Indian Banking Sector

14 June 2024

SECTOR OUTLOOK

Industry	Banking

Banking coverage - rating and target price

Company	Rating	CMP (Rs)	TP (Rs)
HDFCB	BUY	1,581	1,885
AXIS	BUY	1,175	1,270
ICICI	BUY	1,107	1,275
SBI	BUY	844	950
KOTAK	BUY	1,726	1,815
INDUSIND	BUY	1,507	1,875
FEDERAL	HOLD	172	190

Source: Systematix Institutional Research

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Private banks offer superior valuation comfort vs PSU peers

Our outlook for the banking sector in FY25 revolves around: (1) While most midcap PSU banks beat their FY24 growth guidance, their FY25 guidance remained conservative. Likewise, even small private banks gave a muted FY25 growth guidance due to CDR constraints. (2) On a qoq basis, private banks saw strong growth in SME and MSME segments and moderation in credit cards and personal loans. Within secured credit, growth remained buoyant for home loans while there was weakness in auto loans. (3) Banks indicated green shoots in corporate loan demand in terms of improved utilisation in working capital limits, demand for road projects, demand for term loans by steel and cement companies. South based lenders i.e. Karnataka bank and SIB reported strong growth in corporate lending between 6-7% qoq vs overall loan growth of 3-5% qoq. However, HDFCB and SBI's commentary pointed towards heightened competition and unviable pricing in the wholesale lending market. HDFCB's other wholesale advances (ex of non-individual loans of eHDFCL) declined -2.2% qoq on the back of this. (4) Deposit rates have broadly peaked with the largest bank i.e. SBI indicating at only minor adjustments going ahead. We have built in conservative NIM estimates factoring pressure on CDR and preference for secured credit. In our assessment, most key banks still retain 35-50% of the peak spread, seen in 3QFY23. Current NIMs are 25-43bps above pre-rate hike cycle levels with higher leverage accounting for ~50% of the improvement. (5) Operating expense control remains the strongest hedge to counter NIM pressures in the face of tighter CDR requirements and normalising credit cost estimates. **In the near term i. e. for FY25, PSU banks in general have greater cushion for PPOP outperformance vs private banks on the back of low CDR and base effect from the high wage bill of FY24. However, in our view, from a medium to longer term, private banks should deliver superior risk adjusted returns on the back of deeper penetration into the semi-urban/rural markets, conservative underwriting standards and tech enabled operating leverage. With most of the private banks trading below their LT means, their current valuations also offer more upside vs. the PSU banking peers. Pecking order of preference based on potential for valuation rerating and operational improvement would be - IndusInd, HDFCB, SBI, Kotak, Federal, ICICI and AXIS.**

FY25 sector credit growth expected at c.14% (vs 16% in FY24): Bottom-up analysis of 27 banks, factoring our estimates along with guidance provided by the banks, indicate that FY25 sector credit growth would be c.14% yoy. Private banks, ex of HDFCB, are expected to average a credit growth of c.15% while HDFCB's credit portfolio growth is expected to be c.12% yoy. PSU bank's credit portfolio is expected to grow at c.13% yoy whilst that of the SFBs is expected to increase at c.25% yoy. Sectoral data indicates that unsecured credit growth has slowed since November, when RBI increased the risk weight on these portfolio by ~25%. Whilst secured assets increased at 17% yoy average growth (vs 15% prior to Nov'23), unsecured assets increased at 20% yoy average growth (vs 25% prior to Nov'23). Management commentary also indicates a preference for secured assets like housing and vehicles.

Margin pressures expected to sustain in FY25, albeit at a modest pace: During 4QFY24, deposit mobilisation remained strong at 5% qoq, 13% yoy on strong seasonality. With CASA growth being flat for 9MFY24, CASA growth of 6% qoq and yoy for FY24 was mainly back-ended and led by seasonal quarter end flows in CA deposits. However, growth was weak for the more stable SA and retail term deposits.

Funding costs remained largely stable qoq as (1) bulk of the deposit back-book repricing is behind. (2) banks incrementally opted for higher amount of low-cost refinance from DFI’s like NHB, NABARD, SIDBI, MUDHRA etc. However, margins and spreads continued to decline sequentially, albeit at a slower pace mainly due to decline in asset yields as banks focussed on higher secured mix and increased traction in MSME and corporate lending. **Amongst the large cap banks, ICICI, AXIS, Kotak and SBI still retain ~35-40% of the peak spread expansion. Amongst the smaller cap banks, Canara, Union, BOI and J&K bank still retain 45-50% of the peak spread expansion seen in 3QFY23.** Despite low CDRs, most key PSBs were conservative on margin guidance and expect margins to remain stable to slightly lower given a heated deposit market and pickup in corporate lending. Private banks are expected to show modest decline in NIMs with asset yields continuing to hold up well. With respect to RBI’s draft notification on project finance guidelines, banks indicated at passing on some of the impact via price hikes. Considering RBI’s focus on curbing CDR and unsecured advances, along with pickup in corporate loans, we expect margins pressures to sustain into FY25.

Other income, which got a fillip in 4QFY24 from treasury gains; expected to normalise in FY25: During 4QFY24, the impact of lower margins was offset by higher other income due to seasonally higher fee income for private banks, higher treasury gains and strong TWO recovery for PSU banks and higher disbursement led loan processing fee growth for SFBs. Other income as % avg assets increased by ~15-40bps qoq for PSUs and about ~30bps for SFBs. **However, going forward banks indicated of treasury income being impacted on implementation of new investment guidelines which limit sale of investments from HTM book to 6% of opening carrying value and reclassification of investments across various buckets with board approval. This will be partly offset by the higher investment yields, especially for PSU banks wherein investment yields have increased by ~20-30bps, for likes of BoB, Canara, Indian bank, along with increase in modified duration. Many PSBs guided for a 20-30bps accretion to AFS reserves because of the new investment guidelines while SBI had earlier indicated of almost 50bps accretion.**

PSU bank’s operating profit to show superior growth vs. private peers, in FY25: During 4QFY24, PSU banks (ex SBI and J&K bank) saw a 10-35% qoq increase in opex due to **(i)** catch up wage hike provisions, **(ii)** higher gratuity and pension provisions due to reduction in discount rates **(iii)** upfront provisions on 5-year ex-gratia benefits ratified in the final wage bill. Opex/assets for PSU banks (ex SBI) increased to 2.1% vs 1.8% qoq. SBI, on the contrary saw opex/assets decline to 2% vs 2.6% qoq due to reversal of excess provisions provided in the previous quarters, both on wage hikes and gratuity. **Going forward, with bulk of the incremental wage related provisions largely behind, FY25 opex growth is expected to be subdued for PSU banks.** Most key private banks saw a qoq increase in opex/assets mainly due to back-ended branch additions. ICICI bank and RBL were the 2 exceptions where opex/assets declined by 17-18bps qoq on moderation in business investments, productivity gains and cost rationalisation with the trend expected to continue into FY25. While IIB indicated at staff attrition moderating across the industry, HDFCB provided ex gratia staff bonus to manage attrition during these crucial post-merger years. Industry is likely to experience higher tech related expenses given heightened regulatory scrutiny with a few banks guiding for tech spends of about ~10% of opex. FY25 opex/assets is expected to remain elevated for SFBs due to business investments in new products/segments. **For FY25, PSU banks’ operating profits have greater cushion due to more favourable CDR and high base of opex in the previous year.**

Overall asset quality numbers remain benign with signs of stress in select pockets. Credit costs to inch up on normalization: Overall asset quality remains benign with GNPA / NNPA declining across the board in FY24. Most key players guided for credit costs to inch up going forward mainly due to normalisation in recovery rates and stress in a few pockets of unsecured credit. In 4Q, slippages increased in (i) Agri and MSME for some PSU banks like UNBK, BOB and INBK. Also, there has been build-up of stress in small ticket agri/MSME loans. (ii) slippages in MFI due to collection efforts being hampered due to elections and loan waiver campaigns. Kotak and Equitas reported higher MFI credit costs due to change in provisioning policy. IIB and AU guided for through-cycle MFI credit costs of 1.5-2% and 2.5-3% respectively with any excess provisions to be used to adding to contingent provision buffers. (iii) slippages inched up in credit cards and personal loans. Small PSU banks' FY25 guidance on slippages and recoveries continued to be broadly similar to that delivered in FY24.

Private banks offer superior valuation comfort than PSU banking peers: While operating profit growth, in FY25, would be superior for the PSU banks vs private banks, we see more valuation comfort in the private bank multiples vs those of the PSU peers. Large cap private banks like Kotak and HDFCB and midcap banks like IndusInd are trading at valuation discount to historical trends on the back of near-term idiosyncratic concerns. As these banks work out of their current limitations, the valuation multiples should improve providing fillip to their share returns in addition to their c.14% CAGR in ABVPS over FY24-26E. On the other hand, most of the PSU banks are averaging ~ 1.1x forward ABVPS against forward RoAs of ~1.0-1.1%. This factors in comfort on CDR, NIMs, operating expense normalisation and continued headroom for recoveries, albeit at a slower pace. We also note that despite the strong share performance of SBI CYTD, the premium of SBI vs other PSU banks at 32% is significantly below its decadal average premium of 116%. Thus, our pecking order of preference is - **IndusInd, HDFCB, SBI, Kotak, Federal, ICICI and AXIS.**

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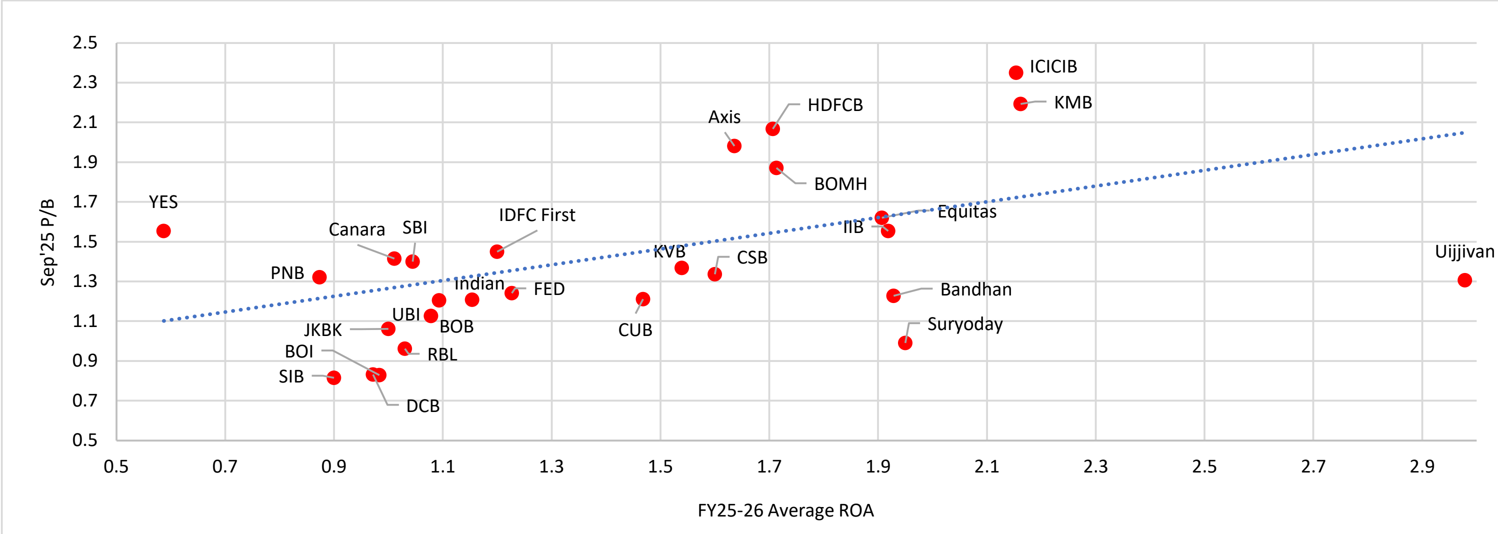
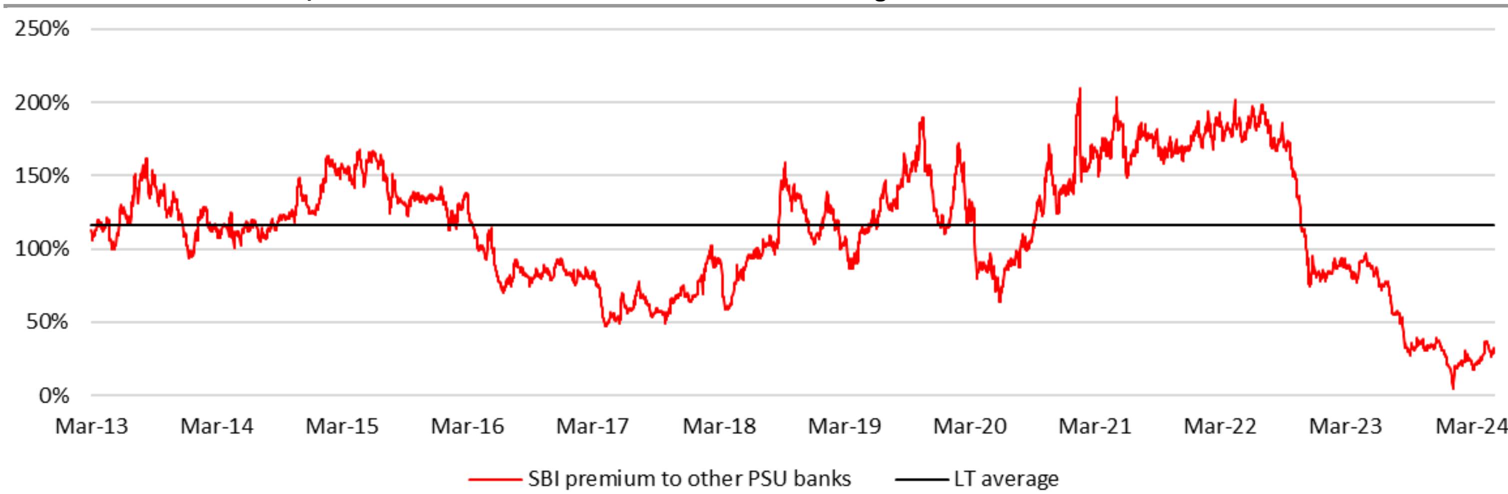
Recommendation: Pecking order of preference - IndusInd, HDFCB, SBI, Kotak, Federal, ICICI and AXIS

