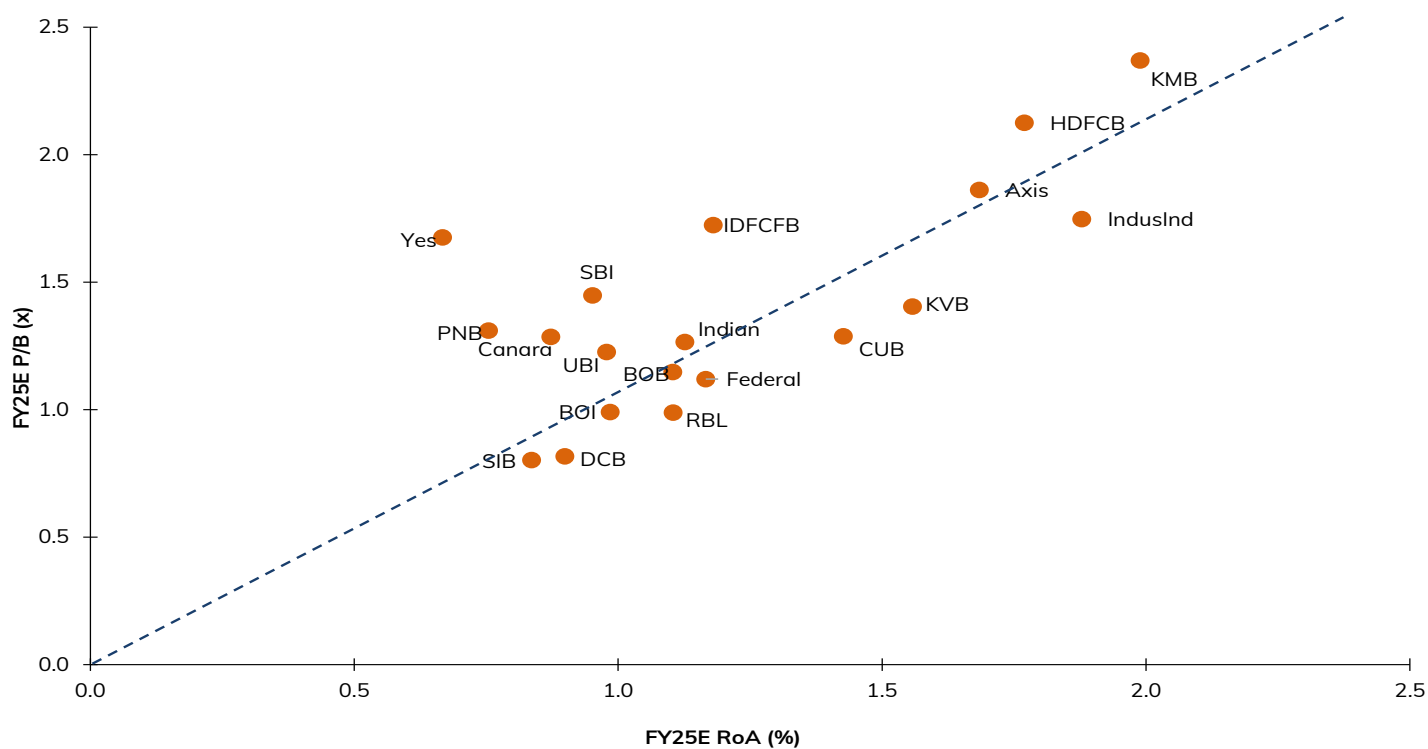
Exhibit 3: NII, PPop and PAT estimates for Q4FY24

Banks (INR mn)	NII	QoQ %	YoY (%)	PPoP	QoQ %	YoY (%)	PAT	QoQ %	YoY (%)
Axis	127,414	1.7	8.5	90,428	(1.1)	(1.4)	62,333	2.7	(5.9)
CUB	5,500	6.6	6.9	3,926	7.9	(5.9)	2,429	(4.0)	11.4
DCB	4,641	(2.1)	(4.5)	2,000	(5.4)	(18.0)	1,229	(2.9)	(13.6)
Federal	22,210	4.6	16.3	13,719	(4.6)	2.8	9,573	(4.9)	6.1
HDFCB	284,684	(0.0)	21.9	289,612	22.5	55.5	210,421	28.5	74.7
IDFC FB	44,797	4.5	24.5	16,346	4.6	4.9	7,393	3.3	(7.9)
IndusInd	55,072	4.0	17.9	41,700	4.2	11.1	24,107	4.9	18.1
KVB	9,481	(5.3)	6.2	5,913	(12.5)	(20.0)	3,879	(5.8)	14.8
KMB	65,564	0.0	7.4	45,302	(0.8)	(2.5)	30,695	2.1	(12.2)
RBL	15,615	1.0	28.9	7,865	2.8	32.5	3,535	51.5	30.3
South Indian	8,194	0.0	(4.4)	3,761	(22.2)	(33.0)	2,593	(15.1)	(22.3)
Yes	20,136	(0.2)	(4.4)	10,316	19.4	16.0	4,469	93.1	120.8
Total Private Banks (ex-HDFC)	378,624	1.9	11.1	241,275	0.2	0.9	152,234	3.9	(1.0)
Total Private Banks	663,308	1.1	15.5	530,887	11.2	24.8	362,655	16.9	32.3
SBI	401,413	0.8	(0.6)	187,949	42.0	(23.7)	132,328	44.4	(20.7)
Total Coverage (ex-HDFC)	780,036	1.3	4.7	429,224	15.0	(11.5)	284,563	19.5	(11.3)
Total Coverage	1,064,720	1.0	8.8	718,836	17.9	7.1	494,984	23.1	12.2

Source: Company data, I-Sec research

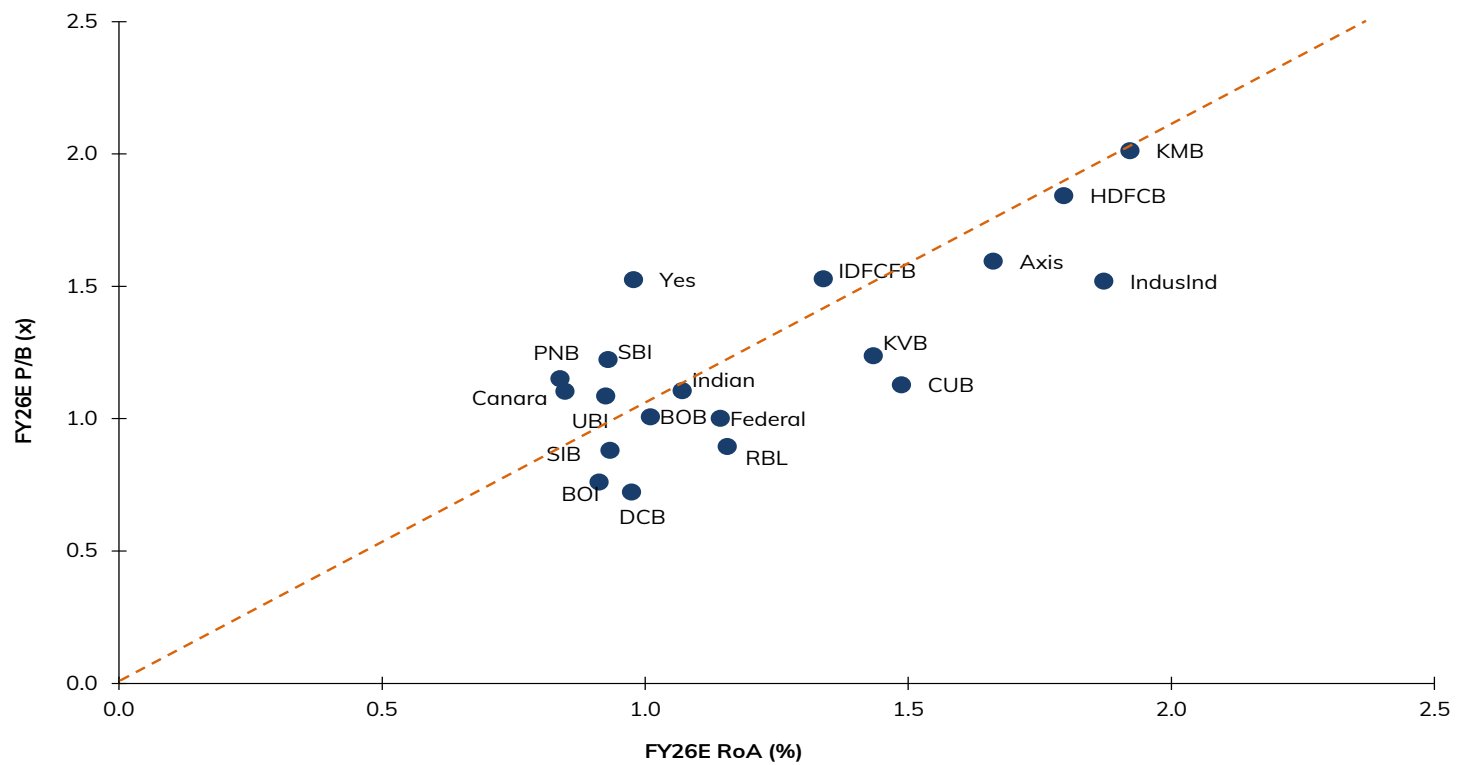
Please note that YoY growth for HDFCB may not be comparable due to merger.

