

Jan-Mar'24 Earnings Preview

Deposit growth to outpace loan accretion

Banks under our coverage are expected to witness a weak quarter, as core earnings could fall by 4.6% QoQ to Rs483bn (vs +1.1% QoQ in Q3'24), mainly driven by reduction in NIM. Loan growth might come in at 4% QoQ (4.3% in Q3FY24), while deposit accretion could be +5.3% QoQ (1.9% last quarter). LDR may fall by 1% QoQ to 86% mainly led by HDFCB. NIM contraction would increase this quarter (vs Q3FY24) and we expect NIM to decline by 10bps QoQ (-2bps in Q3'24) to 3.55%. IIB, CUB and DCB may see better NIM performance. Owing to seasonality in case of PSU banks, fees for could grow by 9.7% QoQ to Rs360bn which would be offset by higher opex at Rs918bn (+10.5% QoQ). Core PPop may come in at Rs720bn (-4.4% QoQ). AXSB, ICICIB and HDFCB might do better on core PPop. Gross slippage ratio might see a decline of 9bps QoQ as large banks had witnessed increase in agri slippages in Q3'24. Banks' PAT is expected to decline by 6.1% QoQ to Rs534bn. Among our coverage universe we prefer AXSB and HDFCB.

- **System loan growth sustaining at 16%; uptick in deposit accretion:** Credit for system (ex-HDFCL) in Feb'24 grew by +16.5% YoY mainly led by services (+21.2% YoY) and retail (+18.1% YoY). Services growth was attributable to NBFCs, trade, other services and commercial real estate while retail credit was led by housing, unsecured credit, vehicle loans and credit cards. Overall unsecured loan accretion is slowing since growth for Feb'24 over Dec'23 was 2.4% (vs 8.3% QoQ in Dec'23). Momentum in agri continues (+20.1% YoY); industrial credit growth remains muted (+8.6% YoY). System credit could grow by ~15.5% YoY in Mar'24. Coverage banks may see loan growth of 4.1% QoQ and 15.4% YoY; deposit accretion could be 5.3% QoQ and 13.9% YoY. As at 22nd Mar'24, system deposits grew by 12.6% YoY (vs 12.4% in Dec'23).
- **Margins to further decline; we see 10bps fall:** Due to lag effect, rise in deposit cost is expected to outpace loan yields that may marginally increase. Loan yields for our coverage universe could improve QoQ by 9bps to 9.89% vs 12bps rise in cost of funds to 5.7%. Hence NIM may fall by 10bps QoQ to 3.55%; last quarter NIM fell by 2bps to 3.65%. As a result, NII might increase by 1.8% QoQ compared to +4% loan growth. Due to seasonality in case of PSU banks, fee income would exceed loan accretion and increase by 9.7% QoQ that would be offset by a 10.5% spike in opex, also led by one-time staff cost for SBI. Core PPop may come in at Rs720bn, -9.0% YoY.
- **Slippages/provisions to moderate:** Since Q3 saw more delinquencies due to stress in agri (mainly large banks), slippages are expected to decline QoQ and we see a 9bps decline in slippage ratio to 1.15%. Recoveries and upgrades may remain healthy; hence GNPA ratio could reduce by 10bps QoQ to 2%. Provisions may decline 14% QoQ to 32bps led by write-back in AIF provisions as per recent RBI notification in case of large private banks.
- **Core profitability to fall QoQ:** Core PAT for our coverage banks is expected to fall by 4.6% QoQ to Rs480.4bn mainly led by lower margins. AXSB, KMB, and ICICIB could be outliers on core profitability due to fall in provisions. PAT is expected to be Rs534bn (-6.1% QoQ).

April 9, 2024

Top Picks

Axis Bank

HDFC Bank

Gaurav Jani
gauravjani@plindia.com | 91-22-66322235

Aditya Modani
adityamodani@plindia.com | 91-22-66322257

Harshada Gite
harshadagite@plindia.com | 91-22-66322237

- **Large private banks** could see loan growth of 3% QoQ and 14.7% YoY (vs ~15.5% YoY for system) mainly led by slower accretion in case of HDFCB (+1.6% QoQ). Deposit growth is expected to be 5.7% QoQ/15.9% YoY. NII may increase by 2.3% QoQ while NIM could decline by 12bps to 4.1% (last quarter flat). IIB could see better NIM compared to its private peers. Fees and opex would broadly mirror each other in terms of quarterly accretion. Core PPOP may come in at Rs523bn (+1.4% QoQ). Provisions would decline QoQ from 64bps to 48bps due to write-back in AIF based provisioning, while core PAT could inch up by 2.0% QoQ to Rs351bn.
- **Public Sector Banks** – Coverage PSU banks could see higher QoQ loan growth than private peers at 5%, although NII might marginally increase by 1% QoQ. NIM could decline by 9bps QoQ (last quarter -3bps) to 2.99%. Driven by lower NII growth and higher opex especially in case of SBI due to one-time staff cost (Rs54bn), core PPOP may fall by 17.7% QoQ to Rs182bn. Asset quality may remain stable with steady slippage ratio, while provisions may come in at 15bps. Core PAT is expected at Rs122.5bn (-19.4% QoQ).
- **Mid-cap Banks** – Loan growth would be 5.1% QoQ (higher than private peers), while NII growth would be 2.8% QoQ. NIM might see a 5bps QoQ decline to 3.31%. Core PPOP at Rs14.6bn may fall by 9.1% QoQ. Asset quality could improve as slippage ratio may fall QoQ to 1.53%, while GNPA should decline by 12bps QoQ to 2.66%. Core PAT may come in at Rs9.7bn (-9.9% QoQ).