Exhibit 1: IndusInd, HDFCB, SBI , Kotak, Federal, ICICI and AXIS is our pecking order of preference



*Source: Company, Systematix Institutional Research *multiples of HDFCB, ICICI, KMB and SBI have been adjusted for subsidiary contributions as per published numbers*

Exhibit 2: Premium of SBI P/BV vs. other PSU banks is at 32% vs. decadal average of 116%



Source: Company, Systematix Institutional Research

Based on upside to our target prices coupled with improving outlook in terms of rate cycle, likely corporate/regulatory actions and improved profitability our pecking order of stocks would be – 1) **INDUSIND** - highest earnings growth trajectory within coverage universe, 2) **HDFCB** – attractive valuations coupled with expectations of improving profitability from NIM improvement and operating leverage 3) **SBI** – all around improvement in profitability with improved FY25/26 earnings growth, on Bipartite wage hike afflicted FY24 earnings. 4) **FEDERAL** – likely abatement of management concerns post acceptance of MD candidate by RBI, 5) **KOTAK**– attractive valuations coupled with expectation of removal of RBI restrictions along the playbook as in HDFCB, and 6) **ICICI –** recent underperformance factors the modest FY25 earnings growth outlook and 7) **AXIS** – stock run up post the results has capped the upside to our CDR constrained conservative TP.

Within the small cap private bank universe, results indicate signs of bottoming out at **BANDHAN and RBL** whilst banks like **KVB, UJJIVAN SFB and EQUITAS** continue to exhibit strong operational performance and outlook. Post elections, the recent underperformance of Ujjivan vs Equitas, which usually trade at similar multiples, has tilted the balance towards Ujjivan SFB. **Within the small-midcap PSU banking universe, BOMH** and **INDIAN** continued to exhibit strong operational performance across multiple parameters whilst banks like **PNB** and **CANARA**, both having lost deposit/advances market share in FY24, are focused on achieving RoA of 1% in FY25.

Within the public sector bank universe, we think that the market, which was hitherto, treating the pack as a homogeneous pack, would differentiate the banks with superior track record of underwriting and improving core profitability viz. **SBI, INDIAN and BOMH** from the ones where, ex of recoveries, core earnings growth remains subdued like **PNB**, **UBI** and **CNBK**.

Exhibit 3: FY25 earnings upgrades and downgrades

Bank	FY25E			Key Highlights
	15-Apr-24	03-Jun-24	% change	
HDFC	94.7	91.7	-3.2%	Credit growth of 1.6% qoq was lower than expectations resulting in resetting down of FY25 credit growth estimates. Better than expected deposit growth was a key highlight. Core NIM (3.44%) was stable qoq.
ICICI	62.0	64.1	3.4%	4Q NIMs and spreads stable qoq. Other income declined -7.4% qoq due to one-off from closure of the bank's offshore unit in Mumbai. Credit costs (ex of one-off AIF reversal) normalized to 29bps vs 15bps in 3Q (ex AIF provisions) and the trend is likely to continue
Axis	86.8	88.0	1.4%	4Q NIM increase of +5bps qoq surprised positively. Strong other income supported by treasury gains. Negative wholesale slippages to normalize going forward.
Kotak	70.9	71.4	0.7%	FY25 guidance of PBT impact of Rs 3.5-4.5bn (~2.5% of FY25 PBT) due to higher tech spends partly offset by reduction in new customer acquisition costs
IndusInd	135.0	131.8	-2.4%	4Q NIM declined (-11bp qoq) due to a reduction in low-cost deposits on exit of large fintech partner. Bank continued to dip into contingent provision buffer.
Federal	17.3	17.1	-1.2%	4Q Opex increased due to wage hike related pension provisions and seasonal uptick in other overheads. Reported credit costs were Nil due to provision reversal.
RBL	25.0	24.8	-0.8%	4Q NIM declined impacted by much reduced CDR (-500bp qoq) offset by CIR decline (-290bps qoq) due to reversal of excess gratuity and pension provisions.
KVB	21.2	22.0	3.8%	Strong advances growth (16% yoy vs guidance of 14-15%) despite 2.5% impact from reduction in low yielding book. CIR increased on catchup wage hike provisions and low discount rates.
CUB	15.1	14.7	-2.6%	Weak FY24 loan growth of 6% yoy. NIMs, fees, asset quality stable qoq. CIR increased 262bps qoq due to business investments.
DCB	19.8	20.3	2.5%	4Q NIM (+14bps qoq) improved on yield improvement. Credit costs declined (-12bps qoq) on lower seasonal slippages and reduction in restructured book
SBI	71.9	75.5	5.0%	Strong loan growth (15% yoy vs guidance of 12-14%). Higher other income (1.5x qoq) due to higher TWO recovery, higher dividends from subsidiaries, seasonally higher fee income. Lower employee costs due to MTM gains on pension funds and reversal of excess gratuity provisions.
BOB	35.0	36.0	2.9%	4Q NIM increase (+17bps qoq) due to seasonally higher recoveries, MCLR rate hikes. Higher other income on IT refund and treasury gains. Higher opex from higher pension costs impacted by lower discount rates. Credit costs increased (+17bps qoq) on provision for an aviation account.
PNB	11.7	12.0	2.6%	4Q NIM stable qoq. Higher opex on higher AS-15 and ex-gratia provisions impacted by lower discount rates. Credit costs declined due to std asset provision reversal on improving asset quality.
Canara	17.4	16.7	-4.0%	Strong other income due to 2x treasury gains and higher TWO recovery. Higher CIR due to higher-than-expected ex-gratia and one-off IT depreciation expense. Higher net slippage ratio qoq due to lower recoveries / upgrades.
UBI	22.3	21.3	-4.5%	Higher employee costs (~50% qoq) due to higher pension, gratuity and leave encashment provisions. Higher net slippage ratio qoq due to seasonally higher Agri slippages and normalization in MSME slippages.
Indian bank	67.8	72.4	6.8%	Higher other income on core fee growth and 2x bad debt recovery. Despite pension-related provisions, the bank delivered 3rd quarter of 1%+ RoA due to lower slippages, higher other income and stable margins
BOI	20.9	20.5	-1.9%	Higher credit costs (+100bps qoq) due to ageing provisions, SREI provisions, prudent provisions on small MSME customers. Slippage of large corporate account in Orrisa and Punjab Govt account (recovery likely in 1QFY25).
AU SFB	28.9	29.2	1.0%	4Q NIM declined 16bp qoq ex one-offs due to higher funding costs. Credit costs normalized to 70bps vs 100bps in 3Q due to higher credit card write-offs.
Ujjivan SFB	7.0	7.2	2.9%	4Q NIM increase (+60bps qoq) due to interest reversal on holco time deposits, post reverse merger and liquidity utilization. Opex increased due to higher branch additions and IT costs. Credit costs increased due to loan waiver campaigns in north india.
Equitas SFB	8.8	8.4	-4.5%	4Q NIM declined (-20bps qoq) due to CDR reduction (-600bp qoq). Credit costs increased (+25bp qoq) due to reclassification of NPA coborrower accounts.

Source: Bloomberg consensus estimates, Systematix Institutional Research

Earnings upgrade at SBI, INDIAN, ICICI and KVB were driven by operational improvements, whilst midcap banks like CUB, Union, Canara, BOI continue to deliver numbers below their potential thresholds stemming from weak growth and asset quality concerns in some names.

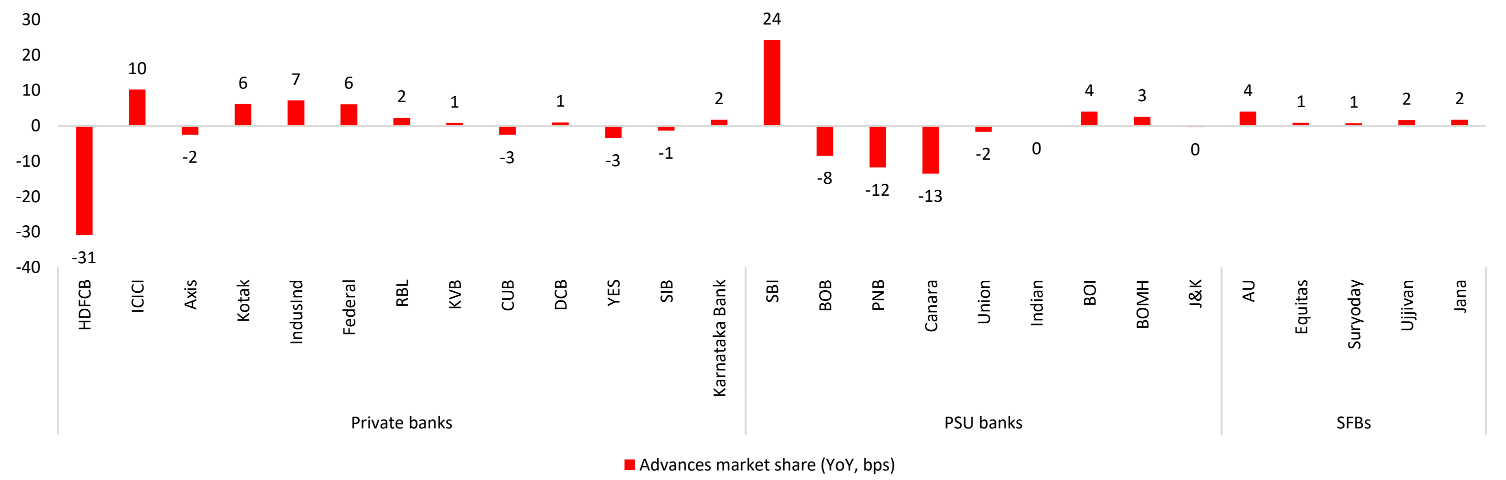
Exhibit 4: Valuation table

Name	Rating	MCAP (Rs bn)	CMP (Rs)	TP (Rs)	EPS growth (%)			P/E			P/BVPS			RoE (%)			RoA (%)		
					FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
HDFCB	BUY	12,023	1,581	1,885	1	5	20	17.5	17.2	16.4	2.4	2.2	2.0	16.9	13.8	14.9	2.0	1.7	1.8
ICICIB	BUY	7,788	1,107	1,275	27	8	10	20.3	15.9	14.7	2.8	2.5	2.2	18.7	17.5	17.1	2.4	2.2	2.1
AXISB	BUY	3,629	1,175	1,270	151	6	17	37.7	15.0	14.1	2.5	2.1	1.8	17.7	16.0	16.1	1.7	1.6	1.7
KOTAK BANK	BUY	3,432	1,726	1,815	26	1	16	23.4	18.6	18.3	2.7	2.3	2.1	15.3	13.5	14.0	2.5	2.2	2.2
INDUSIND	BUY	1,174	1,507	1,875	21	18	18	15.8	13.1	11.1	1.9	1.7	1.4	15.3	15.7	16.1	1.8	1.9	1.9
FEDERAL	HOLD	421	172	190	7	10	16	12.1	11.3	10.2	1.5	1.3	1.2	14.7	13.2	13.6	1.3	1.2	1.2
IDFC FIRST	NOT RATED	579	77	92	9	18	36	17.9	15.1	11.1	1.8	1.5	1.4	10.2	10.7	13.0	1.1	1.1	1.3
KVB	NOT RATED	165	207	228	45	10	11	10.3	9.4	8.4	1.7	1.5	1.3	17.2	16.2	15.9	1.6	1.6	1.5
CUB	NOT RATED	110	148	172	8	7	12	10.8	10.1	9.0	1.4	1.3	1.1	12.8	12.2	12.2	1.5	1.5	1.5
RBL	NOT RATED	158	260	284	31	29	30	13.5	10.5	8.1	1.1	1.0	0.9	8.2	9.8	11.5	0.9	1.0	1.1
DCB	NOT RATED	43	137	168	15	18	18	8.0	6.8	5.8	1.0	0.9	0.8	11.1	12.1	12.9	0.9	1.0	1.0
CSB	NOT RATED	60	345	452	4	8	23	10.6	9.8	7.9	1.7	1.5	1.2	16.2	14.9	15.7	1.7	1.6	1.6
BANDHAN	NOT RATED	313	194	206	2	58	18	14.0	8.9	7.5	1.5	1.3	1.1	10.8	15.7	16.1	1.3	1.9	1.9
AU SFB	NOT RATED	496	668	688	5	27	30	29.1	22.9	17.6	3.8	3.1	2.7	13.0	14.0	15.2	1.5	1.6	1.6
EQUITAS SFB	NOT RATED	114	100	121	36	20	27	14.3	11.9	9.3	2.0	1.8	1.5	14.4	14.9	16.6	2.0	1.9	1.9
UJJIVAN SFB	NOT RATED	96	50	67	29	10	17	7.5	6.9	5.8	1.7	1.4	1.2	26.6	22.3	21.6	3.5	3.0	2.9
SIB	NOT RATED	73	28	34	11	8	15	6.8	6.3	5.5	1.0	0.9	0.8	13.8	12.9	13.1	1.0	0.9	0.9
KARNATAKA BANK	NOT RATED	83	219	314	5	-5	3	5.5	5.8	5.6	0.8	0.8	0.8	13.7	12.8	12.6	1.2	1.2	1.1
SURYODAY SFB	NOT RATED	22	205	274	178	28	784	10.1	7.9	0.9	1.2	1.1	0.9	12.7	14.2	14.1	1.9	2.0	1.9
SBI	BUY	7,531	844	950	22	7	23	11.6	9.6	8.9	1.7	1.5	1.3	18.8	17.4	18.5	1.0	1.0	1.1
BOB	NOT RATED	1,462	283	293	26	5	9	8.2	7.8	7.2	1.4	1.3	1.1	16.9	15.7	15.0	1.2	1.1	1.1
PNB	NOT RATED	1,394	127	110	229	60	21	16.9	10.6	8.7	1.5	1.4	1.2	8.0	12.3	13.0	0.5	0.8	0.9
UNION	NOT RATED	1,116	146	163	54	13	8	7.7	6.8	6.3	1.3	1.2	1.1	15.6	16.1	15.3	1.0	1.1	1.1
CANARA	NOT RATED	1,106	122	108	40	5	11	7.6	7.2	6.5	1.6	1.6	1.3	18.1	17.9	17.0	1.0	1.0	1.0
INDIAN	NOT RATED	730	542	604	41	21	10	9.1	7.5	6.8	1.4	1.3	1.1	15.2	16.3	15.7	1.1	1.2	1.2
BOI	NOT RATED	567	125	154	56	35	12	8.4	6.2	5.5	1.0	0.9	0.8	9.9	13.2	14.0	0.7	1.0	1.0
J&KBANK	NOT RATED	135	123	169	29	-6	13	7.7	8.1	7.2	1.3	1.1	1.0	15.9	12.8	12.9	1.2	1.0	1.0
BOMH	NOT RATED	472	67	87	126	48	46	11.6	8.0	7.5	2.6	2.1	1.7	23.0	26.7	23.1	1.4	1.8	1.6