Exhibit 4: Current valuations suggest almost no 'growth' multiple to most of the banks for FY25E...



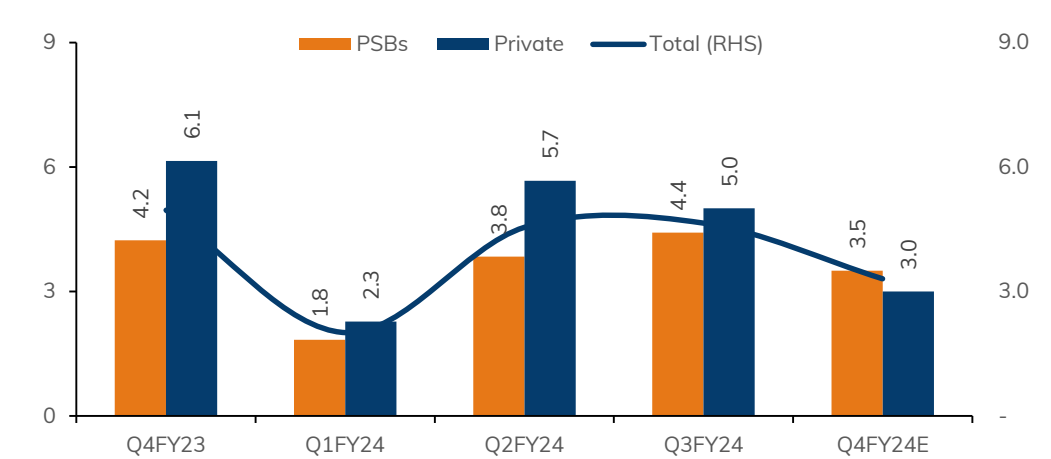
Source: Company data, Bloomberg, I-Sec research

Exhibit 5: ...as well as FY26E

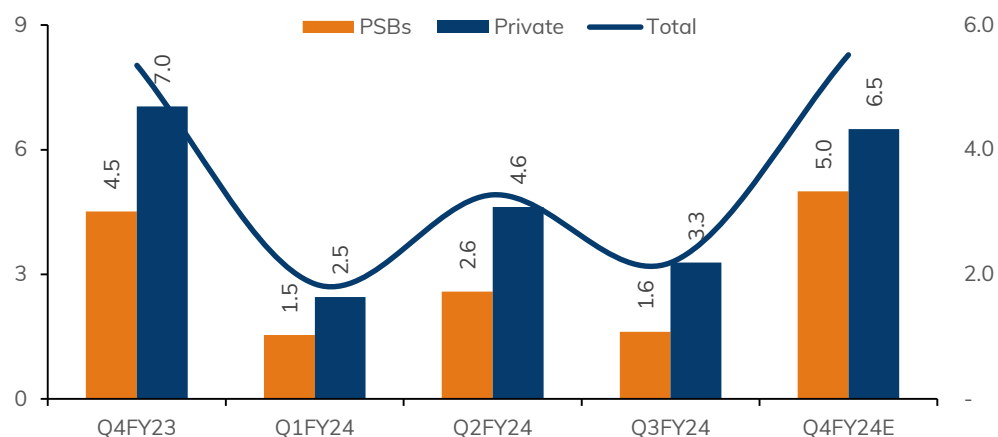


Source: Company data, Bloomberg, I-Sec research

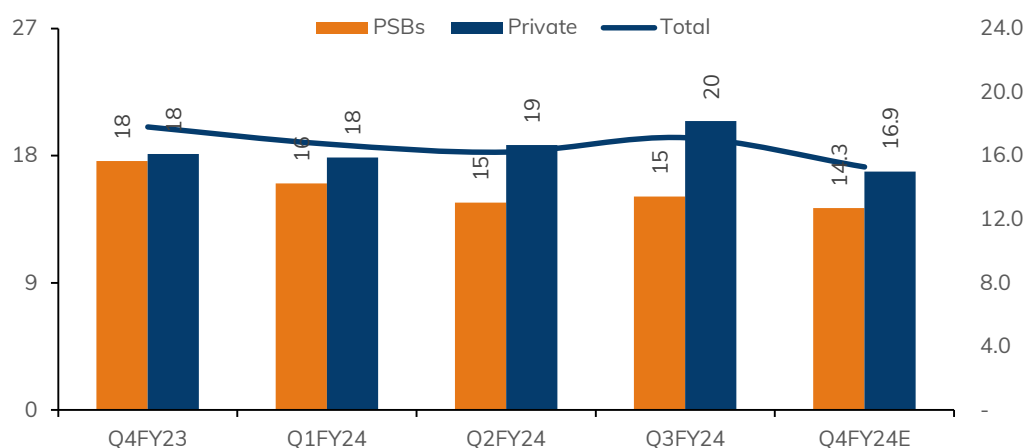
Exhibit 6: We expect systemic credit growth (adjusted for HDFCB merger) at ~3.5% QoQ...



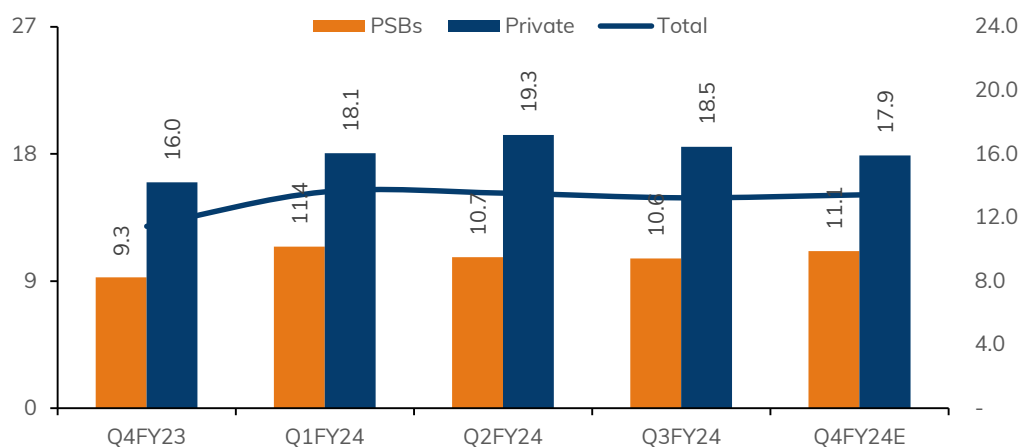
Source: RBI, I-Sec research

Exhibit 7: ...and deposits growth at ~5.5% QoQ for Q4FY24

Source: RBI, I-Sec research

Exhibit 8: Similarly, we expect systemic credit growth (adjusted for HDFCB merger) at ~15% YoY...

Source: RBI, I-Sec research

Exhibit 9: ...and deposits growth at ~13% YoY for Q4FY24

Source: RBI, I-Sec research

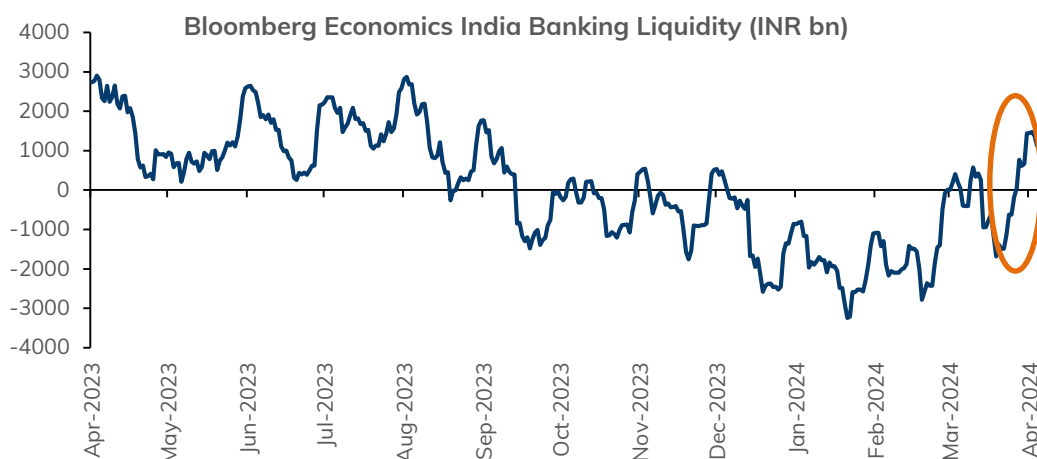
Exhibit 10: Almost all banks have improved LDR QoQ. This holds true for even PSU banks that had low LDR. Adjusted for one-off deposits outflow, IndusInd would also have improved LDR QoQ.

LDR (%)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24P
HDFCB	85.7	85.2	108.4	111.5	105.4
IndusInd	86.2	86.7	87.7	88.6	89.1
Yes	92.0	91.3	89.2	89.9	85.8
Federal	83.1	83.9	84.2	84.5	84.2
Bandhan	101.0	95.1	96.0	98.7	95.1
RBL	84.7	87.3	87.1	88.3	82.8
South Indian Bank	78.7	77.6	77.2	78.3	78.8
Karur Vysya Bank	83.7	83.1	84.8	84.9	83.6
CSB Bank	85.0	87.1	88.3	83.6	82.7
Bank of Baroda	80.6	82.6	82.0	84.3	82.1
PNB	69.1	70.6	71.9	73.1	72.0
Union Bank	72.5	72.6	74.5	76.4	74.1
Bank of India	77.0	74.4	77.2	79.8	79.4
Bank of Maha	74.8	71.9	76.5	76.8	75.2

Source: Company data, I-Sec research

Please note that YoY growth for HDFCB may not be comparable due to merger.