Top Picks:

- **Axis Bank** – Extent of NIM fall at 11bps over FY24-26E could be lower compared to peers due to (1) material reduction in RIDF portfolio and (2) takeover of CASA/CC portfolio of CITI. Hence, core earnings CAGR over FY24-26E at 14.5% could be superior to ICICIB (9.2%). Bank is currently trading at a 27% discount to ICICIB and given FY26E core RoA at 1.66% (ICICIB 1.99%), suggesting that discount to ICICIB should narrow. We maintain multiple at 2.2x on Sep'25 ABV. Retain BUY with TP at Rs1,250.
- **HDFC Bank** – Balance sheet management is improving as provisional numbers for Q4'24 suggested that deposit accretion was strong at 7.5% QoQ while LDR fell by 610bps QoQ to 104% due to lower loan growth at 1.6% QoQ. While core earnings growth would be muted for FY24E (4.5% YoY), as NIM improves in FY26 core PAT may enhance by 19% YoY. Core RoA could scale up to 1.65% in FY26E (ICICIB 1.99%). We retain BUY with TP at Rs2,000 and will revisit our estimates post Q4'24 results.

Exhibit 1: Recommendation for PL coverage universe

Coverage Universe	CMP (Rs)	MCap (Rs B)	New Rating	Old Rating	New PT (Rs)	Old PT (Rs)	Upside (%)	P/ABV (x)				RoE (%)			
								FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E
Axis Bank	1,076	3,504	BUY	BUY	1,250	1,250	16.2%	2.7	2.3	2.0	1.7	18.3	17.7	17.0	16.6
HDFC Bank	1,547	12,754	BUY	BUY	2,000	2,000	29.3%	3.1	2.7	2.4	2.2	15.8	15.3	14.0	14.7
ICICI Bank	1,087	6,960	BUY	BUY	1,300	1,300	19.6%	3.9	3.5	3.0	2.6	17.5	19.2	17.8	17.2
IndusInd Bank	1,568	1,277	BUY	BUY	1,740	1,740	10.9%	2.4	2.0	1.8	1.6	14.5	15.1	15.0	15.8
Kotak Mahindra Bank	1,788	3,672	BUY	BUY	2,250	2,250	25.8%	4.6	3.8	3.3	2.9	14.0	14.4	14.0	14.3
Federal Bank	155	374	BUY	BUY	180	180	16.4%	1.6	1.4	1.2	1.1	14.9	14.5	13.0	13.9
DCB Bank	126	50	BUY	BUY	160	160	26.6%	0.9	0.9	0.8	0.7	11.5	11.5	13.2	15.1
City Union Bank	155	113	Acc	Acc	160	160	3.5%	1.8	1.5	1.4	1.2	13.4	12.8	11.5	11.7
Bank of Baroda	268	1,215	BUY	BUY	270	270	0.9%	1.6	1.4	1.2	1.1	16.5	17.5	15.2	14.2
State Bank of India	768	5,729	BUY	BUY	770	770	0.3%	2.5	2.1	1.9	1.6	18.3	17.5	16.1	15.9

Source: Company, PL

ACC=Accumulate / UR=Under Review

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

Exhibit 2: Q4FY24 Banks Results Preview – NII could improve by 1.8% QoQ as loan growth may increase by 4.1%