Source: Company, Bloomberg consensus for companies not covered, Systematix Institutional Research

Credit and deposit market share trends

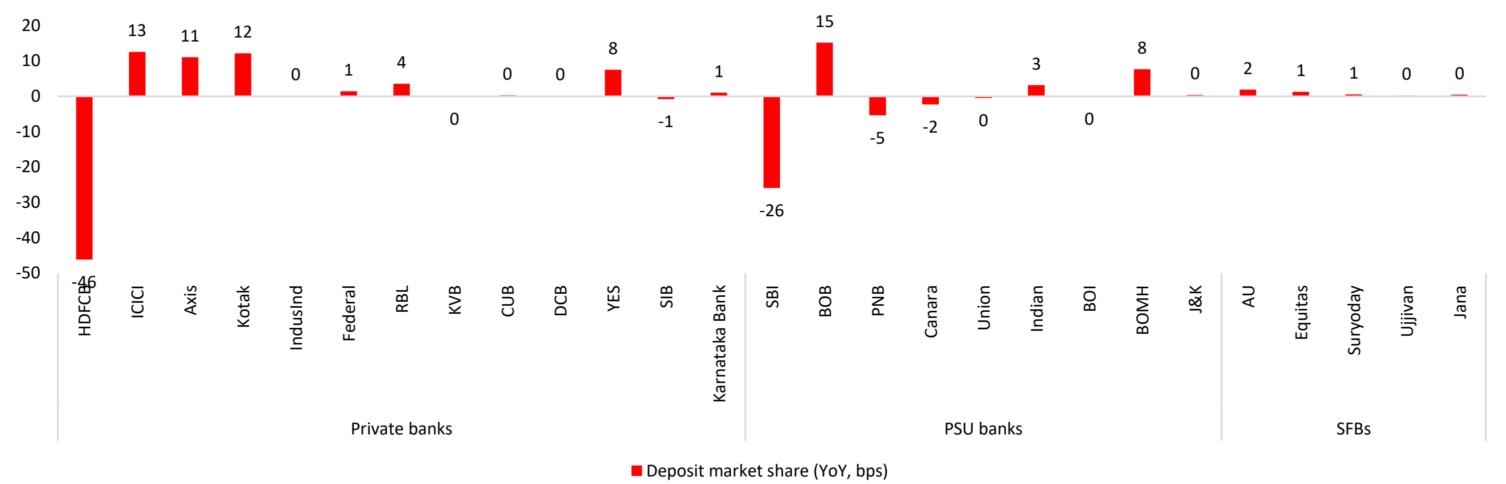
Exhibit 5: SBI, a key market share gainer in credit market



Source: Company, Systematix Institutional Research

In 4QFY24, banks like SBI, ICICI, KOTAK, INDUSIND and FEDERAL gained market share in advances whilst most of them reduced their CD ratios, on a sequential basis, due to seasonally strong deposit inflows. HDFCB reduced its CD ratio by 600bps driven by inflow of ~Rs 1.67Tn of fresh deposits whilst losing almost 30bps of credit market share. We estimate the CDR of HDFCB to decline below 100% by FY25 end from the FY24 end level of 104.4%.

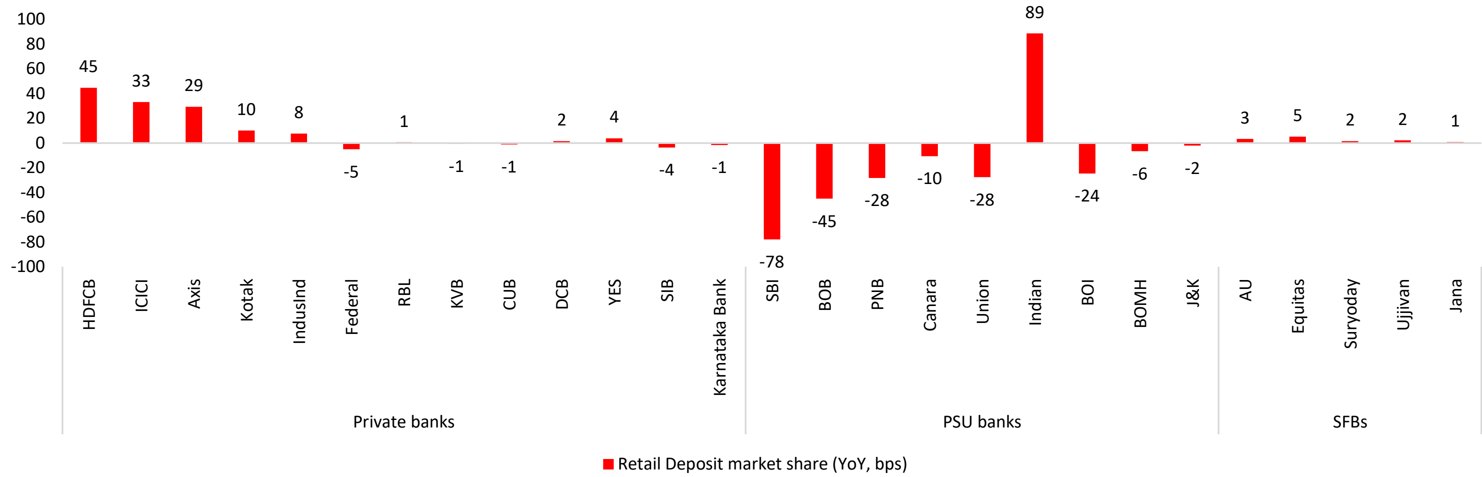
Exhibit 6: YoY basis, large banks HDFCB and SBI lost market share in the overall deposit market to other large private banks and BOB



Source: Company, Systematix Institutional Research

In 4QFY24, headline numbers indicate that private banks, except for HDFCB, have gained market share in deposits at the expense of the PSU banks. However, these headline numbers include the bulk deposits which the banks are eager to shed as liquidity concerns abate from stressed 3QFY24 levels.

Exhibit 7: Large private banks including HDFCB have gained retail deposit market share on YoY basis. INBK was notable exception within PSU banks

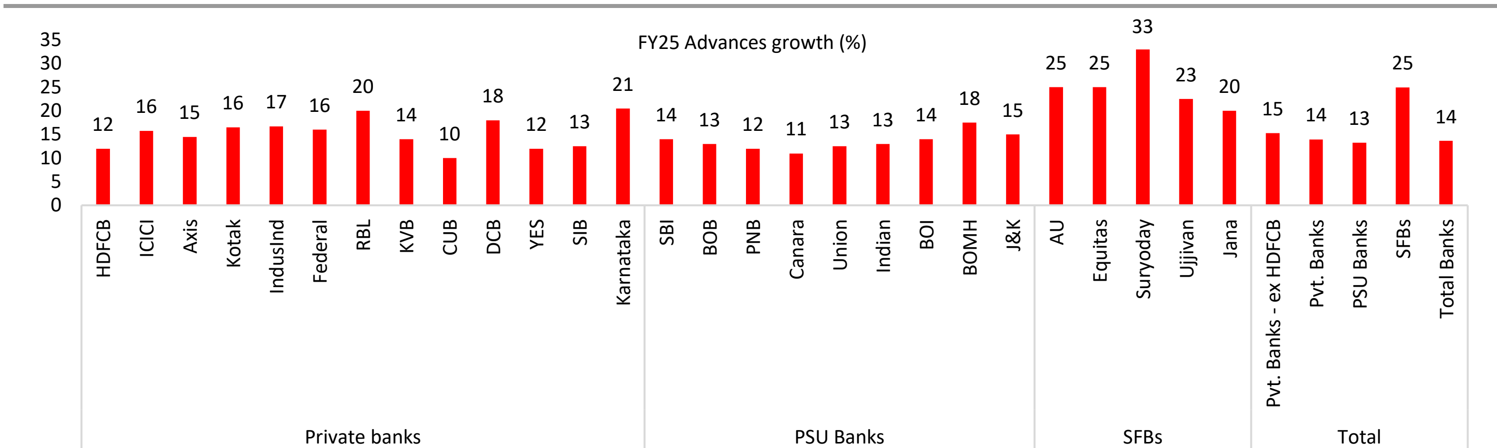


Source: Company, Systematix Institutional Research

We note that in terms of retail deposits, as per the definition used for computing LCR, all the private banks, with HDFCB leading the pack, have gained market share in retail deposits vs the PSU banks. INBK reported strong retail deposit additions from 1QFY24 fueled by deposit rate hikes.

FY25 credit growth estimated to be around 14%:

Exhibit 8: We estimate banking sector average growth to be c.14% yoy in FY25.

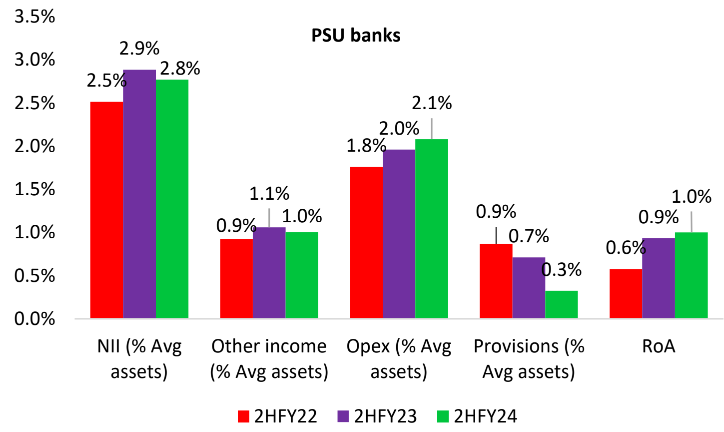


Source: Company, Systematix Institutional Research

Bottom-up analysis of the 27 banks along with factoring the guidance provided by the banks indicate that FY25 credit growth would be c.14% yoy. Ex of HDFCB, the private banks' credit portfolios are expected to average a growth of c.15% while HDFCB's credit portfolio is expected to increase at c.12% yoy. PSU bank's credit portfolio is expected to grow at c.13% yoy whilst that of the SFBs is expected to increase at c.25% yoy on low base.

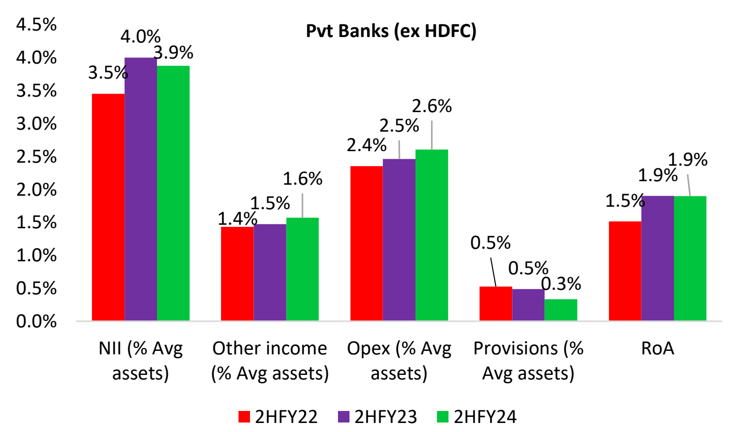
Tighter cost control remains strongest hedge against margin pressures:

Exhibit 9: PSU banks' RoAs to be supported by opex reduction as bulk of the wage hike impact is largely behind.