Exhibit 11: Systemic liquidity seems to have eased considerably in Apr'24



Source: Bloomberg, I-Sec research

Exhibit 12: Recent trend in LCR ratio

LCR %	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
HDFCB	113	116	126	121	110
AXSB	116	129	123	118	118
KMB	121	124	122	127	127
IIB	117	123	132	117	122
RBL	144	126	129	142	132
FB	145	139	125	125	120
YES	113	119	127	121	118
IDFCBK	122	120	126	122	120
SBIN	130	148	148	146	139
Bol	188	181	179	170	148
Indian	161	148	136	129	133
PNB	158	162	160	149	137
UNBK	157	167	166	145	126
CBK	122	122	129	132	136
BOB	140	146	144	132	133
KVB	262	258	270	249	229
DCB	129	130	122	117	128

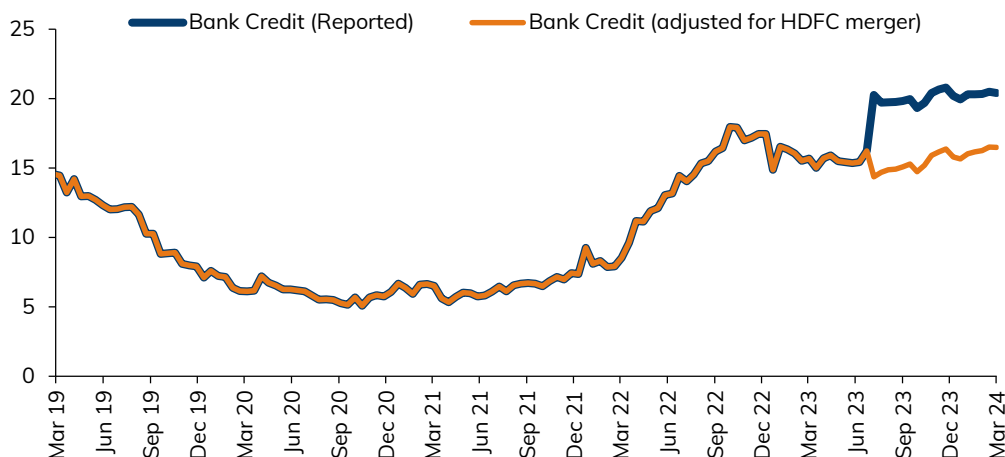
Source: Company data, I-Sec research

Exhibit 13: Recent trend in regulatory retail deposits share

Retail deposits (%)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
HDFCB	62	58	61	60	61
AXSB	54	51	56	57	56
KMB	59	58	56	57	58
IIB	40	41	41	42	43
RBL	41	41	42	42	41
FB	78	72	73	70	69
YES	41	42	43	42	42
IDFCBK	57	56	58	57	58
SBIN	68	69	68	67	68
Bol	75	73	72	74	75
Indian	45	43	61	60	60
PNB	67	66	66	67	67
UNBK	60	58	59	60	59
CBK	53	54	54	53	53
KVB	66	68	66	66	65
DCB	62	62	63	62	62

Source: Company data, I-Sec research

Exhibit 14: Adjusted bank credit growth has been healthy so far but could moderate a bit.



Source: Company data, I-Sec research

Exhibit 15: Non-food credit growth healthy at ~16% YoY though likely to see some moderation ahead, in our view.

(%)	Feb'23	Mar'23	Apr'23	May'23	Jun'23	Jul'23	Aug'23	Sep'23	Oct'23	Nov'23	Dec'23	Jan'24	Feb'24
Non-food Credit	15.9	15.4	16.1	15.6	16.3	14.8	15.0	15.3	15.2	16.3	15.8	16.2	16.5
Agri & Allied Activities	15.0	15.4	16.7	16.0	19.7	16.8	16.6	16.8	17.5	18.2	19.5	20.1	20.1
Industry	6.8	5.6	7.0	6.0	8.1	5.2	6.1	6.5	5.4	6.1	8.1	7.8	8.6
Services	20.5	19.7	21.6	21.4	26.7	19.4	20.7	21.3	20.1	21.9	19.6	20.7	21.2
Personal Loans	20.6	21.0	19.4	19.2	20.9	18.4	18.3	18.2	18.0	18.6	17.7	18.4	18.1

Source: RBI, I-Sec research

Note: We have excluded the impact of merger of a non-bank with a bank to make data comparable.

Exhibit 16: Retail (YoY growth) remains healthy with moderation in other personal loans being offset by housing

(%)	Feb'23	Mar'23	Apr'23	May'23	Jun'23	Jul'23	Aug'23	Sep'23	Oct'23	Nov'23	Dec'23	Jan'24	Feb'24
Housing (Including Priority Sector Housing)	15.2	15.2	14.3	14.6	15.0	13.1	13.8	13.8	14.5	15.0	14.4	16.7	16.7
Credit Card Outstanding	30.8	32.5	29.7	29.9	36.0	31.2	30.0	29.9	28.0	34.2	32.6	31.3	31.0
Education	16.0	17.1	18.0	18.3	19.4	19.9	20.2	20.8	20.6	22.8	21.9	22.9	23.4
Vehicle Loans	23.3	24.8	23.1	22.2	22.9	21.2	20.6	21.2	20.0	20.8	20.5	16.3	17.5
Loans against gold jewellery	20.1	19.7	20.4	22.1	26.0	23.1	22.1	20.1	17.3	18.5	18.6	17.4	15.4
Other Personal Loans	26.7	26.7	24.0	23.2	26.1	24.2	23.2	22.7	22.3	21.7	20.5	21.0	19.7
Total	20.6	21.0	19.4	19.2	20.9	18.4	18.3	18.2	18.0	18.6	17.7	18.4	18.1

Source: RBI, I-Sec research

Note: We have excluded the impact of merger of a non-bank with a bank to make data comparable.

Exhibit 17: Industry growth YoY remains in single-digit

(%)	Feb'23	Mar'23	Apr'23	May'23	Jun'23	Jul'23	Aug'23	Sep'23	Oct'23	Nov'23	Dec'23	Jan'24	Feb'24
Micro & Small	12.8	12.6	9.7	9.5	13.0	10.2	10.7	10.1	16.9	17.2	15.1	16.3	14.7
Medium	12.8	11.8	19.1	18.9	13.2	9.7	9.8	9.8	12.1	12.0	8.7	10.0	12.5
Large	4.6	3.1	5.3	3.9	6.4	4.3	5.4	6.1	2.8	3.6	7.0	6.2	7.1
Total	6.8	5.6	7.0	6.0	8.1	5.2	6.1	6.5	5.4	6.1	8.1	7.8	8.6

Source: RBI, I-Sec research

Note: We have excluded the impact of merger of a non-bank with a bank to make data comparable.

Exhibit 18: Sharp moderation in NBFC credit broadly offset by other services

(%)	Feb'23	Mar'23	Apr'23	May'23	Jun'23	Jul'23	Aug'23	Sep'23	Oct'23	Nov'23	Dec'23	Jan'24	Feb'24
Transport Operators	14.3	14.3	18.6	19.1	23.7	20.8	22.0	21.6	22.7	24.4	24.8	25.3	23.7
Trade	16.7	17.8	18.2	17.5	17.3	17.1	14.2	16.2	18.9	19.0	17.1	17.8	18.5
Commercial Real Estate	8.9	8.5	9.1	6.6	11.3	12.3	13.9	14.8	14.0	16.2	16.6	16.3	21.6
Non-Banking Financial Companies (NBFCs)	31.9	29.9	29.2	27.6	35.1	23.6	25.8	26.3	22.1	21.5	15.1	15.6	14.7
Other services	12.7	15.4	23.5	26.6	33.8	19.9	24.1	28.5	22.6	30.6	32.7	35.6	38.7
Total	20.5	19.7	21.6	21.4	26.7	19.4	20.7	21.3	20.1	21.9	19.6	20.7	21.2

Source: RBI, I-Sec research

Note: We have excluded the impact of merger of a non-bank with a bank to make data comparable.

Exhibit 19: We estimate ~3% QoQ loan growth for private banks under coverage and ~5% QoQ for SBI

Loanbook (INR bn)	Q4FY23	Q3FY24	Q4FY24E	QoQ %	YoY (%)
Axis	8,453	9,323	9,733	4.4	15.1
CUB	431	430	452	5.1	4.9
DCB	344	390	405	4.1	17.9
Federal	1,744	1,992	2,095	5.2	20.1
HDFCB	16,006	24,461	24,846	1.6	55.2
IDFC FB	1,518	1,855	1,935	4.3	27.5
IndusInd	2,899	3,271	3,428	4.8	18.3
KVB	631	718	736	2.5	16.6
KMB	3,199	3,596	3,740	4.0	16.9
RBL	702	799	836	4.6	19.1
South Indian	698	753	779	3.4	11.6
Yes	2,033	2,175	2,256	3.7	11.0
Total Private Banks (ex-HDFC)	22,652	25,301	26,397	4.3	16.5
Total Private Banks	38,658	49,762	51,243	3.0	32.6
SBI	31,993	35,195	37,085	5.4	15.9
Total Coverage (ex-HDFC)	54,644	60,497	63,482	4.9	16.2
Total Coverage	70,650	84,957	88,328	4.0	25.0

Source: Company data, I-Sec research

Please note that YoY growth for HDFCB may not be comparable due to merger.