Rs Million	NII	YoY	QoQ	PPOP	YoY	QoQ	PAT	YoY	QoQ
HDFC Bank	2,91,843	1.8%	2.5%	3,08,172	36.4%	30.3%	1,52,147	2.0%	2.3%
ICICI Bank	1,88,500	6.7%	0.9%	1,45,230	5.0%	-1.4%	1,02,923	12.8%	0.2%
Axis Bank	1,29,553	10.3%	3.4%	93,302	1.8%	2.1%	63,227	-6.5%	4.1%
Kotak	67,129	10.0%	2.4%	48,227	3.8%	5.6%	33,170	-5.1%	10.4%
IndusInd	54,716	17.2%	3.3%	38,910	3.7%	-2.8%	21,682	6.3%	-5.6%
Federal	21,531	12.8%	1.4%	12,185	-8.7%	-15.2%	8,333	-7.7%	-17.2%
DCB Bank	4,977	2.4%	5.0%	2,211	-9.4%	4.5%	1,346	-5.4%	6.3%
City Union Bank	5,485	6.7%	6.3%	3,435	-17.6%	-5.6%	2,477	13.6%	-2.1%
SBI	4,00,698	-0.8%	0.6%	1,46,595	-40.5%	-27.9%	1,04,321	-37.5%	-27.7%
BOB	1,13,738	-1.3%	2.5%	71,194	-11.8%	1.5%	44,672	-6.5%	-2.4%
Total Banks	12,78,171	0.4%	1.8%	8,69,461	-3.7%	1.8%	5,34,297	-10.8%	-6.1%
Total Private Banks	7,63,735	1.3%	2.3%	6,51,672	13.2%	12.2%	3,85,304	0.3%	1.7%
Total Public Banks	5,14,436	-0.9%	1.0%	2,17,789	-33.4%	-20.4%	1,48,993	-30.6%	-21.6%
Rs Billion	Loans	YoY	QoQ	Margins	YoY	QoQ	Credit Cost	YoY	QoQ
HDFC Bank	24,845	12.5%	1.6%	3.61%	-0.50%	-0.12%	0.48%	-0.08%	-0.21%
ICICI Bank	12,034	18.0%	4.3%	4.65%	-0.33%	-0.14%	0.27%	-0.37%	-0.10%
Axis Bank	9,724	15.0%	4.3%	3.95%	-0.07%	-0.11%	0.37%	0.23%	-0.07%
Kotak	3,776	18.0%	5.0%	5.21%	-0.28%	-0.13%	0.42%	0.24%	-0.22%
IndusInd	3,424	18.1%	4.7%	4.83%	0.20%	-0.02%	1.17%	-0.25%	0.03%
Federal	2,094	20.0%	5.1%	3.23%	-0.19%	-0.10%	0.19%	-0.08%	0.01%
DCB Bank	409	19.0%	5.0%	3.68%	-0.57%	0.03%	0.39%	-0.22%	-0.03%
City Union Bank	454	5.5%	5.7%	3.34%	0.01%	0.08%	0.26%	-1.21%	-0.16%
SBI	37,131	16.1%	5.5%	2.98%	-0.36%	-0.09%	0.08%	-0.33%	0.00%
BOB	10,635	13.0%	3.9%	3.06%	-0.46%	-0.09%	0.38%	-0.23%	0.12%
Total Banks	1,04,526	13.3%	4.1%	3.85%	-0.56%	-0.07%	0.31%	-0.14%	-0.10%
Total Private Banks	56,760	11.6%	3.2%	4.06%	-0.57%	-0.09%	0.44%	-0.11%	-0.14%
Total Public Banks	47,766	15.4%	5.1%	3.02%	-0.41%	0.09%	0.15%	-0.31%	0.03%

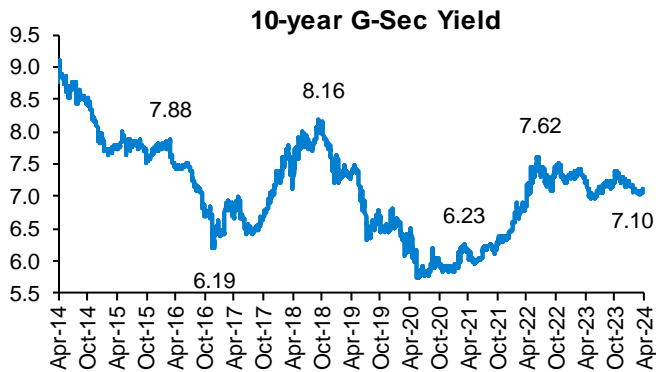
Source: Company, PL

Exhibit 3: Asset quality continues to see improvement

	Q3FY24			Q4FY24E		
	GNPA	NNPA	PCR	GNPA	NNPA	PCR
HDFCB	1.26%	0.31%	75.1%	1.25%	0.32%	74.8%
ICICIBC	2.44%	0.47%	80.9%	2.31%	0.45%	80.6%
Axis	1.68%	0.38%	77.5%	1.58%	0.35%	77.7%
KMB	1.73%	0.34%	80.3%	1.70%	0.38%	77.7%
IIB	1.92%	0.57%	70.2%	1.91%	0.56%	70.6%
SBI	2.42%	0.62%	74.5%	2.26%	0.58%	74.6%
BOB	3.08%	0.70%	77.2%	2.87%	0.65%	77.5%
Federal	2.29%	0.64%	71.8%	2.20%	0.63%	71.6%
DCB	3.43%	1.22%	64.3%	3.41%	1.22%	64.2%
CUBK	4.47%	2.19%	51.1%	4.06%	2.03%	50.0%