Source: Company, Systematix Institutional Research

Exhibit 10: Pvt banks' RoAs have relatively less levers other than asset mix changes and tighter cost control

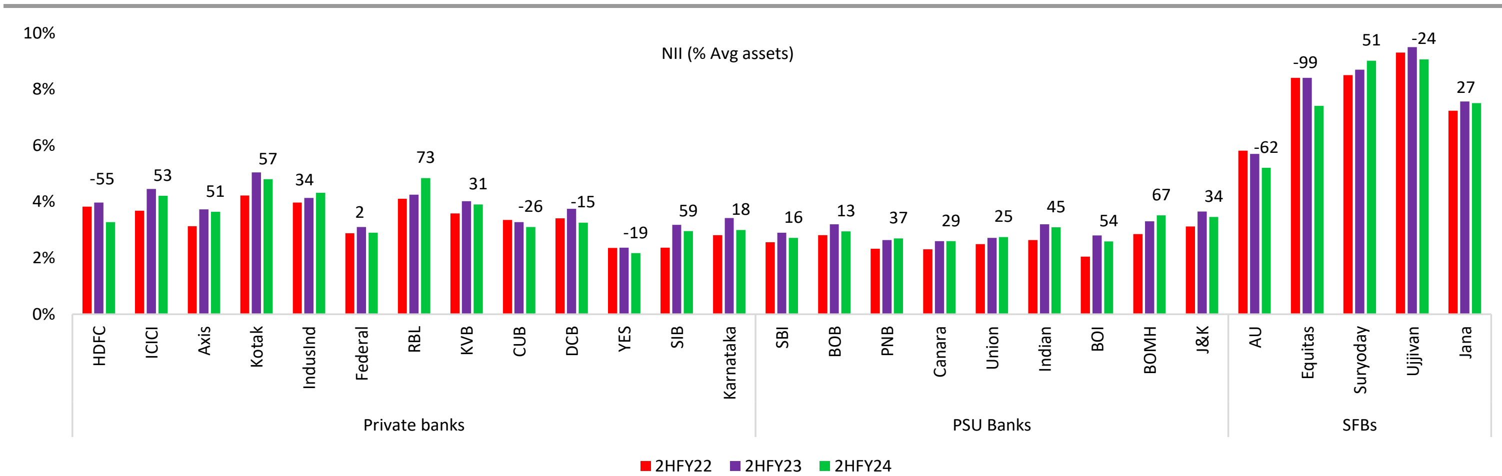


Source: Company, Systematix Institutional Research

Considering it's been almost 16 months since the last rate hike, the step up in repricing pre-hike funds of the banks is already behind us. Going ahead, asset mix change coupled with MCLR rate hikes are tools available to keep spreads within a narrow range. **We note that – 1) for private banks, spreads are up 23bps since the start of the rate cycle whilst NIMs are up c. 44bps. 2) for PSU banks, spreads are up 13bps since the start of the rate cycle whilst NIMs are up c. 25bps. Thus, c. 50% of the NIM expansion has been due to leverage for both PSU and private banks, with the rest explained by asset mix changes favoring RAM and unsecured loans**.

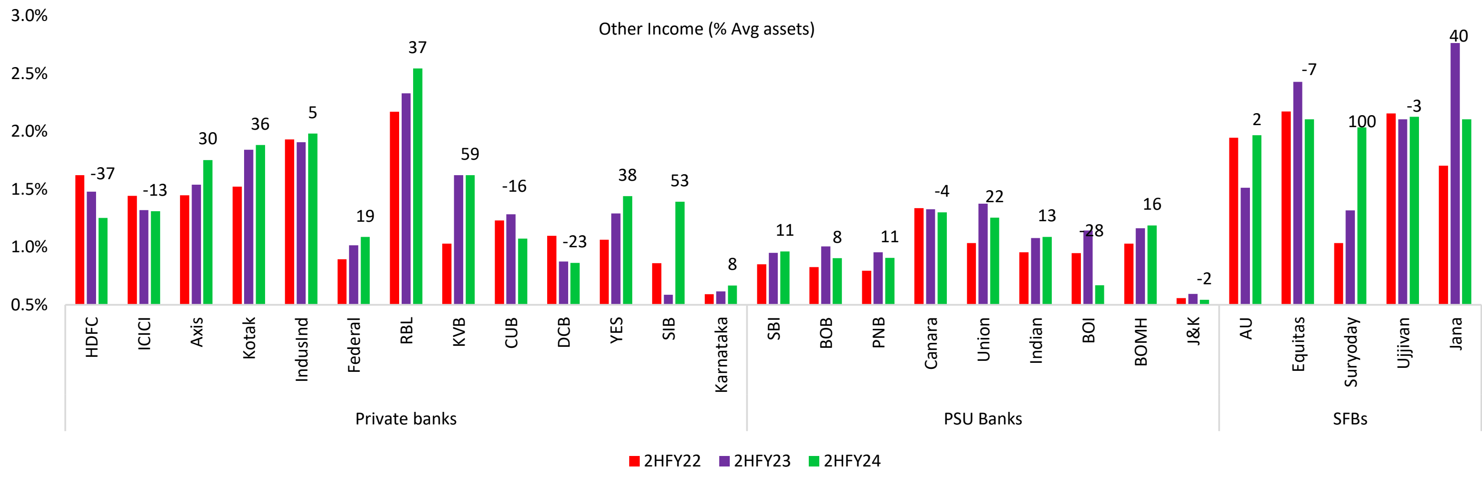
With RBI intent on normalizing CD ratios of the banks, banks are increasing curtailing their expansion plans to minimize impact on operating profits. Most of the banks like HDFCB and ICICI have started going slow on branch expansion plans to mitigate pressures on PPOP margins from higher cost of funds. While technology-related spend will continue to remain at ~9-10% of opex, at an aggregate level we expect the opex ratio to trend lower. While credit costs are currently ~40bps below normal levels, slippage trends along with management commentary point towards a gradual normalization of credit costs. Thus, operating expense management will remain the strongest counter to NIM pressures. Off-balance sheet expansion aiding fee income generation would need further pickup in credit guarantee business by the banks.

Exhibit 11: c.50% of the NIM expansion can be attributed to higher leverage with the rest to asset mix changes



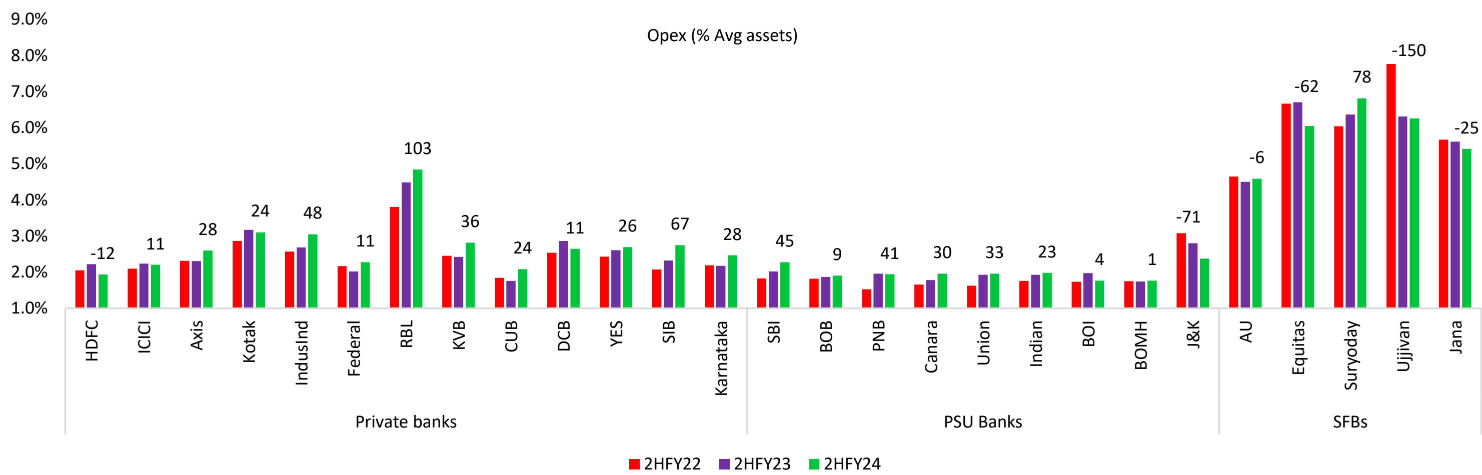
*Source: Company, Systematix Institutional Research *numbers on bars indicate change between 2HFY24 and 2HFY22 in bps.*

Exhibit 12: Recoveries from TWO along with higher core fee income has driven improvement in other income



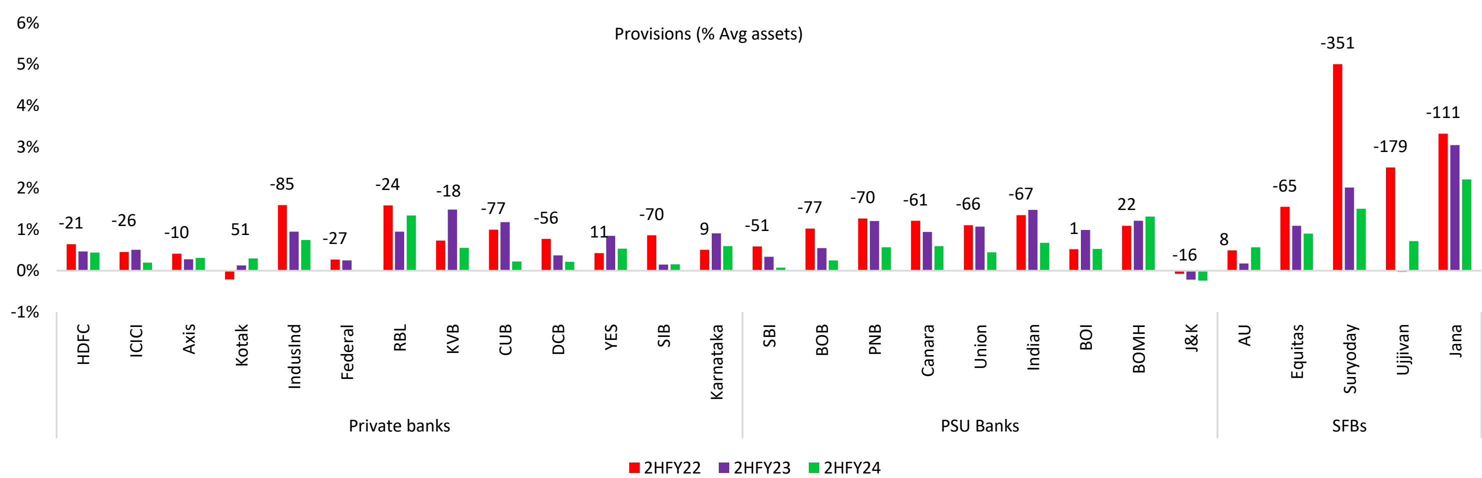
*Source: Company, Systematix Institutional Research *numbers on bars indicate change between 2HFY24 and 2HFY22 in bps.*

Exhibit 13: PSU bank opex ratios provide more headroom to mitigate NIM pressures



*Source: Company, Systematix Institutional Research *numbers on bars indicate change between 2HFY24 and 2HFY22 in bps.*

Exhibit 14: Credit costs are near bottom levels for PSU and Private banks



*Source: Company, Systematix Institutional Research *numbers on bars indicate change between 2HFY24 and 2HFY22 in bps.*

SBI, BOMH and INDIAN fare better than other PSU banking peers

Exhibit 15: Comparison of key parameters (domestic) of PSU banks – Mar'2024

Total Business			
	(Rs, bn)	yoy %	CD Ratio
BOMH	4,744	15.9	75.2
SBI	86,200	13.1	75.3
Indian	12,029	12.4	74.8
CBI	6,284	11.8	63.2
BOI	13,235	11.6	79.4
Canara	22,440	11.6	71.0
IOB	5,021	11.6	75.6
BOB	23,927	11.6	80.3
UBI	21,264	10.3	74.1
UCO	4,452	9.9	71.0
PNB	23,041	9.1	68.2
PJSB	2,054	7.7	72.0

Total Deposit		
	(Rs, bn)	yoy %
BOMH	2,707	15.7
Canara	13,124	11.3
SBI	49,161	11.1
Indian	6,880	10.8
BOB	13,270	10.2
BOI	7,379	10.2
IOB	2,859	9.6
UBI	12,215	9.3
PJSB	1,194	8.9
CBI	3,850	7.2
PNB	13,697	6.9
UCO	2,631	5.5

Gross Advances		
	(Rs, bn)	yoy %
BOI	5,856	21.8
BOMH	2,037	16.3
IOB	2,190	15.9
UCO	1,869	15.6
CBI	2,517	15.6
SBI	37,675	15.2
Indian	5,149	12.7
BOB	10,905	12.5
UBI	9,049	11.7
Canara	9,606	11.3
PNB	9,833	11.2
PJSB	860	6.2

CASA			
	(Rs, bn)	yoy %	CASA %
BOMH	1,428	14.3	52.7
CBI	1,920	6.5	49.9
IOB	1,255	10.0	43.9
BOI	2,699	7.0	43.2
BOB	4,664	5.4	41.3
SBI	19,420	4.2	41.1
Indian	2,805	7.5	40.8
PNB	5,525	2.7	40.3
UCO	981	7.8	39.3
UBI	4,101	4.1	33.6
PJSB	387	5.1	32.4
Canara	3,923	7.1	32.3