Exhibit 20: Provisional business update data suggest strong loan growth for IIB, FB, RBL, etc...

Loans YoY % change	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24P
HDFCB	17.9	16.8	57.7	62.4	55.4
IndusInd	21.3	21.5	21.3	19.9	18.3
Yes	10.6	7.4	8.7	11.8	14.1
Federal	20.1	20.9	19.5	18.4	19.9
Bandhan	9.8	6.7	12.3	18.6	17.8
RBL	16.0	20.4	21.0	19.7	19.2
South Indian Bank	16.6	14.5	10.3	10.8	11.4
Karur Vysya Bank	12.8	13.9	13.5	17.1	16.0
CSB Bank	30.3	30.4	27.2	22.6	17.9
Bank of Baroda	18.5	18.0	17.3	13.6	12.4
PNB	12.7	14.6	13.4	12.9	11.5
Union Bank	13.1	12.3	9.5	11.4	11.7
Bank of India	13.0	8.5	10.1	11.3	13.6
Bank of Maha	29.5	25.0	23.6	20.2	16.3

Source: Company data, I-Sec research

Please note that YoY growth for HDFCB may not be comparable due to merger.

Exhibit 21: ...but, QoQ growth appears tepid for HDFCB, KVB, Union, PNB etc.

Loans QoQ % change	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24P
HDFCB	6.2	1.0	44.5	4.9	1.6
IndusInd	6.3	3.9	4.7	3.7	4.8
Yes	2.9	0.0	4.4	4.0	5.0
Federal	3.7	5.2	5.0	3.3	5.1
Bandhan	11.6	(5.5)	4.3	7.7	10.9
RBL	5.1	4.0	4.6	4.7	4.6
South Indian Bank	2.8	2.8	1.1	3.7	3.4
Karur Vysya Bank	3.4	4.6	5.0	3.2	2.4
CSB Bank	11.7	2.2	5.5	1.8	7.5
Bank of Baroda	4.9	2.2	3.4	2.4	3.9
PNB	3.3	3.6	2.7	2.7	1.9
Union Bank	0.7	1.1	3.5	5.8	1.0
Bank of India	1.6	0.4	4.9	4.0	3.7
Bank of Maha	11.6	0.3	4.2	3.0	8.0

Source: Company data, I-Sec research

Please note that YoY growth for HDFCB may not be comparable due to merger.

Exhibit 22: Deposits growth is still running slower than credit growth on YoY-basis

Deposits YoY % change	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24P
HDFCB	20.8	19.2	29.8	27.7	26.4
IndusInd	14.6	14.6	13.9	13.4	14.4
Yes	10.3	13.5	17.2	13.2	22.5
Federal	17.4	21.3	23.1	19.0	18.4
Bandhan	12.2	16.6	12.8	14.8	25.1
RBL	7.4	8.1	13.1	13.5	21.9
South Indian Bank	2.8	8.3	9.7	9.4	11.2
Karur Vysya Bank	11.9	13.7	13.2	12.8	16.3
CSB Bank	21.4	20.8	21.2	20.7	21.3
Bank of Baroda	15.1	16.2	14.6	8.3	10.2
PNB	11.8	14.2	9.8	9.3	7.0
Union Bank	8.3	13.6	9.0	10.1	9.3
Bank of India	6.6	8.7	8.7	8.3	10.2
Bank of Maha	15.7	24.7	22.2	17.9	15.7

Source: Company data, I-Sec research

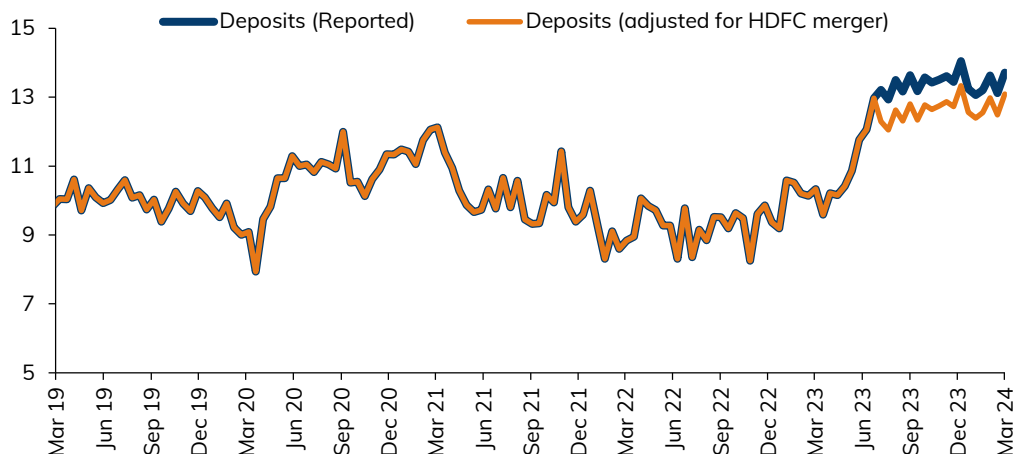
Please note that YoY growth for HDFCB may not be comparable due to merger.

Exhibit 23: However, almost all banks delivered deposits growth faster than credit growth on QoQ-basis

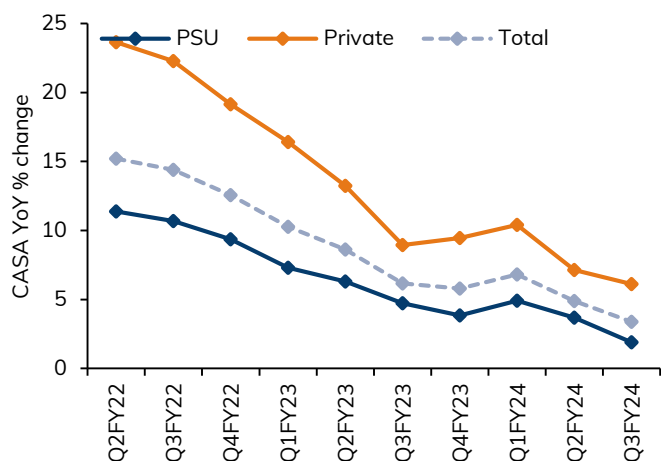
Deposits QoQ % change	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24P
HDFCB	8.7	1.6	13.6	1.9	7.5
IndusInd	3.4	3.2	3.6	2.5	4.3
Yes	1.8	0.9	6.8	3.2	10.1
Federal	5.9	4.3	4.7	2.9	5.4
Bandhan	5.7	0.4	3.3	4.8	15.1
RBL	3.8	0.9	4.8	3.3	11.5
South Indian Bank	1.1	4.2	1.7	2.1	2.8
Karur Vysya Bank	0.9	5.3	2.9	3.1	4.0
CSB Bank	8.1	(0.1)	3.9	7.5	8.7
Bank of Baroda	4.7	(0.3)	4.1	(0.3)	6.6
PNB	5.8	1.3	0.9	1.0	3.5
Union Bank	4.9	0.9	0.8	3.1	4.2
Bank of India	2.4	4.0	1.0	0.6	4.3
Bank of Maha	12.3	4.4	(2.1)	2.7	10.2

Source: Company data, I-Sec research

Please note that YoY growth for HDFCB may not be comparable due to merger.

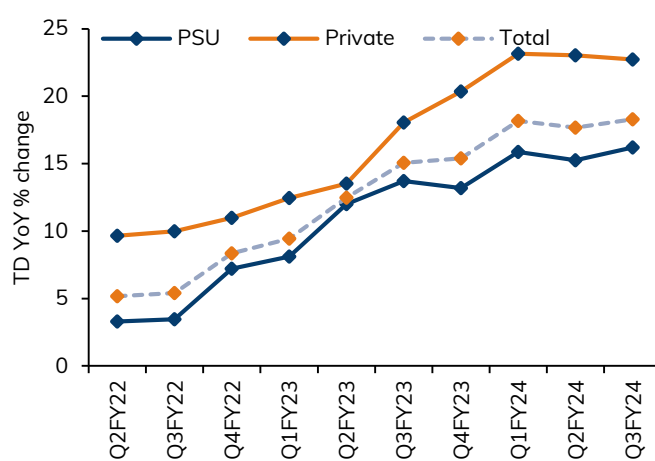
Exhibit 24: Deposit growth has seen some pick-up, albeit still lagging credit growth

Source: Company data, I-Sec research

Exhibit 25: Due to elevated spread b/w CASA and TD rates, systemic CASA growth has declined sharply...