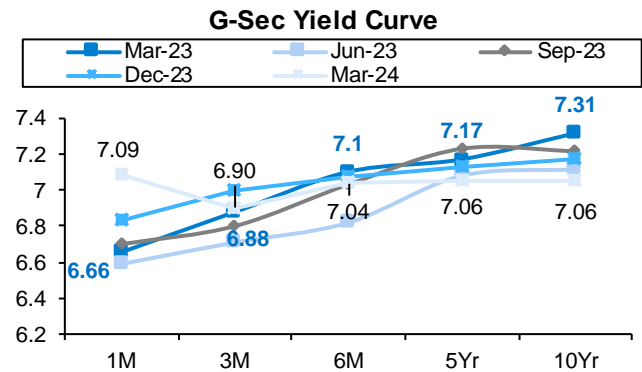
Source: Company, PL

Exhibit 4: G-Sec yields have fallen to 7.1%



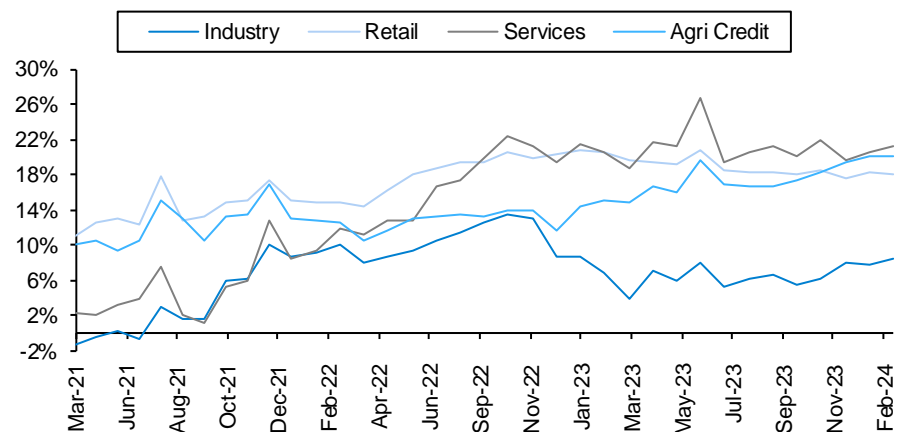
Source: Bloomberg, PL

Exhibit 5: Short-term curve showing signs of steadiness



Source: Bloomberg, PL

Exhibit 6: Retail/services mainstay with ~18%/21% YoY growth respectively



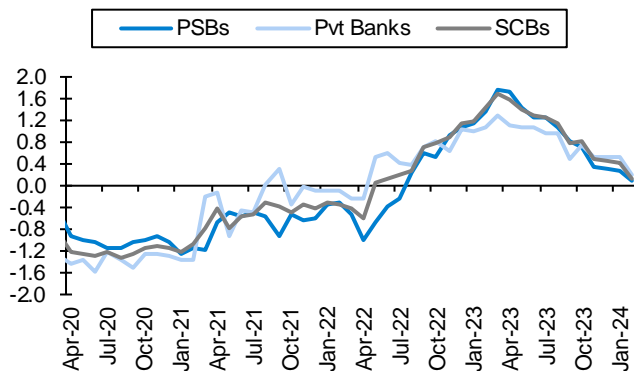
Source: RBI, PL

Exhibit 7: Rates have peaked; Expectations of rate cuts in H2'25, FY26

Banks MCLR Profile	MCLR 1YR			% Change	
	Sep-23	Dec-23	Mar-24	3Months	6Months
HDFC Bank	9.15%	9.20%	9.30%	0.10%	0.15%
Axis Bank	9.15%	9.25%	9.30%	0.05%	0.15%
ICICI Bank	8.95%	9.00%	9.10%	0.10%	0.15%
KMB	9.30%	9.35%	9.45%	0.10%	0.15%
IndusInd Bank	10.30%	10.35%	10.40%	0.05%	0.10%
SBI	8.55%	8.65%	8.65%	0.00%	0.10%
Bank of Baroda	8.70%	8.75%	8.80%	0.05%	0.10%
Federal	9.40%	9.60%	9.71%	0.11%	0.31%
PSBs – Median	8.55%	8.95%	8.83%	-0.13%	0.27%
Pvt – Median	8.10%	11.32%	9.71%	-1.61%	1.61%