Current Deposit		
	(Rs, bn)	yoy %
BOMH	350	23.6
IOB	229	37.5
Indian	390	8.7
Canara	639	34.2
SBI	2,870	2.0
PJSB	52	4.0
PNB	722	-2.5
UBI	738	-0.3
CBI	182	2.6
UCO	121	20.5
BOB	764	1.7
BOI	NA	NA

Savings Deposit		
	(Rs, bn)	yoy %
BOMH	1,078	11.5
Indian	2,415	7.4
PJSB	335	5.3
PNB	4,803	3.5
UBI	3,363	5.1
BOB	3,900	6.2
CBI	1,737	6.9
Canara	3,284	3.0
UCO	860	6.2
SBI	16,550	4.6
IOB	1,026	5.3
BOI	NA	NA

RAM		
Bank	(Rs, bn)	yoy %
BOMH	1,243	24.2
IOB	1,457	20.2
SBI	20,902	16.3
CBI	1,671	15.5
BOI	2,745	15.4
BOB	4,730	15.2
UCO	975	13.9
UBI	4,971	13.8
Indian	3,099	13.7
Canara	5,415	13.5
PNB	5,201	10.7
PJSB	445	9.5

Retail Advances		
Bank	(Rs, bn)	yoy %
BOB	2,149	20.7
BOMH	517	19.1
BOI	1,115	17.7
Indian	1,047	15.0
PJSB	160	15.0
SBI	13,523	14.7
UCO	402	14.6
IOB	485	14.4
CBI	712	13.5
PNB	2,226	12.6
Canara	1,564	11.7
UBI	1,775	11.1

Agriculture Advances		
Bank	(Rs, bn)	yoy %
BOMH	305	30.2
IOB	556	26.5
UBI	1,838	20.9
Indian	1,211	18.8
Canara	2,532	18.7
SBI	3,049	17.9
BOI	845	16.7
UCO	246	13.2
BOB	1,386	11.6
PNB	1,582	11.3
CBI	461	9.4
PJSB	125	6.3

MSME Advances		
Bank	(Rs, bn)	yoy %
BOMH	421	26.7
CBI	499	25.0
SBI	4,330	20.5
IOB	416	19.2
UCO	327	13.5
BOI	785	11.0
BOB	1,194	10.4
UBI	1,357	8.6
PJSB	159	7.1
PNB	1,393	7.0
Canara	1,319	6.7
Indian	841	5.6

GNPA		
Bank	(Rs, bn)	%
BOMH	38	1.9
SBI	843	2.2
BOB	318	2.9
IOB	68	3.1
UCO	65	3.5
Indian	211	4.0
Canara	406	4.2
UBI	431	4.8
BOI	292	5.0
CBI	107	5.4
PJSB	47	5.4
PNB	563	5.7

NNPA		
Bank	(Rs, bn)	%
BOMH	4	0.2
Indian	22	0.4
IOB	12	0.6
SBI	211	0.6
BOB	72	0.7
PNB	68	0.7
UCO	16	0.9
UBI	90	1.0
BOI	68	1.2
CBI	37	1.2
Canara	118	1.3
PJSB	14	1.6

PCR	
Bank	%
BOMH	98.3
IOB	96.9
Indian	96.3
PNB	95.4
UCO	95.2
CBI	93.6
BOB	93.3
UBI	92.7
SBI	91.9
BOI	90.6
Canara	89.1
PJSB	88.7

NII		
Bank	(Rs, bn)	yoy %
IOB	28	21.4
BOMH	26	18.2
UBI	94	14.4
Canara	96	11.2
UCO	22	10.9
Indian	60	9.2
PNB	104	9.1
BOI	59	7.5
SBI	417	3.1
BOB	118	2.3
CBI	35	0.8
PJSB	7	0.7

Operating profit		
Bank	(Rs, bn)	yoy %
BOMH	22	19.1
SBI	287	16.8
PNB	64	9.4
Indian	43	7.2
IOB	20	4.2
Canara	74	1.9
BOB	81	0.4
CBI	21	-2.1
UBI	65	-4.3
UCO	13	-6.2
BOI	36	-15.0
PJSB	3	-37.3

Net profit		
Bank	(Rs, bn)	yoy %
PNB	30	159.8
UBI	33	57.7
Indian	22	55.3
BOMH	12	45.0
CBI	8	41.3
IOB	8	24.3
SBI	207	24.0
Canara	38	18.3
BOI	14	6.6
BOB	49	2.3
UCO	5	-9.5
PJSB	1	-69.6

*Source: Company, Systematix Institutional Research *wherever domestic figures are not available, global figures are taken*

Exhibit 16: Comparison of key parameters (domestic) of BOMH vs PSU banks – Dec'2023

PPoP to total Income

Bank	%
BOMH	34.1
Indian	25.5
BOB	24.0
SBI	22.4
Canara	21.7
IOB	21.5
CBI	21.3
UBI	21.0
BOI	19.9
PNB	19.8
UCO	18.2
PJSB	11.6

Net Profit to Total Income

Bank	%
BOMH	18.8
SBI	16.1
BOB	14.5
Indian	13.3
BOI	12.0
Canara	11.0
UBI	10.7
PNB	9.3
IOB	8.9
CBI	8.3
UCO	7.5
PJSB	4.8

YoA

Bank	%
BOMH	9.1
IOB	8.9
CBI	8.9
SBI	8.9
UBI	8.9
Indian	8.8
BOB	8.8
UCO	8.7
Canara	8.7
PJSB	8.7
BOI	8.5
PNB	8.4

CoD

Bank	%
BOMH	4.6
BOI	4.7
CBI	4.7
SBI	4.8
UCO	4.8
IOB	4.9
Indian	5.0
BOB	5.1
PNB	5.1
UBI	5.4
Canara	5.5
PJSB	5.7

YoI

Bank	%
SBI	7.0
BOB	6.9
Canara	6.9
Indian	6.9
PJSB	6.8
BOI	6.8
CBI	6.8
PNB	6.8
UBI	6.8
BOMH	6.6
UCO	6.4
IOB	6.4

NIM

Bank	%
BOMH	4.0
CBI	3.6
IOB	3.5
Indian	3.4
SBI	3.3
BOB	3.3
PNB	3.1
UBI	3.1
Canara	3.1
UCO	3.0
BOI	2.9
PJSB	2.3

Cost to Income

Bank	%
BOMH	38.7
Indian	48.0
BOB	49.3
Canara	50.1
SBI	51.3
BOI	53.7
UBI	53.8
PNB	56.1
CBI	57.9
UCO	61.6
IOB	62.6
PJSB	69.5

CRAR

Bank	%
BOMH	17.4
IOB	17.3
PJSB	17.2
UCO	17.0
UBI	17.0
BOI	17.0
Indian	16.4
BoB	16.3
Canara	16.3
PNB	16.0
CBI	15.1
SBI	14.3

RoA

Bank	%
BOMH	1.7
SBI	1.4
BOB	1.3
Indian	1.2
Canara	1.0
UBI	1.0
IOB	0.9
PNB	0.8
CBI	0.8
UCO	0.7
BOI	0.6
PJSB	0.4

RoE

Bank	%
BOMH	24.9
SBI	22.2
IOB	18.5
Canara	17.5
BOB	17.5
Indian	15.5
UBI	13.9
PNB	12.7
BOI	8.5
UCO	8.0
PJSB	7.3
CBI	2.9

*Source: Company, Systematix Institutional Research *wherever domestic figures are not available, global figures are taken*

We note that the business growth in some PSU banks like PNB and Union has been much below peers. For FY25, the credit growth outlook for the PSU banks ranges from 10%+ yoy for Canara, 11-12% for PNB and Union, 12-13% for Indian, 12-14% for BOB,13-15% levels for SBI and almost 16-20% levels for BOMH. RoA for most large PSU banks are already >1% whilst PNB is guiding for reaching 1% RoA by 4QFY25.

4QFY24 banks’ profitability supported mainly by higher other income

Exhibit 17: Overall banks: Seasonally strong quarter aided by continuation of structural trend of recoveries.

Rs Bn	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
Repo Rate	**4.00**	**4.00**	**4.00**	**4.00**	**4.00**	**4.00**	**4.00**	**4.90**	**5.90**	**6.25**	**6.50**	**6.50**	**6.50**	**6.50**	**6.50**
Net Advances	89,193	92,055	94,758	94,202	96,078	1,01,355	1,07,207	1,10,329	1,15,863	1,20,226	1,26,004	1,28,472	1,40,159	1,46,259	1,51,340
% QoQ	1%	3%	3%	-1%	2%	5%	6%	3%	5%	4%	5%	2%	4%	4%	3%
% YoY	16%	18%	16%	6%	8%	10%	13%	17%	21%	19%	18%	16%	16%	17%	16%
Deposits	1,24,985	1,27,713	1,33,361	1,33,660	1,37,025	1,39,888	1,47,435	1,47,333	1,52,366	1,56,180	1,64,663	1,67,879	1,74,905	1,78,388	1,87,541
% QoQ	2%	2%	4%	0%	3%	2%	5%	0%	3%	3%	5%	2%	4%	2%	5%
% YoY	24%	24%	25%	9%	10%	10%	11%	10%	11%	12%	12%	14%	15%	14%	14%
Total Banks - P&L															
Interest income	2,655	2,626	2,523	2,582	2,634	2,714	2,757	2,854	3,125	3,418	3,658	3,858	4,228	4,411	4,565
Interest expenses	1,510	1,452	1,424	1,421	1,424	1,440	1,464	1,522	1,648	1,814	1,986	2,177	2,486	2,630	2,721
NII	**1,146**	**1,174**	**1,099**	**1,161**	**1,209**	**1,273**	**1,294**	**1,332**	**1,477**	**1,603**	**1,671**	**1,681**	**1,742**	**1,781**	**1,844**
Other income	421	484	602	512	510	475	520	376	495	555	644	605	614	613	751
Operating income	**1,566**	**1,658**	**1,702**	**1,673**	**1,719**	**1,748**	**1,813**	**1,708**	**1,972**	**2,159**	**2,315**	**2,286**	**2,356**	**2,394**	**2,595**
Operating expenses	722	764	825	759	822	840	876	859	923	986	1,114	1,073	1,158	1,258	1,275
PPOP	**844**	**894**	**877**	**914**	**897**	**908**	**938**	**849**	**1,050**	**1,172**	**1,200**	**1,213**	**1,199**	**1,136**	**1,320**
Provisions	473	516	505	495	312	326	350	294	305	339	282	246	208	201	201
Profit before tax	**371**	**378**	**372**	**419**	**586**	**581**	**587**	**555**	**745**	**833**	**919**	**967**	**991**	**935**	**1,120**
Taxes	98	91	106	106	128	159	142	142	191	221	224	262	252	226	264
Profit after tax	**273**	**287**	**266**	**313**	**457**	**422**	**445**	**413**	**554**	**612**	**695**	**705**	**739**	**710**	**856**
Key ratios															
C-D Ratio	71%	72%	71%	70%	70%	72%	73%	75%	76%	77%	77%	77%	80%	82%	81%
CASA ratio	40%	41%	42%	42%	43%	43%	43%	42%	42%	41%	41%	40%	38%	38%	38%
NIM (% IEA)	3.2%	3.2%	2.9%	3.0%	3.1%	3.1%	3.1%	3.1%	3.4%	3.5%	3.6%	3.5%	3.4%	3.3%	3.3%
Cost to Income	46.1%	46.1%	48.5%	45.4%	47.8%	48.1%	48.3%	50.3%	46.8%	45.7%	48.1%	46.9%	49.1%	52.5%	49.1%
Opex/Avg Assets	1.9%	1.9%	2.0%	1.8%	2.0%	1.9%	2.0%	1.9%	2.0%	2.0%	2.2%	2.1%	2.1%	2.2%	2.2%
GNPA (%)	7.2%	6.1%	6.5%	7.2%	6.7%	5.6%	5.1%	5.3%	4.8%	4.2%	3.8%	3.6%	3.2%	2.9%	2.7%
NPA (%)	2.1%	1.5%	2.1%	2.4%	2.2%	1.8%	1.5%	1.5%	1.3%	1.1%	0.9%	0.9%	0.7%	0.7%	0.6%
PCR (%)	72.6%	76.5%	69.0%	67.6%	68.4%	70.0%	71.8%	72.0%	74.0%	74.9%	76.1%	76.6%	77.4%	77.4%	78.0%
Credit costs (Prov. % Avg. Net Adv)	2.1%	2.3%	2.2%	2.1%	1.3%	1.3%	1.3%	1.1%	1.1%	1.1%	0.9%	0.8%	0.6%	0.6%	0.5%
Dupont Ratio															
Interest income	6.9%	6.7%	6.2%	6.3%	6.3%	6.3%	6.2%	6.2%	6.7%	7.1%	7.3%	7.5%	7.7%	7.8%	7.8%
Interest expenses	3.9%	3.7%	3.5%	3.4%	3.4%	3.3%	3.3%	3.3%	3.5%	3.7%	4.0%	4.2%	4.5%	4.6%	4.6%
NII	**3.0%**	**3.0%**	**2.7%**	**2.8%**	**2.9%**	**2.9%**	**2.9%**	**2.9%**	**3.1%**	**3.3%**	**3.3%**	**3.3%**	**3.2%**	**3.1%**	**3.1%**
Other income	1.1%	1.2%	1.5%	1.2%	1.2%	1.1%	1.2%	0.8%	1.1%	1.1%	1.3%	1.2%	1.1%	1.1%	1.3%
Operating income	**4.1%**	**4.2%**	**4.2%**	**4.1%**	**4.1%**	**4.0%**	**4.0%**	**3.7%**	**4.2%**	**4.5%**	**4.6%**	**4.4%**	**4.3%**	**4.2%**	**4.4%**
Operating expenses	1.9%	1.9%	2.0%	1.8%	2.0%	1.9%	2.0%	1.9%	2.0%	2.0%	2.2%	2.1%	2.1%	2.2%	2.2%
PPOP	**2.2%**	**2.3%**	**2.2%**	**2.2%**	**2.1%**	**2.1%**	**2.1%**	**1.8%**	**2.2%**	**2.4%**	**2.4%**	**2.3%**	**2.2%**	**2.0%**	**2.3%**
Provisions	1.2%	1.3%	1.2%	1.2%	0.7%	0.8%	0.8%	0.6%	0.6%	0.7%	0.6%	0.5%	0.4%	0.4%	0.3%
Profit before tax	**1.0%**	**1.0%**	**0.9%**	**1.0%**	**1.4%**	**1.3%**	**1.3%**	**1.2%**	**1.6%**	**1.7%**	**1.8%**	**1.9%**	**1.8%**	**1.6%**	**1.9%**
Taxes	0.3%	0.2%	0.3%	0.3%	0.3%	0.4%	0.3%	0.3%	0.4%	0.5%	0.4%	0.5%	0.5%	0.4%	0.5%
Profit after tax	**0.7%**	**0.7%**	**0.7%**	**0.8%**	**1.1%**	**1.0%**	**1.0%**	**0.9%**	**1.2%**	**1.3%**	**1.4%**	**1.4%**	**1.3%**	**1.3%**	**1.5%**
Leverage	13	12	13	12	12	12	12	12	12	12	12	12	12	12	11
Return on equity	9.1%	9.1%	8.2%	9.4%	13.4%	12.0%	12.3%	11.0%	14.4%	15.3%	16.8%	16.4%	15.7%	14.5%	16.8%

Source: Company, Systematix Institutional Research

Exhibit 18: Private banks: RoA supported by sequential decline in credit costs and seasonally higher other income.