Source: Company data, I-Sec research

Note: Data pertains to over 30 banks comprising over 90% of the systemic deposits

Exhibit 26: ...while TD remains key deposits growth-driver

Source: Company data, I-Sec research

Note: Data pertains to over 30 banks comprising over 90% of the systemic deposits

Exhibit 27: After retail TD rate hike in Dec'23, SBI has kept its retail TD rates unchanged

Particulars (%)	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24
7 days to 45 days	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.50	3.50	3.50	3.50
46 days to 179 days	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.75	4.75	4.75	4.75
180 days to 210 days	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.75	5.75	5.75	5.75
211 days to less than 1 year	5.50	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	6.00	6.00	6.00	6.00
1 year to less than 2 years	6.10	6.75	6.75	6.80	6.80	6.80	6.80	6.80	6.80	6.80	6.80	6.80	6.80	6.80	6.80	6.80	6.80
2 years to less than 3 years	6.25	6.75	6.75	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
3 years to less than 5 years	6.10	6.25	6.25	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.75	6.75	6.75	6.75
5 years and up to 10 years	6.10	6.25	6.25	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50

Source: Company data, I-Sec research

Exhibit 28: As against 250bps repo rate, o/s WALR for SCBs is up by 109bps while o/s WADTDR is up by 183bps

Period-end (cumulative change)	RBI Repo rate (%)	SCBs Median MCLR (%)	SCBs O/s WALR (%)	Private banks O/s WALR (%)	PSBs O/s WALR (%)	SCBs O/s WADTDR (%)	Private banks O/s WADTDR (%)	PSBs O/s WADTDR (%)
Mar-2022	-	-	-	-	-	-	-	-
Jun-2022	0.90	0.15	0.18	0.20	0.17	0.10	0.12	0.06
Sep-2022	1.90	0.50	0.48	0.52	0.42	0.36	0.35	0.30
Dec-2022	2.25	0.96	0.78	0.83	0.70	0.75	0.76	0.65
Mar-2023	2.50	1.30	0.98	1.00	0.92	1.13	1.11	1.04
Jun-2023	2.50	1.40	1.08	1.16	0.97	1.44	1.40	1.35
Sep-2023	2.50	1.45	1.09	1.10	1.01	1.66	1.54	1.64
Dec-2023	2.50	1.50	1.09	1.07	1.03	1.80	1.69	1.77
Feb-2024	2.50	1.55	1.09	1.08	1.03	1.83	1.68	1.83

Source: RBI, I-Sec research

Exhibit 29: As against 250bps repo hike, fresh WALR for SCBs is up by 173bps while fresh WADTDR is up by 232bps

Period-end (cumulative change)	RBI Repo rate (%)	SCBs Fresh WALR (%)	Private banks Fresh WALR (%)	PSBs Fresh WALR (%)	SCBs Fresh WADTDR (%)	Private banks Fresh WADTDR (%)	PSBs Fresh WADTDR (%)
Mar-2022	-	-	-	-	-	-	-
Jun-2022	0.90	0.28	0.09	0.36	0.49	0.50	0.53
Sep-2022	1.90	0.96	0.88	0.91	1.19	0.99	1.34
Dec-2022	2.25	1.25	0.86	1.32	2.04	1.84	2.19
Mar-2023	2.50	1.69	1.27	1.77	2.36	2.07	2.49
Jun-2023	2.50	1.57	1.18	1.60	2.22	1.85	2.39
Sep-2023	2.50	1.75	1.37	1.72	2.20	1.85	2.36
Dec-2023	2.50	1.69	1.39	1.61	2.37	2.01	2.55
Feb-2024	2.50	1.73	1.27	1.76	2.32	2.00	2.52

Source: RBI, I-Sec research

Exhibit 30: Banks' group-wise WALR on o/s loans

Month-end (%)	Public Sector Banks	Private Sector Banks	Foreign Banks	Scheduled Commercial Banks
Jun-22	8.39	9.85	8.10	8.92
Jul-22	8.41	9.95	8.18	8.98
Aug-22	8.55	10.08	8.47	9.12
Sep-22	8.64	10.17	8.72	9.22
Oct-22	8.74	10.33	8.92	9.35
Nov-22	8.79	10.42	9.10	9.42
Dec-22	8.92	10.48	9.33	9.52
Jan-23	8.97	10.54	9.38	9.58
Feb-23	9.07	10.61	9.41	9.67
Mar-23	9.14	10.65	9.25	9.72
Apr-23	9.16	10.72	9.24	9.76
May-23	9.18	10.74	9.28	9.78
Jun-23	9.19	10.81	9.31	9.82
Jul-23	9.22	10.80	9.26	9.84
Aug-23	9.24	10.79	9.25	9.84
Sep-23	9.23	10.75	9.35	9.83
Oct-23	9.25	10.73	9.30	9.84
Nov-23	9.25	10.72	9.34	9.83
Dec-23	9.25	10.72	9.42	9.83
Jan-24	9.25	10.75	9.39	9.85
Feb-24	9.25	10.73	9.02	9.83

Source: RBI, I-Sec research

Note: Outstanding WALR is adjusted for the impact of the merger of a non-bank with a bank.

Exhibit 31: Banks' group-wise WALR on fresh loans

Month-end (%)	Public Sector Banks	Private Sector Banks	Foreign Banks	Scheduled Commercial Banks
Jun-22	7.26	8.90	6.67	7.91
Jul-22	7.46	9.05	7.05	8.18
Aug-22	7.72	9.21	7.53	8.33
Sep-22	7.81	9.69	7.44	8.59
Oct-22	7.98	9.48	8.22	8.69
Nov-22	8.26	9.54	8.11	8.86
Dec-22	8.22	9.67	8.70	8.88
Jan-23	8.36	9.72	8.97	9.00
Feb-23	8.56	9.87	8.97	9.24
Mar-23	8.67	10.08	8.86	9.32
Apr-23	8.49	9.68	8.89	9.08
May-23	8.57	9.87	9.00	9.27
Jun-23	8.50	9.99	8.83	9.20
Jul-23	8.72	10.01	9.19	9.44
Aug-23	8.80	10.16	9.30	9.47
Sep-23	8.62	10.18	9.31	9.38
Oct-23	8.67	10.20	9.39	9.50
Nov-23	8.60	10.23	9.86	9.41
Dec-23	8.51	10.20	9.52	9.32
Jan-24	8.63	10.23	9.72	9.43
Feb-24	8.66	10.08	9.68	9.36

Source: RBI, I-Sec research

Exhibit 32: Banks' group-wise WADTDR on o/s INR term deposits

Month-end (%)	Public Sector Banks	Private Sector Banks	Foreign Banks	Scheduled Commercial Banks
Jun-22	5.17	5.25	3.86	5.13
Jul-22	5.24	5.30	4.09	5.20
Aug-22	5.31	5.38	4.29	5.27
Sep-22	5.41	5.48	4.59	5.39
Oct-22	5.49	5.59	4.99	5.49
Nov-22	5.62	5.72	5.06	5.62
Dec-22	5.76	5.89	5.26	5.78
Jan-23	5.89	6.02	5.43	5.90
Feb-23	6.02	6.10	5.56	6.02
Mar-23	6.15	6.24	5.79	6.16
Apr-23	6.27	6.36	5.86	6.28
May-23	6.37	6.44	5.92	6.37
Jun-23	6.46	6.53	6.10	6.47
Jul-23	6.54	6.60	6.10	6.54
Aug-23	6.62	6.65	6.06	6.60
Sep-23	6.75	6.67	6.11	6.69
Oct-23	6.80	6.73	6.16	6.75
Nov-23	6.85	6.75	6.18	6.78
Dec-23	6.88	6.82	6.24	6.83
Jan-24	6.91	6.81	6.26	6.84
Feb-24	6.94	6.81	6.25	6.86

Source: RBI, I-Sec research

Note: Outstanding WADTDR is adjusted for the impact of the merger of a non-bank with a bank.

Exhibit 33: Banks' group-wise WADTDR on fresh INR term deposits

Month-end (%)	Public Sector Banks	Private Sector Banks	Foreign Banks	Scheduled Commercial Banks
Jun-22	4.86	4.96	3.65	4.61
Jul-22	5.11	5.06	3.88	4.80
Aug-22	5.35	5.26	4.21	5.03
Sep-22	5.67	5.45	4.43	5.31
Oct-22	5.83	5.73	4.78	5.53
Nov-22	6.26	6.05	4.87	5.87
Dec-22	6.52	6.30	5.09	6.16
Jan-23	6.59	6.34	5.23	6.22
Feb-23	6.64	6.36	5.30	6.25
Mar-23	6.82	6.53	5.60	6.48
Apr-23	6.68	6.48	5.49	6.36
May-23	6.67	6.41	5.66	6.32
Jun-23	6.72	6.31	5.67	6.34
Jul-23	6.73	6.32	5.69	6.34
Aug-23	6.74	6.34	5.69	6.33
Sep-23	6.69	6.31	5.74	6.32
Oct-23	6.58	6.36	5.86	6.31
Nov-23	6.72	6.34	5.83	6.34
Dec-23	6.88	6.47	5.87	6.49
Jan-24	6.78	6.42	5.94	6.43
Feb-24	6.85	6.46	5.81	6.44

Source: RBI, I-Sec research

Exhibit 34: Net interest margins are likely to decline ~10–15bps QoQ for most of the banks barring IIB, FB and HDFCB. We expect small uptick for CUB off low base.