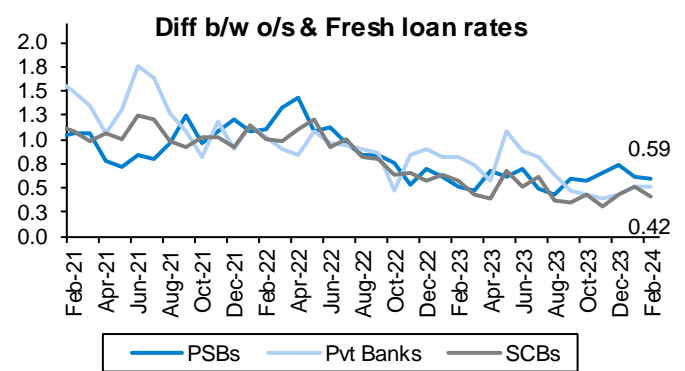
Source: Company, PL

Exhibit 8: Lending rates steady as rate hikes have paused



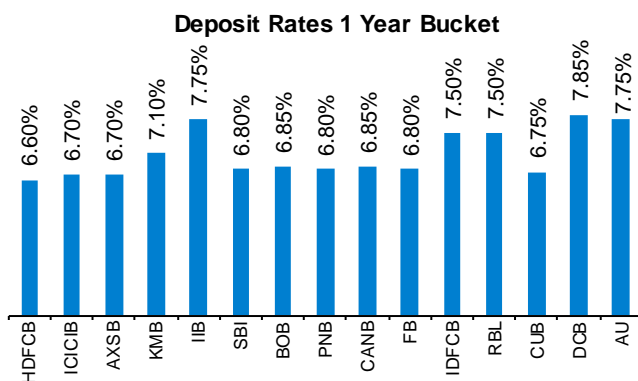
Source: Company, PL

Exhibit 9: PVBs see a rise in fresh loan rates



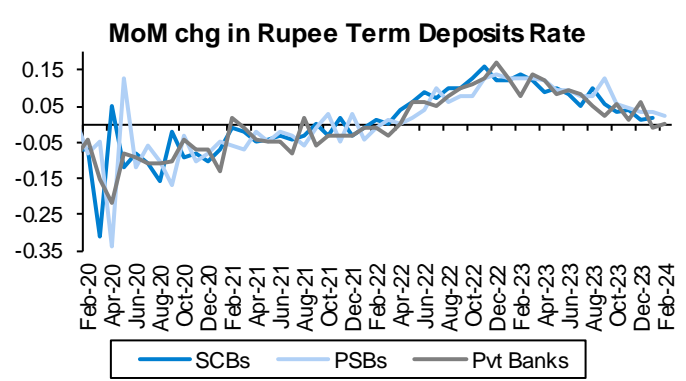
Source: RBI, PL

Exhibit 10: Deposit rates are steady



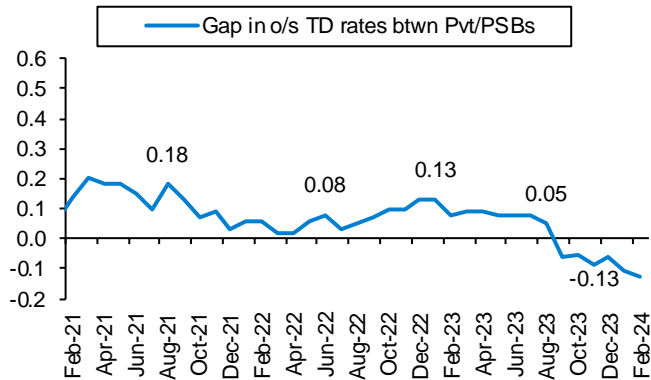
Source: Company, PL

Exhibit 11: TD rates to normalize as rate hikes have paused



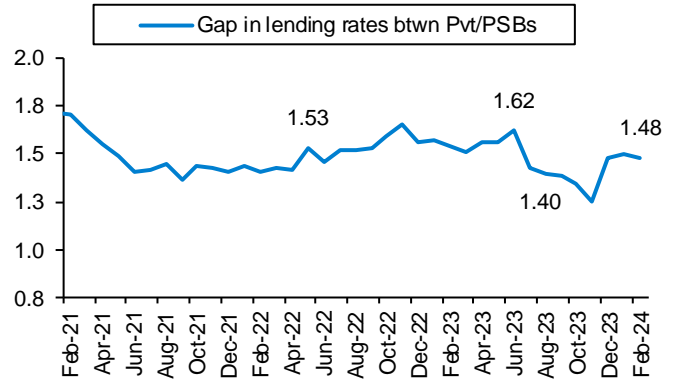
Source: Company, PL

Exhibit 12: TD rate gaps increased for Pvt/PSBs



Source: RBI, PL

Exhibit 13: Steady gap in lending rates for Pvt/PSBs



Source: RBI, PL

Exhibit 14: Q4FY24 Result Preview (Private Banks)