Rs Bn	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
Repo Rate	**4.00**	**4.00**	**4.00**	**4.00**	**4.00**	**4.00**	**4.00**	**4.90**	**5.90**	**6.25**	**6.50**	**6.50**	**6.50**	**6.50**	**6.50**
Net Advances	31,813	32,991	34,482	34,499	35,795	37,760	40,187	41,113	43,219	44,635	47,366	48,362	57,058	59,475	61,164
% QoQ	3%	4%	5%	0%	4%	5%	6%	2%	5%	3%	6%	2%	5%	4%	3%
% YoY	6%	7%	9%	11%	13%	14%	17%	19%	21%	18%	18%	18%	32%	33%	29%
Deposits	37,468	38,840	41,308	41,711	43,419	44,924	47,488	47,767	49,328	51,265	54,884	56,252	60,193	61,875	66,134
% QoQ	3%	4%	6%	1%	4%	3%	6%	1%	3%	4%	7%	2%	4%	3%	7%
% YoY	11%	14%	16%	15%	16%	16%	15%	15%	14%	14%	16%	18%	22%	21%	20%
Pvt Banks - P&L															
Interest income	957	951	938	957	981	1,018	1,044	1,091	1,188	1,304	1,395	1,494	1,736	1,815	1,872
Interest expenses	497	473	461	467	472	480	489	515	559	616	680	765	960	1,015	1,048
NII	**460**	**478**	**477**	**489**	**509**	**539**	**555**	**576**	**629**	**689**	**715**	**729**	**776**	**800**	**824**
Other income	189	212	214	203	221	228	229	198	234	253	266	282	297	314	330
Operating income	**649**	**690**	**691**	**692**	**730**	**767**	**784**	**775**	**864**	**941**	**981**	**1,011**	**1,073**	**1,115**	**1,155**
Operating expenses	253	280	296	280	311	336	345	357	378	399	427	454	480	498	531
PPOP	**397**	**410**	**395**	**412**	**419**	**430**	**439**	**418**	**486**	**542**	**554**	**557**	**593**	**617**	**624**
Provisions	164	164	194	174	126	96	77	70	83	97	73	79	71	92	76
Profit before tax	**233**	**246**	**201**	**238**	**292**	**334**	**362**	**347**	**402**	**445**	**481**	**478**	**522**	**525**	**548**
Taxes	56	56	46	57	71	81	84	85	99	108	116	118	115	111	115
Profit after tax	**178**	**189**	**154**	**180**	**221**	**253**	**277**	**262**	**303**	**337**	**365**	**361**	**407**	**414**	**433**
Key ratios															
C-D Ratio	85%	85%	83%	83%	82%	84%	85%	86%	88%	87%	86%	86%	95%	96%	92%
CASA ratio	42%	42%	44%	44%	45%	45%	46%	45%	45%	43%	44%	42%	39%	39%	39%
NIM (% IEA)	3.8%	3.9%	3.7%	3.7%	3.8%	3.8%	3.8%	3.8%	4.1%	4.3%	4.3%	4.2%	3.9%	3.9%	3.9%
Cost to Income	38.9%	40.5%	42.9%	40.4%	42.6%	43.9%	44.0%	46.1%	43.7%	42.4%	43.5%	44.9%	44.7%	44.7%	45.9%
Opex/Avg Assets	2.0%	2.1%	2.2%	2.0%	2.2%	2.3%	2.2%	2.2%	2.3%	2.3%	2.4%	2.4%	2.3%	2.3%	2.3%
GNPA (%)	4.1%	3.4%	4.0%	4.2%	3.9%	3.5%	3.1%	3.1%	2.9%	2.3%	2.1%	2.0%	1.9%	1.8%	1.7%
NPA (%)	1.0%	0.7%	1.3%	1.3%	1.2%	1.0%	0.9%	0.8%	0.7%	0.6%	0.5%	0.5%	0.5%	0.4%	0.4%
PCR (%)	76.7%	80.1%	69.3%	69.0%	70.4%	71.1%	72.6%	73.5%	75.2%	75.4%	76.9%	75.9%	76.0%	75.5%	75.3%
Credit costs (Prov. % Avg. Net Adv)	2.1%	2.0%	2.3%	2.0%	1.4%	1.0%	0.8%	0.7%	0.8%	0.9%	0.6%	0.7%	0.5%	0.6%	0.5%
Dupont Ratio															
Interest income	7.5%	7.3%	6.9%	6.9%	6.9%	6.8%	6.7%	6.8%	7.2%	7.6%	7.8%	8.0%	8.2%	8.3%	8.3%
Interest expenses	3.9%	3.6%	3.4%	3.4%	3.3%	3.2%	3.1%	3.2%	3.4%	3.6%	3.8%	4.1%	4.6%	4.7%	4.6%
NII	**3.6%**	**3.7%**	**3.5%**	**3.5%**	**3.6%**	**3.6%**	**3.5%**	**3.6%**	**3.8%**	**4.0%**	**4.0%**	**3.9%**	**3.7%**	**3.7%**	**3.6%**
Other income	1.5%	1.6%	1.6%	1.5%	1.5%	1.5%	1.5%	1.2%	1.4%	1.5%	1.5%	1.5%	1.4%	1.4%	1.5%
Operating income	**5.1%**	**5.3%**	**5.1%**	**5.0%**	**5.1%**	**5.1%**	**5.0%**	**4.8%**	**5.2%**	**5.5%**	**5.5%**	**5.4%**	**5.1%**	**5.1%**	**5.1%**
Operating expenses	2.0%	2.1%	2.2%	2.0%	2.2%	2.3%	2.2%	2.2%	2.3%	2.3%	2.4%	2.4%	2.3%	2.3%	2.3%
PPOP	**3.1%**	**3.1%**	**2.9%**	**3.0%**	**2.9%**	**2.9%**	**2.8%**	**2.6%**	**2.9%**	**3.2%**	**3.1%**	**3.0%**	**2.8%**	**2.8%**	**2.8%**
Provisions	1.3%	1.3%	1.4%	1.3%	0.9%	0.6%	0.5%	0.4%	0.5%	0.6%	0.4%	0.4%	0.3%	0.4%	0.3%
Profit before tax	1.8%	1.9%	1.5%	1.7%	2.0%	2.2%	2.3%	2.2%	2.4%	2.6%	2.7%	2.6%	2.5%	2.4%	2.4%
Taxes	0.4%	0.4%	0.3%	0.4%	0.5%	0.5%	0.5%	0.5%	0.6%	0.6%	0.6%	0.6%	0.5%	0.5%	0.5%
Profit after tax	**1.4%**	**1.4%**	**1.1%**	**1.3%**	**1.5%**	**1.7%**	**1.8%**	**1.6%**	**1.8%**	**2.0%**	**2.0%**	**1.9%**	**1.9%**	**1.9%**	**1.9%**

Source: Company, Systematix Institutional Research

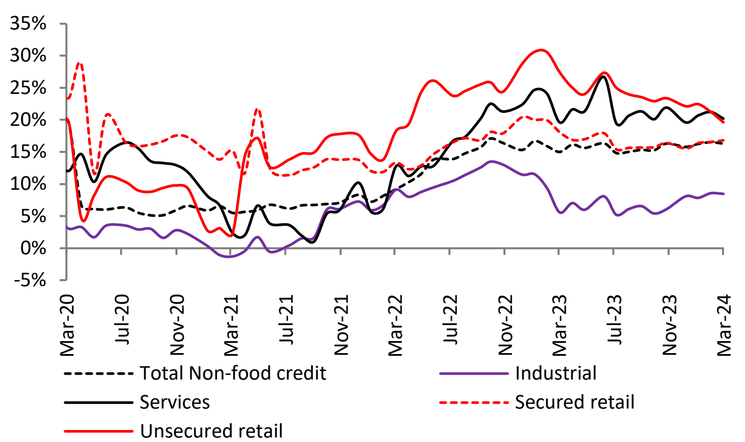
Exhibit 19: PSU banks: PPOP growth driven by seasonally strong other income and continued recoveries from TWO.

Rs Bn	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
Repo Rate	**4.00**	**4.00**	**4.00**	**4.00**	**4.00**	**4.00**	**4.00**	**4.90**	**5.90**	**6.25**	**6.50**	**6.50**	**6.50**	**6.50**	**6.50**
Net Advances	56,775	58,420	59,577	59,025	59,570	62,810	66,155	68,311	71,683	74,554	77,523	78,923	81,861	85,496	88,786
% QoQ	0%	3%	2%	-1%	1%	5%	5%	3%	5%	4%	4%	2%	4%	4%	4%
% YoY	23%	25%	20%	3%	5%	8%	11%	16%	20%	19%	17%	16%	14%	15%	15%
Deposits	86,980	88,268	91,365	91,239	92,863	94,156	99,010	98,591	1,01,991	1,03,791	1,08,524	1,10,333	1,13,291	1,15,027	1,19,781
% QoQ	2%	1%	4%	0%	2%	1%	5%	0%	3%	2%	5%	2%	3%	2%	4%
% YoY	30%	30%	30%	6%	7%	7%	8%	8%	10%	10%	10%	12%	11%	11%	10%
PSU Banks - P&L															
Interest income	1,669	1,645	1,557	1,595	1,621	1,662	1,677	1,724	1,894	2,068	2,213	2,310	2,436	2,535	2,631
Interest expenses	999	966	950	941	938	947	960	991	1,072	1,180	1,285	1,389	1,500	1,587	1,644
NII	**670**	**679**	**607**	**655**	**683**	**715**	**717**	**733**	**822**	**888**	**928**	**922**	**935**	**948**	**987**
Other income	227	263	382	305	285	242	284	173	255	296	370	316	309	290	410
Operating income	**897**	**942**	**989**	**960**	**967**	**957**	**1,002**	**906**	**1,078**	**1,185**	**1,297**	**1,237**	**1,244**	**1,238**	**1,397**
Operating expenses	459	472	515	467	496	488	514	485	526	567	666	596	654	735	717
PPOP	**437**	**470**	**474**	**493**	**471**	**468**	**488**	**420**	**551**	**618**	**631**	**642**	**590**	**503**	**679**
Provisions	307	341	308	311	179	227	269	221	219	240	207	166	134	105	121
Profit before tax	**130**	**128**	**167**	**182**	**293**	**242**	**219**	**200**	**332**	**377**	**425**	**476**	**456**	**398**	**558**
Taxes	41	34	59	49	57	76	56	55	89	111	105	141	134	111	146
Profit after tax	**89**	**95**	**108**	**133**	**236**	**166**	**163**	**145**	**243**	**266**	**320**	**334**	**322**	**287**	**412**
Key ratios															
C-D Ratio	65%	66%	65%	65%	64%	67%	67%	69%	70%	72%	71%	72%	72%	74%	74%
CASA ratio	40%	40%	41%	41%	42%	42%	42%	41%	40%	40%	40%	39%	38%	38%	38%
NIM (% IEA)	2.8%	2.8%	2.4%	2.6%	2.7%	2.7%	2.7%	2.7%	2.9%	3.1%	3.1%	3.0%	3.0%	2.9%	3.0%
Cost to Income	51.2%	50.1%	52.0%	48.6%	51.3%	51.0%	51.3%	53.6%	48.8%	47.9%	51.3%	48.1%	52.6%	59.3%	51.4%
Opex/Avg Assets	1.8%	1.8%	1.9%	1.7%	1.8%	1.7%	1.8%	1.6%	1.8%	1.8%	2.1%	1.8%	2.0%	2.1%	2.0%
GNPA (%)	9.0%	7.6%	8.0%	8.8%	8.3%	6.8%	6.3%	6.6%	5.9%	5.4%	4.8%	4.6%	4.1%	3.7%	3.4%
NPA (%)	2.7%	2.0%	2.6%	3.1%	2.8%	2.2%	1.9%	2.0%	1.6%	1.4%	1.2%	1.1%	0.9%	0.8%	0.7%
PCR (%)	71.6%	75.7%	69.0%	67.3%	67.9%	69.8%	71.5%	71.6%	73.7%	74.8%	75.9%	76.9%	77.9%	78.1%	79.0%
Credit costs (Prov. % Avg. Net Adv)	2.2%	2.4%	2.1%	2.1%	1.2%	1.5%	1.7%	1.3%	1.3%	1.3%	1.1%	0.8%	0.7%	0.5%	0.6%
Dupont Ratio															
Interest income	6.6%	6.3%	5.8%	5.9%	5.9%	5.9%	5.8%	5.8%	6.3%	6.7%	6.9%	7.1%	7.3%	7.4%	7.4%
Interest expenses	3.9%	3.7%	3.6%	3.5%	3.4%	3.4%	3.3%	3.4%	3.6%	3.8%	4.0%	4.3%	4.5%	4.6%	4.6%
NII	2.6%	2.6%	2.3%	2.4%	2.5%	2.6%	2.5%	2.5%	2.7%	2.9%	2.9%	2.8%	2.8%	2.8%	2.8%
Other income	0.9%	1.0%	1.4%	1.1%	1.0%	0.9%	1.0%	0.6%	0.8%	1.0%	1.2%	1.0%	0.9%	0.8%	1.2%
Operating income	3.5%	3.6%	3.7%	3.5%	3.5%	3.4%	3.5%	3.1%	3.6%	3.8%	4.1%	3.8%	3.7%	3.6%	3.9%
Operating expenses	1.8%	1.8%	1.9%	1.7%	1.8%	1.7%	1.8%	1.6%	1.8%	1.8%	2.1%	1.8%	2.0%	2.1%	2.0%
PPOP	1.7%	1.8%	1.8%	1.8%	1.7%	1.7%	1.7%	1.4%	1.8%	2.0%	2.0%	2.0%	1.8%	1.5%	1.9%
Provisions	1.2%	1.3%	1.2%	1.1%	0.7%	0.8%	0.9%	0.7%	0.7%	0.8%	0.6%	0.5%	0.4%	0.3%	0.3%
Profit before tax	0.5%	0.5%	0.6%	0.7%	1.1%	0.9%	0.8%	0.7%	1.1%	1.2%	1.3%	1.5%	1.4%	1.2%	1.6%
Taxes	0.2%	0.1%	0.2%	0.2%	0.2%	0.3%	0.2%	0.2%	0.3%	0.4%	0.3%	0.4%	0.4%	0.3%	0.4%
Profit after tax	0.4%	0.4%	0.4%	0.5%	0.9%	0.6%	0.6%	0.5%	0.8%	0.9%	1.0%	1.0%	1.0%	0.8%	1.2%