NIM (%)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24E	QoQ (bps)	YoY (bps)
Axis	4.26%	4.22%	4.10%	4.11%	4.01%	3.89%	(12)	(33)
CUB	3.88%	3.65%	3.67%	3.74%	3.50%	3.65%	15	0
DCB	4.02%	4.18%	3.83%	3.69%	3.48%	3.37%	(11)	(81)
Federal	3.55%	3.36%	3.20%	3.22%	3.19%	3.21%	2	(15)
HDFCB	4.10%	4.10%	4.10%	3.40%	3.40%	3.28%	(12)	(82)
IDFC FB	6.13%	6.41%	6.33%	6.32%	6.42%	6.42%	0	1
IndusInd	4.27%	4.28%	4.29%	4.29%	4.29%	4.30%	1	2
KVB	4.36%	4.37%	4.19%	4.07%	4.32%	4.00%	(32)	(37)
KMB	5.47%	5.75%	5.57%	5.22%	5.22%	5.09%	(13)	(66)
RBL	5.27%	5.62%	5.53%	5.54%	5.52%	5.33%	(19)	(29)
South Indian	3.52%	3.67%	3.34%	3.31%	3.19%	3.12%	(7)	(55)
Yes	2.50%	2.80%	2.50%	2.30%	2.40%	2.29%	(11)	(51)
SBI	3.50%	3.60%	3.33%	3.29%	3.22%	3.16%	(6)	(44)

Source: Company data, I-Sec research

Please note that YoY change for HDFCB may not be comparable due to merger.

Exhibit 35: We expect modest NII growth of ~1% QoQ for our coverage private banks and expect similar ~1% rise QoQ for SBI.

NII (INR mn)	Q4FY23	Q3FY24	Q4FY24E	QoQ (%)	YoY (%)
Axis	117,422	125,322	127,414	1.7	8.5
CUB	5,143	5,159	5,500	6.6	6.9
DCB	4,860	4,740	4,641	(2.1)	(4.5)
Federal	19,093	21,234	22,210	4.6	16.3
HDFCB	233,518	284,713	284,684	(0.0)	21.9
IDFC FB	35,968	42,866	44,797	4.5	24.5
IndusInd	46,695	52,956	55,072	4.0	17.9
KVB	8,926	10,013	9,481	(5.3)	6.2
KMB	61,026	65,535	65,564	0.0	7.4
RBL	12,112	15,459	15,615	1.0	28.9
South Indian	8,572	8,190	8,194	0.0	(4.4)
Yes	21,053	20,169	20,136	(0.2)	(4.4)
Total Private Banks (ex-HDFC)	340,867	371,642	378,624	1.9	11.1
Total Private Banks	574,385	656,355	663,308	1.1	15.5
SBI	403,925	398,157	401,413	0.8	(0.6)
Total Coverage (ex-HDFC)	744,792	769,799	780,036	1.3	4.7
Total Coverage	978,310	1,054,513	1,064,720	1.0	8.8

Source: Company data, I-Sec research

Please note that YoY growth for HDFCB may not be comparable due to merger.

Exhibit 36: 10Y G-Sec yields have moderated by ~12bps QoQ

Period-end	Yields (%)			Quarterly change (bps)		
	3Y G-Sec	5Y G-Sec	10y G-Sec	3Y G-Sec	5Y G-Sec	10y G-Sec
Dec-2022	7.04	7.23	7.33	(0.06)	(0.09)	(0.07)
Mar-2023	7.09	7.17	7.31	0.05	(0.06)	(0.02)
Jun-2023	7.05	7.08	7.12	(0.04)	(0.09)	(0.19)
Sep-2023	7.26	7.23	7.22	0.21	0.15	0.10
Dec-2023	7.08	7.13	7.17	(0.18)	(0.10)	(0.04)
Mar-2024	7.05	7.06	7.06	(0.04)	(0.07)	(0.12)

Source: Company data, I-Sec research

Exhibit 37: Opex growth to remain elevated QoQ/YoY across banks; SBI likely to see some respite QoQ on high base

Total Opex (INR mn)	Q4FY23	Q3FY24	Q4FY24E	QoQ (%)	YoY (%)
Axis	73,624	89,457	94,393	5.5	28.2
CUB	2,922	3,448	3,672	6.5	25.6
DCB	3,643	3,862	4,071	5.4	11.7
Federal	13,086	15,486	16,004	3.3	22.3
HDFCB	134,621	159,611	170,787	7.0	26.9
IDFC FB	34,356	42,407	44,914	5.9	30.7
IndusInd	30,672	36,893	38,366	4.0	25.1
KVB	5,543	6,832	7,138	4.5	28.8
KMB	36,415	42,843	44,976	5.0	23.5
RBL	12,915	15,582	16,451	5.6	27.4
South Indian	6,410	7,880	8,138	3.3	27.0
Yes	22,203	23,474	24,632	4.9	10.9
Total Private Banks (ex-HDFC)	241,789	288,163	302,755	5.1	25.2
Total Private Banks	376,410	447,774	473,542	5.8	25.8
SBI	297,328	380,386	347,528	(8.6)	16.9
Total Coverage (ex-HDFC)	539,117	668,549	650,284	(2.7)	20.6
Total Coverage	673,738	828,159	821,070	(0.9)	21.9

Source: Company data, I-Sec research

Please note that YoY growth for HDFCB may not be comparable due to merger.

Exhibit 38: Core PPOP for private banks under coverage (including HDFCB) to decline by ~2% QoQ; SBI to see sharp rise QoQ...

Core PPOP (INR mn)	Q4FY23	Q3FY24	Q4FY24E	QoQ (%)	YoY (%)
Axis	90,846	88,502	87,018	(1.7)	(4.2)
CUB	3,949	3,398	3,926	15.5	(0.6)
DCB	2,439	2,115	2,000	(5.4)	(18.0)
Federal	12,946	12,833	13,319	3.8	2.9
HDFCB	186,586	221,773	216,242	(2.5)	15.9
IDFC FB	15,587	15,625	16,346	4.6	4.9
IndusInd	37,528	40,022	41,700	4.2	11.1
KVB	7,391	6,509	5,763	(11.5)	(22.0)
KMB	46,484	47,342	41,722	(11.9)	(10.2)
RBL	5,803	7,186	7,865	9.5	35.5
South Indian	5,406	3,395	3,161	(6.9)	(41.5)
Yes	9,619	8,160	10,316	26.4	7.2
Total Private Banks (ex-HDFC)	237,997	235,088	233,135	(0.8)	(2.0)
Total Private Banks	424,582	456,861	449,377	(1.6)	5.8
SBI	228,211	107,311	167,949	56.5	(26.4)
Total Coverage (ex-HDFC)	466,208	342,399	401,084	17.1	(14.0)
Total Coverage	652,794	564,172	617,326	9.4	(5.4)

Source: Company data, I-Sec research

Please note that YoY growth for HDFCB may not be comparable due to merger.

Exhibit 39: ...however, reported PPop growth to appear strong at 11% QoQ, driven by bulky treasury gains at HDFCB (Credila stake sale)

PPoP (INR mn)	Q4FY23	Q3FY24	Q4FY24E	QoQ (%)	YoY (%)
Axis	91,676	91,412	90,428	(1.1)	(1.4)
CUB	4,170	3,640	3,926	7.9	(5.9)
DCB	2,439	2,115	2,000	(5.4)	(18.0)
Federal	13,346	14,373	13,719	(4.6)	2.8
HDFCB	186,209	236,473	289,612	22.5	55.5
IDFC FB	15,587	15,625	16,346	4.6	4.9
IndusInd	37,528	40,022	41,700	4.2	11.1
KVB	7,391	6,759	5,913	(12.5)	(20.0)
KMB	46,474	45,662	45,302	(0.8)	(2.5)
RBL	5,938	7,653	7,865	2.8	32.5
South Indian	5,616	4,835	3,761	(22.2)	(33.0)
Yes	8,889	8,640	10,316	19.4	16.0
Total Private Banks (ex-HDFC)	239,052	240,737	241,275	0.2	0.9
Total Private Banks	425,261	477,210	530,887	11.2	24.8
SBI	246,211	132,361	187,949	42.0	(23.7)
Total Coverage (ex-HDFC)	485,264	373,097	429,224	15.0	(11.5)
Total Coverage	671,472	609,570	718,836	17.9	7.1

Source: Company data, I-Sec research

Please note that YoY growth for HDFCB may not be comparable due to merger.

Exhibit 40: GNPA ratio likely to sustain improvement for most of the banks

GNPA (%)	Q4FY23	Q3FY24	Q4FY24E	QoQ (bps)	YoY (bps)
Axis	2.0	1.6	1.6	0	(44)
CUB	4.4	4.5	4.0	(50)	(40)
DCB	3.2	3.4	3.5	5	29
Federal	2.4	2.3	2.1	(17)	(24)
HDFCB	1.1	1.3	1.3	(0)	14
IDFC FB	2.5	2.0	2.0	(7)	(54)
IndusInd	2.0	1.9	1.9	(3)	(9)
KVB	2.3	1.6	1.5	(12)	(81)
KMB	1.8	1.7	1.7	(1)	(6)
RBL	3.4	3.1	3.1	1	(24)
South Indian	5.1	4.7	4.4	(31)	(71)
Yes	2.2	2.0	2.1	6	(11)
SBI	2.8	2.4	2.3	(16)	(52)

Source: Company data, I-Sec research

Please note that YoY change for HDFCB may not be comparable due to merger.