Company Name		Q4FY24E	Q4FY23	YoY gr. (%)	Q3FY24	QoQ gr. (%)	Remark
Axis Bank	NII (Rs mn)	1,29,553	1,17,422	10.3	1,25,322	3.4	
	PPOP (Rs mn)	93,302	91,676	1.8	91,412	2.1	
	Provisions (Rs mn)	9,000	3,058	194.3	10,283	(12.5)	Loan growth could be at +4.3% QoQ; NIM expected to decline by 11bps QoQ to 3.95% due to cost of funds catching up
	PAT (Rs mn)	63,227	67,614	(6.5)	60,711	4.1	
	Loans (Rs bn)	9,724	8,453	15.0	9,323	4.3	PPoP is likely to remain stable QoQ due to controlled opex. Provision costs to remain muted at 37bps
	Margin (%)	3.95	4.02	(7)	4.06	(11)	
	GNPA (%)	1.52	2.08	(56)	1.58	(6)	
	Credit Cost (%)	0.37	0.14	23	0.44	(7)	
HDFC Bank	NII (Rs mn)	2,91,843	2,86,733	1.8	2,84,713	2.5	Loan growth would be 1.6% QoQ led by retail and CRB portfolio. NII could grow by 2.5% although we expect NIM to decline by 12bps due to sharp decline in LDR QoQ.
	PPOP (Rs mn)	3,08,172	2,25,996	36.4	2,36,473	30.3	
	Provisions (Rs mn)	30,000	31,234	(3.9)	42,166	(28.9)	
	PAT (Rs mn)	1,52,147	1,49,189	2.0	1,48,716	2.3	
	Loans (Rs bn)	24,845	22,089	12.5	24,461	1.6	PPoP may jump by 29% QoQ since Credila stake sale gains were booked in Q4'24.
	Margin (%)	3.61	4.10	(50)	3.73	(12)	
	GNPA (%)	1.25	1.21	4	1.26	(0)	GNPAs could remain stable at 1.25% while expect provisions might moderate due to likely write-back in AIF provisions
	Credit Cost (%)	0.48	0.57	(8)	0.69	(21)	
ICICI Bank	NII (Rs mn)	1,88,500	1,76,668	6.7	1,86,786	0.9	
	PPOP (Rs mn)	1,45,230	1,38,264	5.0	1,47,236	(1.4)	While loan growth could come in at 4.3%, we expect NII to remain flattish QoQ due to NIM decline of 14bps QoQ led by faster rise in cost of funds
	Provisions (Rs mn)	8,000	16,198	(50.6)	10,494	(23.8)	
	PAT (Rs mn)	1,02,923	91,219	12.8	1,02,715	0.2	
	Loans (Rs bn)	12,034	10,196	18.0	11,538	4.3	
	Margin (%)	4.65	4.98	(33)	4.78	(14)	GNPAs set to improve by 12bps QoQ whereas credit costs could decline by 10bps QoQ
	GNPA (%)	2.22	2.86	(64)	2.34	(12)	
	Credit Cost (%)	0.27	0.64	(37)	0.36	(10)	
IndusInd Bank	NII (Rs mn)	54,716	46,695	17.2	52,956	3.3	
	PPOP (Rs mn)	38,910	37,528	3.7	40,022	(2.8)	Loan growth to be at 4.7% QoQ while NII to improve by 3.3% QoQ
	Provisions (Rs mn)	10,000	10,301	(2.9)	9,342	7.0	
	PAT (Rs mn)	21,682	20,405	6.3	22,979	(5.6)	Margin contraction for IIB could be lowest among peers at 2bps
	Loans (Rs bn)	3,424	2,899	18.1	3,271	4.7	
	Margin (%)	4.83	4.62	20	4.84	(2)	Asset quality to remain stable with steady credit costs
	GNPA (%)	1.91	1.98	(7)	1.92	(1)	
	Credit Cost (%)	1.17	1.42	(25)	1.14	3	