Source: Company, Systematix Institutional Research

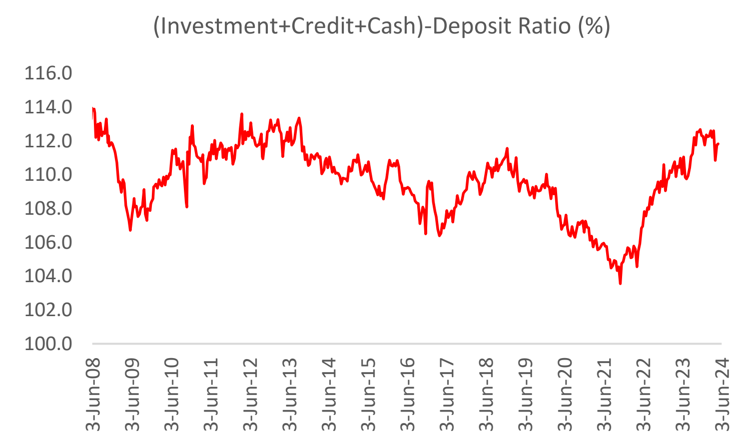
Advances growth driven by strong retail credit growth

Exhibit 20: Moderation in unsecured credit



Source: Company, Systematix Institutional Research

Exhibit 21:(Investment+Credit+Cash) to Deposit Ratio still near decadal highs, albeit showing signs of moderation



*Source: Company, Systematix Institutional Research * ratio excludes HDFC Ltd*

Exhibit 22: CDR pressures weigh in on FY24 credit growth and FY25 growth outlook.

	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
	qoq advances growth										yoy advances growth								
Total Banks	5.5%	5.8%	2.9%	5.0%	3.8%	4.8%	2.0%	4.2%	4.4%	3.5%	13.1%	17.1%	20.6%	18.6%	17.5%	16.4%	21.0%	21.7%	20.1%
Total Banks - ex HDFC	5.5%	5.8%	2.9%	5.0%	3.8%	4.8%	2.0%	4.5%	4.4%	3.5%	13.1%	17.1%	20.6%	18.6%	17.5%	16.4%	15.9%	16.9%	15.9%
Private Banks	5.5%	6.4%	2.3%	5.1%	3.3%	6.1%	2.1%	4.9%	4.2%	2.8%	16.5%	19.2%	20.7%	18.2%	17.9%	17.6%	32.0%	33.2%	29.1%
PSU Banks	5.4%	5.3%	3.3%	4.9%	4.0%	4.0%	1.8%	3.7%	4.4%	3.8%	11.0%	15.7%	20.3%	18.7%	17.2%	15.5%	14.2%	14.7%	14.5%
Small Finance Banks	9.9%	10.3%	4.6%	6.2%	7.9%	7.5%	6.5%	4.4%	3.8%	8.0%	23.7%	33.6%	34.7%	32.2%	28.9%	31.2%	29.0%	24.1%	24.7%
Private Banks																			
HDFCB	5.2%	8.6%	1.9%	6.1%	1.8%	6.2%	0.9%	5.0%	4.9%	1.6%	20.8%	21.6%	23.4%	19.5%	16.9%	15.8%	57.5%	62.3%	55.2%
ICICI	6.4%	5.5%	4.3%	4.8%	3.8%	4.7%	3.7%	5.0%	3.9%	2.7%	17.1%	21.3%	22.7%	19.7%	18.7%	18.1%	18.3%	18.5%	16.2%
Axis	6.9%	6.4%	-0.9%	4.2%	4.3%	10.9%	1.6%	4.5%	3.9%	3.5%	15.2%	14.0%	17.6%	14.6%	19.4%	22.4%	22.8%	22.3%	14.2%
Kotak	7.6%	7.2%	3.3%	4.9%	5.7%	2.9%	2.7%	6.0%	3.2%	4.6%	21.3%	28.8%	25.1%	22.9%	17.9%	17.3%	18.5%	15.7%	17.6%
IndusInd	3.5%	4.6%	3.7%	4.9%	4.9%	6.3%	3.9%	4.5%	3.8%	5.1%	12.4%	17.7%	17.8%	19.3%	21.3%	21.5%	21.1%	19.8%	18.4%
Federal	4.6%	2.8%	4.6%	6.2%	4.3%	3.7%	5.2%	5.0%	3.3%	5.0%	9.5%	16.3%	19.4%	19.1%	20.1%	20.9%	19.5%	18.4%	19.9%
RBL	3.8%	3.2%	0.4%	4.4%	5.9%	5.3%	4.1%	4.4%	4.7%	5.1%	2.4%	6.6%	12.4%	14.7%	17.0%	21.3%	21.3%	19.9%	19.6%
KVB	3.6%	2.7%	5.3%	4.5%	2.6%	2.3%	4.5%	5.4%	3.3%	2.6%	8.5%	15.2%	17.1%	15.9%	15.5%	14.6%	15.5%	16.3%	16.7%
CUB	3.4%	5.1%	-0.4%	4.3%	0.6%	2.2%	-3.9%	3.1%	0.8%	5.9%	11.6%	12.9%	12.9%	9.8%	6.7%	2.9%	1.8%	2.0%	5.7%
DCB	3.0%	5.2%	2.5%	5.0%	5.3%	4.3%	3.2%	5.1%	4.5%	5.1%	12.1%	16.9%	16.5%	19.2%	18.2%	19.0%	19.1%	18.2%	19.0%
SIB	1.3%	4.5%	4.6%	4.9%	3.2%	2.8%	2.8%	1.2%	3.8%	3.6%	3.3%	11.0%	16.2%	18.3%	16.4%	14.3%	10.3%	10.9%	11.8%
Karnataka Bank	2.0%	2.2%	2.8%	2.6%	4.4%	-4.1%	2.6%	6.4%	4.3%	4.8%	10.2%	13.0%	9.9%	12.5%	5.6%	5.4%	9.3%	9.1%	19.3%
PSU Banks																			
SBI	5.5%	6.0%	3.0%	4.8%	3.6%	4.6%	1.1%	3.4%	5.2%	5.2%	11.6%	15.8%	20.8%	18.6%	17.0%	14.9%	13.3%	15.1%	15.8%
BOB	5.5%	6.1%	2.9%	4.6%	6.5%	5.6%	2.4%	3.6%	2.6%	4.1%	10.0%	19.6%	20.6%	21.7%	21.1%	20.5%	19.3%	15.0%	13.3%
PNB	2.9%	5.1%	2.0%	4.1%	3.5%	3.8%	4.0%	3.0%	3.0%	2.0%	8.0%	12.3%	14.9%	15.5%	14.1%	16.3%	15.1%	14.5%	12.5%
Canara	6.6%	1.7%	6.2%	5.6%	3.5%	1.7%	2.9%	4.3%	3.2%	1.2%	10.1%	15.2%	21.4%	18.0%	18.1%	14.5%	13.2%	12.8%	12.2%
Union	6.2%	7.2%	2.3%	7.6%	4.0%	0.7%	1.1%	4.3%	7.3%	1.0%	11.8%	15.7%	25.2%	22.6%	15.3%	13.9%	10.5%	14.0%	14.3%
Indian	4.4%	4.0%	2.5%	3.3%	3.5%	5.4%	1.6%	3.1%	4.0%	5.2%	7.3%	9.5%	15.0%	14.0%	15.4%	14.4%	14.2%	14.8%	14.6%
Bank of India	6.1%	4.7%	5.2%	4.0%	3.4%	2.1%	1.2%	5.6%	4.5%	3.8%	15.1%	19.5%	21.5%	18.5%	15.5%	11.0%	12.8%	13.9%	15.9%
BOMH	12.4%	5.4%	4.1%	5.6%	6.2%	11.9%	0.5%	4.3%	3.2%	8.1%	28.1%	28.9%	30.2%	23.0%	30.5%	26.1%	24.5%	21.0%	16.9%
J&K	0.0%	3.0%	2.2%	3.6%	4.1%	6.0%	2.7%	4.0%	2.2%	4.5%	5.3%	7.7%	9.0%	13.6%	16.9%	17.4%	17.8%	15.6%	13.9%
Small Finance Banks																			
AU Small Finance	12.1%	14.7%	5.6%	6.3%	7.5%	5.1%	7.6%	2.1%	4.0%	9.6%	33.2%	43.3%	44.4%	38.4%	26.7%	29.2%	24.0%	20.0%	25.2%
Equitas	2.7%	5.8%	5.7%	6.6%	6.6%	10.8%	6.7%	4.5%	1.5%	6.0%	15.0%	22.5%	22.4%	27.1%	33.2%	34.4%	31.7%	25.5%	20.0%
Suryoday	9.9%	2.8%	2.4%	4.7%	4.7%	12.9%	2.8%	8.7%	6.8%	12.5%	19.3%	28.2%	21.1%	15.3%	26.6%	27.1%	32.0%	34.8%	34.3%
Ujjivan	13.8%	6.2%	1.1%	5.8%	12.0%	9.0%	4.1%	9.7%	5.3%	4.9%	12.5%	24.3%	29.3%	27.2%	30.6%	34.5%	39.5%	31.2%	26.3%
Jana	0.6%	6.7%	5.2%	7.0%	10.3%	10.0%	4.0%	13.7%	4.5%	5.2%	0.0%	18.4%	20.8%	32.4%	36.5%	35.0%	43.5%	36.0%	30.1%

*Source: Company, Systematix Institutional Research, *JANA SFB and Karnataka bank have been excluded from sector aggregate numbers*

Our analysis showed that credit growth moderated to 3.5% qoq, 20% yoy from 4.4% qoq, 22% yoy in 3QFY24 given the regulatory push to lower CDR. However, SFBs reported seasonally strong 8% qoq growth along with strong deposit growth. The largest private lender, HDFCB's growth was muted and lagged overall sector growth at 1.6% qoq whereas largest PSU lender, SBI, outperformed the sector with growth of 5.2% qoq. SFBs delivered strong growth of 8% qoq and 24.7% yoy on seasonality.

Bottom-up analysis of the 27 banks along with factoring the guidance provided by the banks indicate that FY25 credit growth would be c.14% yoy. The private banks, ex of HDFCB, are expected to increase at c.15% while HDFCB's credit portfolio is expected to increase at 12% yoy. PSU bank's credit portfolio is expected to grow at 13% yoy whilst that of the SFBs is expected to increase at 25% yoy

Deposit mobilization was strong led by seasonal quarter end flows in CASA and wholesale deposits.