Exhibit 41: Similarly, NNPA ratios are also likely to sustain improvement

NNPA (%)	Q4FY23	Q3FY24	Q4FY24E	QoQ (bps)	YoY (bps)
Axis	0.4	0.4	0.3	(2)	(5)
CUB	2.4	2.2	1.9	(33)	(50)
DCB	1.0	1.2	1.2	3	21
Federal	0.7	0.6	0.6	(4)	(9)
HDFCB	0.3	0.3	0.3	1	(1)
IDFC FB	0.9	0.7	0.7	(2)	(20)
IndusInd	0.6	0.6	0.5	(3)	(5)
KVB	0.7	0.4	0.4	(2)	(34)
KMB	0.4	0.3	0.3	1	(2)
RBL	1.1	0.8	0.8	0	(30)
South Indian	1.9	1.6	1.5	(15)	(40)
Yes	0.8	0.9	0.8	(7)	0
SBIN	0.7	0.6	0.6	(4)	(7)

Source: Company data, I-Sec research

Please note that YoY change for HDFCB may not be comparable due to merger.

Exhibit 42: We estimate PCR to remain broadly stable

PCR (%)	Q4FY23	Q3FY24	Q4FY24E	QoQ (bps)	YoY (bps)
Axis	81	78	79	119	(187)
CUB	47	52	54	181	700
DCB	68	65	65	(13)	(321)
Federal	71	72	72	(25)	80
HDFCB	76	75	75	(29)	(76)
IDFC FB	66	67	67	12	57
IndusInd	71	71	72	141	143
KVB	68	73	73	(50)	511
KMB	79	81	80	(56)	69
RBL	68	75	75	(8)	692
South Indian	65	67	68	92	288
Yes	62	57	60	340	(227)
SBIN	76	74	74	(17)	(239)

Source: Company data, I-Sec research

Please note that YoY change for HDFCB may not be comparable due to merger.

Exhibit 43: We estimate gross slippages to improve QoQ for most of the banks

Annualised gross slippages (%)	Q4FY23	Q3FY24	Q4FY24E
Axis	1.6	1.6	1.4
CUB	3.3	1.7	2.1
DCB	3.1	4.4	4.2
Federal	1.0	1.0	0.9
HDFCB	1.2	1.1	0.9
IDFC FB	2.9	3.0	3.1
IndusInd	2.2	2.2	2.1
KVB	1.4	1.1	1.1
KMB	1.0	1.3	1.5
RBL	3.9	3.3	3.3
South Indian	2.1	1.4	1.4
Yes	2.4	2.3	2.2
SBIN	0.4	0.6	0.4

Source: Company data, I-Sec research

Please note that YoY change for HDFCB may not be comparable due to merger.

Exhibit 44: We expect part reversal on AIF provisions done last quarter in Q4FY24

	Q3FY24 (INR mn)	% of total investments (bps)
RBL	1,154	41
HDFCB	12,198	18
KMB	1,900	13
Axis	1,817	6
PNB	1,137	3
DCB	45	3
Yes	125	2
SBI	2,400	1
BOB	505	1
Union	122	0

Source: Company data, I-Sec research

Exhibit 45: We estimate ~5% QoQ rise in PAT for private banks (ex-HDFCB); including HDFCB, PAT growth is estimated at 17% QoQ; SBI should also see sharp rise in PAT QoQ, but lower YoY

PAT (INR mn)	Q4FY23	Q3FY24	Q4FY24E	QoQ (%)	YoY (%)
Axis	66,253	60,711	62,333	2.7	(5.9)
CUB	2,180	2,530	2,429	(4.0)	11.4
DCB	1,422	1,266	1,229	(2.9)	(13.6)
Federal	9,026	10,067	9,573	(4.9)	6.1
HDFCB	120,474	163,725	210,421	28.5	74.7
IDFC FB	8,026	7,157	7,393	3.3	(7.9)
IndusInd	20,405	22,979	24,107	4.9	18.1
KVB	3,378	4,116	3,879	(5.8)	14.8
KMB	34,956	30,050	30,695	2.1	(12.2)
RBL	2,713	2,333	3,535	51.5	30.3
South Indian	3,339	3,054	2,593	(15.1)	(22.3)
Yes	2,024	2,315	4,469	93.1	120.8
Total Private Banks (ex-HDFC)	161,806	153,905	161,579	5.0	(0.1)
Total Private Banks	282,280	317,630	372,000	17.1	31.8
SBI	166,945	91,640	132,328	44.4	(20.7)
Total Coverage (ex-HDFC)	328,751	245,544	293,908	19.7	(10.6)
Total Coverage	449,225	409,270	504,329	23.2	12.3

Source: Company data, I-Sec research

Please note that YoY growth for HDFCB may not be comparable due to merger.

Bank-wise Q4FY24E estimates

Exhibit 46: Axis Bank

(INR mn)	Q4FY23	Q3FY24	Q4FY24E	QoQ (%)	YoY (%)
NII	117,422	125,322	127,414	1.7	8.5
PPoP	91,676	91,412	90,428	(1.1)	(1.4)
PBT	88,618	81,129	83,292	2.7	(6.0)
PAT	66,253	60,711	62,333	2.7	(5.9)
Advances	8,453,028	9,322,864	9,733,070	4.4	15.1
NIMs (%)	4.22	4.01	3.89	-12 bps	-33 bps
Slippages	33,750	37,150	35,000	-5.8	3.7

Source: Company data, I-Sec research

Exhibit 47: City Union Bank

(INR mn)	Q4FY23	Q3FY24	Q4FY24E	QoQ (%)	YoY (%)
NII	5,143	5,159	5,500	6.6	6.9
PPoP	4,170	3,640	3,926	7.9	(5.9)
PBT	2,580	3,180	3,438	8.1	33.2
PAT	2,180	2,530	2,429	(4.0)	11.4
Advances	430,533	429,637	451,654	5.1	4.9
NIMs (%)	3.65	3.50	3.65	15 bps	0 bps
Slippages	3,582	1,872	2,359	26.0	(34.1)

Source: Company data, I-Sec research

Exhibit 48: DCB Bank

(INR mn)	Q4FY23	Q3FY24	Q4FY24E	QoQ (%)	YoY (%)
NII	4,860	4,740	4,641	(2.1)	(4.5)
PPoP	2,439	2,115	2,000	(5.4)	(18.0)
PBT	1,915	1,705	1,587	(6.9)	(17.1)
PAT	1,422	1,266	1,229	(2.9)	(13.6)
Advances	343,807	389,510	405,482	4.1	17.9
NIMs (%)	4.18	3.48	3.37	-11 bps	-81 bps
Slippages	2,690	4,280	4,250	(0.7)	58.0

Source: Company data, I-Sec research

Exhibit 49: Federal Bank

(INR mn)	Q4FY23	Q3FY24	Q4FY24E	QoQ (%)	YoY (%)
NII	19,093	21,234	22,210	4.6	16.3
PPoP	13,346	14,373	13,719	(4.6)	2.8
PBT	12,179	13,461	12,667	(5.9)	4.0
PAT	9,026	10,067	9,573	(4.9)	6.1
Advances	1,744,469	1,991,850	2,095,117	5.2	20.1
NIMs (%)	3.36	3.19	3.21	2 bps	-15 bps
Slippages	4,540	4,960	4,800	(3.2)	5.7

Source: Company data, I-Sec research

Exhibit 50: HDFC Bank

(INR mn)	Q4FY23	Q3FY24	Q4FY24E	QoQ (%)	YoY (%)
NII	233,518	284,713	284,684	(0.0)	21.9
PPoP	186,209	236,473	289,612	22.5	55.5
PBT	159,355	194,307	265,350	36.6	66.5
PAT	120,474	163,725	210,421	28.5	74.7
Advances	16,005,859	24,460,757	24,845,996	1.6	55.2
NIMs (%)	4.10	3.40	3.28	-12 bps	-82 bps
Slippages	49,000	70,000	58,097	(17.0)	18.6

Source: Company data, I-Sec research

Please note that YoY growth may not be comparable due to merger.

Exhibit 51: IDFC First Bank

(INR mn)	Q4FY23	Q3FY24	Q4FY24E	QoQ (%)	YoY (%)
NII	35,968	42,866	44,797	4.5	24.5
PPoP	15,587	15,625	16,346	4.6	4.9
PBT	10,762	9,077	10,482	15.5	(2.6)
PAT	8,026	7,157	7,393	3.3	(7.9)
Advances	1,517,945	1,855,030	1,935,120	4.3	27.5
NIMs (%)	6.41	6.42	6.42	0 bps	1 bps
Slippages	10,840	14,000	15,000	7.1	38.4

Source: Company data, I-Sec research

Exhibit 52: IndusInd Bank

(INR mn)	Q4FY23	Q3FY24	Q4FY24E	QoQ (%)	YoY (%)
NII	46,695	52,956	55,072	4.0	17.9
PPoP	37,528	40,022	41,700	4.2	11.1
PBT	27,227	30,680	32,320	5.3	18.7
PAT	20,405	22,979	24,107	4.9	18.1
Advances	2,899,237	3,270,570	3,428,438	4.8	18.3
NIMs (%)	4.28	4.29	4.30	1 bps	2 bps
Slippages	16,030	17,650	17,940	1.6	11.9