Company Name		Q4FY24E	Q4FY23	YoY gr. (%)	Q3FY24	QoQ gr. (%)	Remark
Kotak Mahindra Bank	NII (Rs mn)	67,129	61,026	10.0	65,535	2.4	
	PPOP (Rs mn)	48,227	46,474	3.8	45,662	5.6	We expect loan growth to be strong at 5.6% QoQ. However, margins could fall by 13bps QoQ to 5.2% due to higher EBLR linked portfolio.
	Provisions (Rs mn)	4,000	1,476	171.1	5,791	(30.9)	
	PAT (Rs mn)	33,170	34,956	(5.1)	30,050	10.4	
	Loans (Rs bn)	3,776	3,199	18.0	3,596	5.0	Earnings could increase by 10% QoQ due to higher treasury gains QoQ. Asset quality is expected to improve with GNPA's decreasing by 3bps QoQ.
	Margin (%)	5.21	5.49	(28)	5.34	(13)	
	GNPA (%)	1.70	1.78	(8)	1.73	(3)	
	Credit Cost (%)	0.42	0.18	24	0.64	(22)	
Federal Bank	NII (Rs mn)	21,531	19,093	12.8	21,234	1.4	
	PPOP (Rs mn)	12,185	13,346	(8.7)	14,373	(15.2)	NII growth could be 1.4% QoQ although loan growth would be 5.1% QoQ suggesting that NIM could decline by 10bps QoQ to 3.23%
	Provisions (Rs mn)	1,000	1,167	(14.3)	912	9.6	
	PAT (Rs mn)	8,333	9,026	(7.7)	10,067	(17.2)	
	Loans (Rs bn)	2,094	1,744	20.0	1,992	5.1	Asset quality (GNPA) could see further improvement by 9bps QoQ while provisions are expected remain stable
	Margin (%)	3.23	3.42	(19)	3.33	(10)	
	GNPA (%)	2.20	2.36	(16)	2.29	(9)	
	Credit Cost (%)	0.19	0.27	(8)	0.18	1	
DCB Bank	NII (Rs mn)	4,977	4,860	2.4	4,740	5.0	
	PPOP (Rs mn)	2,211	2,439	(9.4)	2,115	4.5	Loan growth may come in at 5.0% QoQ with NII growth of 5.0% QoQ. Expect margins to slightly improve QoQ by 3bps due to better credit flow. PPoP could grow by 4.5% QoQ
	Provisions (Rs mn)	400	525	(23.8)	410	(2.4)	
	PAT (Rs mn)	1,346	1,422	(5.4)	1,266	6.3	
	Loans (Rs bn)	409	344	19.0	390	5.0	
	Margin (%)	3.68	4.25	(57)	3.65	3	We expect credit cost to decline marginally by 3 bps while GNPA's could come in at 3.4%.
	GNPA (%)	3.41	3.19	22	3.43	(2)	
	Credit Cost (%)	0.39	0.61	(22)	0.42	(3)	
City Union Bank	NII (Rs mn)	5,485	5,143	6.7	5,159	6.3	Credit could grow by 5.7% QoQ. We expect NII to improve by 6.3% while PPoP could decline by 5.6% QoQ.
	PPOP (Rs mn)	3,435	4,170	(17.6)	3,640	(5.6)	
	Provisions (Rs mn)	300	1,590	(81.1)	460	(34.8)	
	PAT (Rs mn)	2,477	2,180	13.6	2,530	(2.1)	Margins might improve by 8bps QoQ to 3.34% as last quarter had seen FITL interest reversal
	Loans (Rs bn)	454	431	5.5	430	5.7	
	Margin (%)	3.34	3.34	1	3.26	8	
	GNPA (%)	4.06	4.37	(31)	4.47	(41)	Provisions are expected to decline 16bps QoQ while GNPA might contract by 41bps QoQ due to lower slippages
	Credit Cost (%)	0.26	1.48	(121)	0.43	(16)	

Source: Company, PL

Exhibit 15: Q4FY24 Result Preview (PSU Banks)

Company Name		Q4FY24E	Q4FY23	YoY gr. (%)	Q3FY24	QoQ gr. (%)	Remark
State Bank of India	NII (Rs mn)	4,00,698	4,03,925	(0.8)	3,98,157	0.6	NII to grow marginally by 0.6% QoQ with loan growth seen at 5.5%. Margins could fall by 9bps sequentially.
	PPOP (Rs mn)	1,46,595	2,46,211	(40.5)	2,03,360	(27.9)	
	Provisions (Rs mn)	7,500	33,157	(77.4)	6,879	9.0	
	PAT (Rs mn)	1,04,321	1,66,945	(37.5)	1,44,321	(27.7)	PPoP to decline sharply by 27.7% QoQ on account of one time staff cost of Rs54bn
	Loans (Rs bn)	37,131	31,993	16.1	35,195	5.5	
	Margin (%)	2.98	3.34	(36)	3.07	(9)	Asset quality in terms of GNPA to improve further by 16bps
	GNPA (%)	2.26	2.78	(52)	2.42	(16)	
	Credit Cost (%)	0.08	0.41	(33)	0.08	0	
Bank of Baroda	NII (Rs mn)	1,13,738	1,15,249	(1.3)	1,11,013	2.5	NII could inch up by 2.5% QoQ while loan growth would come in at 3.9% QoQ. Margins could fall by 9bps QoQ to 3.08%
	PPOP (Rs mn)	71,194	80,729	(11.8)	70,151	1.5	
	Provisions (Rs mn)	10,000	14,207	(29.6)	6,663	50.1	
	PAT (Rs mn)	44,672	47,753	(6.5)	45,793	(2.4)	PPoP could marginally increase by 1.5% QoQ
	Loans (Rs bn)	10,635	9,410	13.0	10,241	3.9	GNPA could fall by 21bps QoQ while credit costs could increase by 12bps QoQ. costs to decrease marginally by 9bps QoQ
	Margin (%)	3.06	3.53	(46)	3.16	(9)	
	GNPA (%)	2.87	3.79	(92)	3.08	(21)	
	Credit Cost (%)	0.38	0.60	(23)	0.26	12	