Source: Company data, I-Sec research

Exhibit 53: Karur Vysya Bank

(INR mn)	Q4FY23	Q3FY24	Q4FY24E	QoQ (%)	YoY (%)
NII	8,926	10,013	9,481	(5.3)	6.2
PPoP	7,391	6,759	5,913	(12.5)	(20.0)
PBT	4,460	5,262	5,086	(3.3)	14.0
PAT	3,378	4,116	3,879	(5.8)	14.8
Advances	631,341	717,980	736,187	2.5	16.6
NIMs (%)	4.37	4.32	4.00	-32 bps	-37 bps
Slippages	2,220	1,970	2,034	3.2	(8.4)

Source: Company data, I-Sec research

Exhibit 54: Kotak Mahindra Bank

(INR mn)	Q4FY23	Q3FY24	Q4FY24E	QoQ (%)	YoY (%)
NII	61,026	65,535	65,564	0.0	7.4
PPoP	46,474	45,662	45,302	(0.8)	(2.5)
PBT	44,998	39,871	41,607	4.4	(7.5)
PAT	34,956	30,050	30,695	2.1	(12.2)
Advances	3,198,612	3,595,880	3,739,715	4.0	16.9
NIMs (%)	5.75	5.22	5.09	-13 bps	-66 bps
Slippages	8,230	11,770	14,040	19.3	70.6

Source: Company data, I-Sec research

Exhibit 55: RBL Bank

(INR mn)	Q4FY23	Q3FY24	Q4FY24E	QoQ (%)	YoY (%)
NII	12,112	15,459	15,615	1.0	28.9
PPoP	5,938	7,653	7,865	2.8	32.5
PBT	3,591	3,071	4,854	58.1	35.2
PAT	2,711	2,331	3,535	51.7	30.4
Advances	702,094	799,490	836,321	4.6	19.1
NIMs (%)	5.62	5.52	5.33	-19 bps	-29 bps
Slippages	6,810	6,660	6,953	4.4	2.1

Source: Company data, I-Sec research

Exhibit 56: South Indian Bank

(INR mn)	Q4FY23	Q3FY24	Q4FY24E	QoQ (%)	YoY (%)
NII	8,572	8,190	8,194	0.0	(4.4)
PPoP	5,616	4,835	3,761	(22.2)	(33.0)
PBT	5,226	4,349	3,419	(21.4)	(34.6)
PAT	3,339	3,054	2,593	(15.1)	(22.3)
Advances	698,044	753,399	779,174	3.4	11.6
NIMs (%)	3.67	3.19	3.12	-7 bps	-55 bps
Slippages	3,580	2,670	2,810	5.2	(21.5)

Source: Company data, I-Sec research

Exhibit 57: State Bank of India

(INR mn)	Q4FY23	Q3FY24	Q4FY24E	QoQ (%)	YoY (%)
NII	403,925	398,157	401,413	0.8	(0.6)
PPoP	246,211	132,361	187,949	42.0	(23.7)
PBT	213,054	125,482	173,160	38.0	(18.7)
PAT	166,945	91,640	132,328	44.4	(20.7)
Advances	31,992,693	35,195,143	37,085,284	5.4	15.9
NIMs (%)	3.60	3.22	3.16	-6 bps	-44 bps
Slippages	34,560	50,460	35,000	(30.6)	1.3

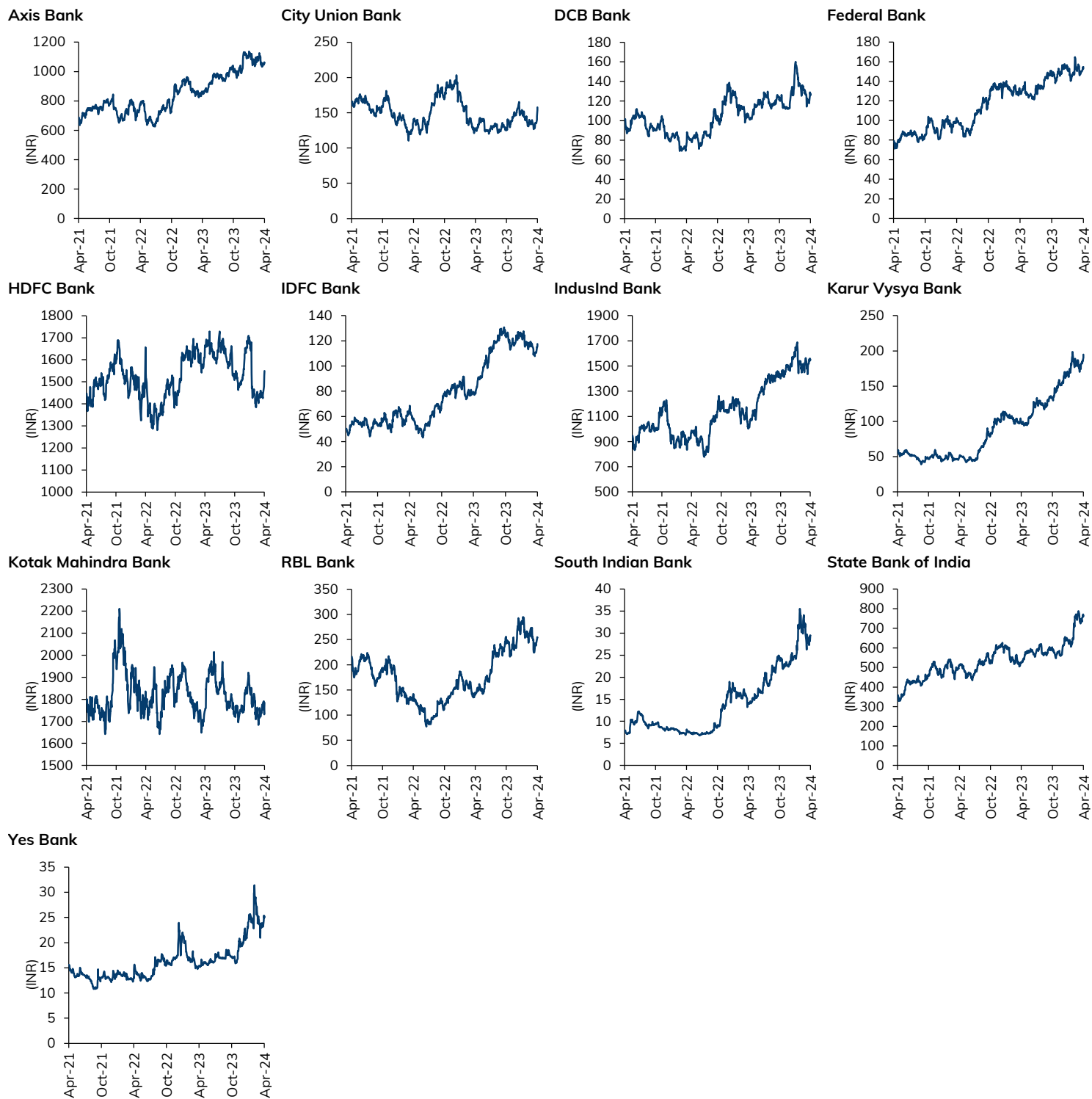
Source: Company data, I-Sec research

Exhibit 58: YES Bank

(INR mn)	Q4FY23	Q3FY24	Q4FY24E	QoQ (%)	YoY (%)
NII	21,053	20,169	20,136	(0.2)	(4.4)
PPoP	8,889	8,640	10,316	19.4	16.0
PBT	2,713	3,093	5,968	93.0	120.0
PAT	2,024	2,315	4,469	93.1	120.8
Advances	2,032,694	2,175,226	2,256,483	3.7	11.0
NIMs (%)	2.80	2.40	2.29	-11 bps	-51 bps
Slippages	11,960	12,330	12,380	0.4	3.5

Source: Company data, I-Sec research

Price charts



Source: Bloomberg

"In case of industry/sector reports or a report containing multiple stocks, the rating/recommendation for a particular stock may be based on the last released stock specific report for that company."

This report may be distributed in Singapore by ICICI Securities, Inc. (Singapore branch). Any recipients of this report in Singapore should contact ICICI Securities, Inc. (Singapore branch) in respect of any matters arising from, or in connection with, this report. The contact details of ICICI Securities, Inc. (Singapore branch) are as follows: Address: 10 Collyer Quay, #40-92 Ocean Financial Tower, Singapore - 049315, Tel: +65 6232 2451 and email: navneet_babbar@icicisecuritiesinc.com, Rishi_agrawal@icicisecuritiesinc.com.

"In case of eligible investors based in Japan, charges for brokerage services on execution of transactions do not in substance constitute charge for research reports and no charges are levied for providing research reports to such investors."

New I-Sec investment ratings (all ratings based on absolute return; All ratings and target price refers to 12-month performance horizon, unless mentioned otherwise)
BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return

ANALYST CERTIFICATION

I/We, Jai Prakash Mundhra, MBA; Chintan Shah, CA; authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of the ICICI Securities Inc. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is SEBI registered stock broker, merchant banker, investment adviser, portfolio manager, Research Analyst and Alternative Investment Fund. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities AIF Trust's SEBI Registration number is IN/AIF3/23-24/1292 ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Institutional Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Retail Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances. This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

This report has not been prepared by ICICI Securities, Inc. However, ICICI Securities, Inc. has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal, Contact number: 022-40701000, **E-mail Address** : complianceofficer@icicisecurities.com

For any queries or grievances: [Mr. Prabodh Avadhoot](mailto:Mr.Prabodh.Avadhoot) Email address: headservicequality@icicidirect.com Contact Number: 18601231122