Source: Company, PL



Exhibit 16: Change in Estimates

	Rating		Target Price			NII (Rs bn)						PPoP (Rs bn)						PAT (Rs bn)					
						FY24E			FY25E			FY24E			FY25E			FY24E			FY25E		
	C	P	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.
Axis Bank	BUY	BUY	1,250	1,250	0.0%	497.6	494.6	0.6%	567.2	548.9	3.3%	359.2	356.2	0.8%	406.0	394.3	3.0%	240.5	236.8	1.6%	271.5	263.1	3.2%
HDFC Bank	BUY	BUY	2,000	2,000	0.0%	1,138.2	1,144.7	-0.6%	1,273.1	1,336.2	-4.7%	1,002.6	928.1	8.0%	984.8	1,059.3	-7.0%	627.2	628.9	-0.3%	654.2	686.9	-4.8%
ICICI Bank	BUY	BUY	1,300	1,300	0.0%	740.6	741.6	-0.1%	819.9	818.3	0.2%	576.2	575.1	0.2%	628.1	629.5	-0.2%	404.7	402.4	0.6%	430.6	435.0	-1.0%
IndusInd Bank	BUY	BUY	1,740	1,740	0.0%	207.1	207.2	-0.1%	238.4	237.5	0.4%	156.0	156.2	-0.1%	172.4	179.5	-3.9%	87.7	87.6	0.1%	99.3	101.4	-2.1%
Kotak Mahindra Bank	BUY	BUY	2,250	2,250	0.0%	258.0	257.5	0.2%	291.1	296.0	-1.6%	189.5	189.0	0.2%	210.5	212.3	-0.8%	129.7	129.2	0.3%	144.4	145.1	-0.5%
Federal Bank	BUY	BUY	180	180	0.0%	82.5	82.6	-0.1%	96.9	97.6	-0.8%	52.8	53.5	-1.2%	61.3	64.3	-4.7%	36.5	37.0	-1.3%	39.7	42.8	-7.3%
DCB Bank	BUY	BUY	160	160	0.0%	19.2	19.0	0.8%	22.1	22.4	-1.7%	8.5	8.3	2.2%	10.7	11.5	-7.0%	5.1	5.0	2.7%	6.6	7.1	-7.4%
City Union Bank	Acc	Acc	160	160	0.0%	21.3	21.0	1.3%	22.7	22.9	-0.9%	15.1	15.3	-1.2%	15.4	17.2	-10.4%	10.1	10.0	0.9%	10.2	10.4	-2.6%
Bank of Baroda	BUY	BUY	270	270	0.0%	443.0	441.6	0.3%	479.8	470.0	2.1%	299.8	293.5	2.1%	305.5	295.0	3.6%	173.7	165.4	5.0%	171.9	161.5	6.4%
State Bank of India	BUY	BUY	770	770	0.0%	1,582.9	1,584.6	-0.1%	1,705.0	1,731.4	-1.5%	797.1	804.6	-0.9%	903.5	895.0	0.9%	560.8	566.4	-1.0%	590.6	587.8	0.5%

Source: Company, PL C=Current / P=Previous / Acc=Accumulate

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	AAVAS Financiers	Hold	1,660	1,484
2	Axis Bank	BUY	1,250	1,089
3	Bank of Baroda	BUY	270	248
4	Can Fin Homes	BUY	900	725
5	City Union Bank	Accumulate	160	144
6	DCB Bank	BUY	160	144
7	Federal Bank	BUY	180	150
8	HDFC Asset Management Company	BUY	3,900	3,501
9	HDFC Bank	BUY	2,000	1,679
10	ICICI Bank	BUY	1,300	1,009
11	IndusInd Bank	BUY	1,740	1,613
12	Kotak Mahindra Bank	BUY	2,250	1,807
13	LIC Housing Finance	Hold	540	640
14	Nippon Life India Asset Management	BUY	610	508
15	State Bank of India	BUY	770	650
16	UTI Asset Management Company	BUY	900	875

PL's Recommendation Nomenclature

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

ANALYST CERTIFICATION

(Indian Clients)

We/I Mr. Gaurav Jani- CA, Passed CFA Level II, Mr. Aditya Modani- CA, Passed CFA Level II, Ms. Harshada Gite- CA Research Analysts, 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.

(US Clients)

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

DISCLAIMER

Indian Clients

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at www.plindia.com.

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is a registered with SEBI under the SEBI (Research Analysts) Regulation, 2014 and having registration number INH000000271.

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

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

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Mr. Gaurav Jani- CA, Passed CFA Level II, Mr. Aditya Modani- CA, Passed CFA Level II, Ms. Harshada Gite- CA Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

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

The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

PL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

US Clients

This research report is a product of Prabhudas Lilladher Pvt. Ltd., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Prabhudas Lilladher Pvt. Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

www.plindia.com