Exhibit 23: Deposit mobilization was strong for PSU banks despite much lower CDRs vs private peers

	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
	qoq deposit growth										yoy deposit growth									
Total Banks	2.1%	5.4%	-0.1%	3.4%	2.5%	5.4%	2.0%	3.3%	2.0%	5.1%	9.5%	10.6%	10.2%	11.2%	11.6%	11.7%	13.9%	13.9%	13.4%	13.1%
Total Banks - ex HDFC	2.1%	5.4%	-0.1%	3.4%	2.5%	5.4%	2.0%	3.3%	2.0%	5.1%	9.5%	10.6%	10.2%	11.2%	11.6%	11.7%	13.9%	13.9%	13.4%	13.2%
Private Banks	3.5%	5.7%	0.6%	3.3%	3.9%	7.1%	2.5%	4.2%	2.8%	6.9%	15.7%	15.0%	14.5%	13.6%	14.1%	15.6%	17.8%	19.3%	18.1%	18.1%
PSU Banks	1.4%	5.2%	-0.4%	3.4%	1.8%	4.6%	1.7%	2.7%	1.5%	4.1%	6.7%	8.4%	8.1%	9.8%	10.2%	9.6%	11.9%	11.1%	10.8%	10.4%
Small Finance Banks	8.8%	15.8%	4.1%	7.3%	7.4%	11.6%	3.2%	9.8%	4.6%	9.3%	33.6%	36.2%	37.1%	40.7%	38.9%	33.9%	32.7%	35.8%	32.3%	29.6%
Private Banks																				
HDFCB	2.8%	7.8%	2.9%	4.3%	3.6%	8.7%	1.6%	5.3%	1.9%	7.5%	13.8%	16.8%	19.2%	19.0%	19.9%	20.8%	19.2%	29.8%	27.7%	26.4%
ICICI	4.1%	4.6%	-1.3%	3.8%	2.9%	5.2%	4.9%	4.5%	2.9%	6.0%	16.4%	14.2%	13.4%	11.5%	10.3%	10.9%	17.9%	18.8%	18.7%	19.6%
Axis	4.8%	6.5%	-2.2%	0.9%	4.6%	11.6%	-0.6%	1.5%	5.2%	6.3%	20.3%	17.7%	12.6%	10.1%	9.9%	15.2%	17.2%	17.9%	18.5%	12.9%
Kotak	4.7%	2.1%	1.5%	2.8%	6.0%	5.3%	6.4%	3.8%	1.9%	9.9%	15.1%	11.3%	10.4%	11.5%	12.9%	16.5%	22.0%	23.3%	18.6%	23.6%
IndusInd	3.3%	3.2%	3.1%	4.4%	3.0%	3.4%	3.2%	3.7%	2.5%	4.3%	19.0%	14.6%	13.3%	14.7%	14.3%	14.6%	14.6%	13.9%	13.4%	14.4%
Federal	2.0%	3.6%	0.9%	3.2%	6.5%	5.9%	4.3%	4.7%	2.9%	5.4%	8.5%	5.2%	8.2%	10.0%	14.8%	17.4%	21.3%	23.1%	19.0%	18.3%
RBL	-2.6%	7.3%	0.3%	0.2%	2.9%	3.8%	0.9%	4.8%	3.3%	11.6%	9.6%	8.0%	6.4%	5.0%	11.0%	7.4%	8.1%	13.1%	13.5%	21.9%
KVB	2.2%	2.4%	3.6%	3.7%	3.5%	0.6%	5.3%	2.9%	3.1%	4.0%	7.7%	8.2%	10.2%	12.5%	13.9%	11.9%	13.7%	12.8%	12.5%	16.3%
CUB	0.9%	2.1%	2.3%	2.3%	0.2%	4.8%	-1.4%	2.1%	0.0%	5.6%	7.9%	7.1%	9.3%	7.7%	7.0%	9.9%	5.9%	5.7%	5.5%	6.2%
DCB	1.5%	7.6%	1.1%	5.4%	6.9%	4.4%	4.3%	5.8%	3.6%	4.7%	11.7%	16.8%	14.6%	16.3%	22.6%	18.9%	22.6%	23.1%	19.3%	19.7%
SIB	1.7%	0.9%	-1.1%	0.3%	2.5%	1.1%	4.2%	1.7%	2.1%	2.8%	5.8%	7.8%	4.2%	1.9%	2.6%	2.8%	8.3%	9.7%	9.4%	11.2%
Karnataka Bank	2.0%	2.5%	0.2%	1.3%	3.6%	3.3%	-0.5%	3.0%	3.0%	6.4%	6.2%	6.3%	5.7%	6.1%	7.9%	8.7%	7.9%	9.7%	9.0%	12.2%
PSU Banks																				
SBI	1.0%	5.3%	-0.1%	3.6%	0.6%	5.0%	2.4%	3.5%	1.6%	3.2%	8.8%	10.1%	8.7%	10.0%	9.5%	9.2%	12.0%	11.9%	13.0%	11.1%
BOB	1.9%	6.9%	-1.3%	5.6%	5.4%	4.7%	-0.3%	4.1%	-0.3%	6.6%	2.5%	8.2%	10.9%	13.6%	17.5%	15.1%	16.2%	14.6%	8.3%	10.2%
PNB	1.1%	1.7%	-0.8%	5.0%	1.4%	5.8%	1.3%	0.9%	1.0%	3.5%	4.2%	3.6%	3.6%	7.0%	7.4%	11.8%	14.2%	9.8%	9.4%	6.9%
Canara	1.0%	4.1%	2.9%	1.4%	2.6%	1.4%	1.1%	3.3%	2.5%	3.9%	7.2%	7.5%	9.4%	9.8%	11.5%	8.5%	6.6%	8.7%	8.5%	11.3%
Union	2.6%	10.1%	-3.8%	5.1%	2.1%	4.9%	0.9%	0.8%	3.1%	4.2%	6.2%	11.8%	9.3%	14.1%	13.6%	8.3%	13.6%	9.0%	10.1%	9.3%
Indian	2.0%	5.5%	-1.6%	0.8%	1.4%	4.0%	0.1%	3.1%	2.1%	5.2%	7.9%	10.3%	8.2%	6.8%	6.1%	4.6%	6.4%	8.8%	9.6%	10.8%
Bank of India	1.7%	0.8%	2.0%	1.1%	0.9%	2.4%	4.0%	1.0%	0.6%	4.3%	1.8%	0.1%	2.8%	5.6%	4.9%	6.6%	8.7%	8.7%	8.3%	10.2%
BOMH	2.8%	8.4%	-3.2%	0.0%	6.4%	12.3%	4.4%	-2.1%	2.7%	10.2%	15.2%	16.3%	12.3%	7.9%	11.7%	15.7%	24.7%	22.2%	17.9%	15.7%
J&K	0.0%	5.0%	-2.2%	3.2%	1.9%	3.5%	-0.6%	4.4%	1.5%	4.8%	5.3%	6.2%	6.1%	5.9%	7.9%	6.4%	8.2%	9.4%	9.0%	10.4%
SFBs																				
AU Small Finance	13.4%	18.8%	3.9%	6.8%	4.7%	13.5%	-0.1%	9.3%	5.8%	8.8%	49.0%	46.2%	47.6%	49.4%	38.0%	31.9%	26.9%	29.8%	31.1%	25.7%
Equitas	-1.2%	6.0%	7.6%	6.4%	7.8%	8.5%	9.2%	11.3%	5.0%	11.6%	12.7%	15.6%	19.3%	19.9%	30.8%	33.9%	35.9%	42.2%	38.4%	42.3%
Suryoday	1.3%	21.6%	4.3%	4.6%	11.6%	10.0%	10.7%	11.7%	1.5%	19.9%	-5.2%	18.4%	21.2%	34.5%	48.2%	34.1%	42.3%	51.9%	38.0%	50.5%
Ujjivan	10.5%	17.5%	0.9%	10.6%	13.8%	10.1%	4.4%	9.3%	1.8%	6.0%	34.0%	39.3%	34.9%	44.8%	49.1%	39.6%	44.5%	42.9%	27.9%	23.2%
Jana	1.4%	4.5%	-0.5%	5.3%	7.4%	7.3%	2.9%	12.7%	9.8%	8.6%	0.0%	0.0%	5.6%	11.1%	17.6%	20.7%	24.8%	33.5%	36.5%	38.2%

*Source: Company, Systematix Institutional Research, *JANA SFB and Karnataka bank have been excluded from sector aggregate numbers*

SCB's deposit growth (5.1% qoq) was higher than credit growth (3.5% qoq) across the board despite PSU banks having much lower CDRs vs private peers. This was mainly led by seasonal quarter end flows in CA, which is expected to see outflows from 1QFY25 onwards. Wholesale deposits are likely to normalise in the coming quarters. Growth was weak for the more stable SA and retail term deposits in 4QFY24. While CASA growth was flat during the initial nine months of FY24, CASA growth of 6% qoq and yoy was largely back ended.

Credit deposit ratio lowers sequentially for private banks and small PSU banks.

Exhibit 24: CDR reduced due to strong deposit growth and moderation in credit growth

	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
Total Banks	**76%**	**77%**	**72%**	**71%**	**72%**	**71%**	**70%**	**70%**	**72%**	**73%**	**75%**	**76%**	**77%**	**77%**	**77%**	**80%**	**82%**	**81%**
Private Banks	90%	89%	85%	85%	85%	83%	83%	82%	84%	85%	86%	88%	87%	86%	86%	95%	96%	92%
Private Banks - ex HDFCB	91%	90%	86%	85%	85%	83%	81%	81%	83%	83%	86%	87%	87%	87%	87%	88%	88%	86%
PSU Banks	69%	70%	67%	65%	66%	65%	65%	64%	67%	67%	69%	70%	72%	71%	72%	72%	74%	74%
Small Finance Banks	120%	115%	111%	112%	106%	102%	95%	96%	97%	92%	93%	92%	92%	89%	92%	87%	87%	86%
Private Banks																		
HDFC	88%	87%	84%	84%	85%	85%	85%	85%	87%	88%	87%	88%	87%	85%	84%	107%	110%	104%
ICICI	89%	84%	79%	78%	80%	79%	80%	78%	80%	81%	85%	86%	87%	86%	85%	86%	87%	84%
Axis	93%	89%	89%	91%	89%	88%	86%	84%	86%	86%	87%	90%	90%	89%	91%	94%	93%	90%
Kotak	91%	84%	78%	78%	81%	80%	76%	81%	83%	87%	89%	90%	90%	88%	85%	87%	88%	84%
IndusInd	96%	102%	94%	88%	87%	83%	79%	80%	80%	81%	82%	82%	84%	86%	87%	88%	89%	89%
Federal	84%	82%	80%	80%	79%	78%	78%	80%	82%	81%	84%	87%	85%	83%	84%	84%	85%	84%
RBL	95%	100%	92%	87%	84%	80%	76%	74%	79%	76%	76%	79%	82%	83%	85%	85%	86%	81%
KVB	76%	78%	77%	78%	80%	80%	78%	79%	80%	80%	81%	82%	81%	82%	82%	84%	84%	83%
CUB	84%	83%	83%	84%	83%	81%	80%	80%	82%	85%	82%	84%	84%	82%	80%	81%	82%	82%
DCB	86%	83%	85%	86%	88%	87%	83%	85%	86%	84%	85%	85%	83%	83%	82%	82%	83%	83%
SIB	76%	78%	78%	77%	74%	70%	67%	65%	65%	67%	71%	74%	75%	76%	75%	75%	76%	77%
Karnataka	77%	79%	75%	74%	72%	68%	68%	71%	71%	71%	72%	73%	74%	69%	71%	73%	74%	73%
PSU Banks																		
SBI	71%	72%	67%	66%	67%	67%	65%	64%	67%	67%	70%	70%	73%	72%	71%	71%	74%	75%
BOB	73%	73%	73%	70%	73%	73%	72%	72%	75%	74%	77%	77%	77%	78%	80%	80%	82%	80%
PNB	60%	67%	61%	61%	61%	61%	60%	60%	61%	64%	65%	65%	66%	65%	67%	68%	69%	68%
Canara	68%	69%	68%	65%	65%	63%	63%	63%	66%	65%	67%	70%	70%	70%	72%	72%	73%	71%
Union	69%	70%	65%	65%	66%	64%	64%	64%	66%	64%	68%	70%	71%	68%	68%	71%	74%	71%
Indian	72%	76%	69%	68%	70%	67%	67%	65%	66%	66%	68%	70%	71%	72%	73%	73%	75%	75%
BOI	64%	66%	62%	60%	60%	58%	59%	62%	64%	67%	69%	71%	73%	73%	71%	74%	77%	76%
BOMH	58%	58%	59%	61%	61%	59%	61%	61%	67%	65%	70%	74%	73%	73%	70%	75%	75%	74%
J&K	69%	66%	65%	67%	64%	62%	63%	63%	63%	61%	64%	64%	66%	67%	70%	69%	70%	70%
SFBs																		
AU Small Finance	111%	103%	98%	101%	102%	96%	92%	92%	91%	88%	89%	89%	91%	84%	91%	85%	83%	84%
Equitas	131%	127%	122%	123%	106%	103%	98%	99%	102%	102%	100%	101%	100%	102%	99%	93%	90%	86%
Suryoday	0%	124%	120%	113%	113%	122%	114%	134%	146%	123%	121%	121%	113%	116%	108%	105%	111%	104%
Ujjivan	127%	130%	129%	128%	116%	110%	97%	96%	99%	89%	89%	85%	84%	83%	83%	83%	86%	85%
Jana	NA	NA	NA	NA	NA	NA	91%	95%	94%	96%	102%	103%	106%	109%	110%	111%	106%	102%

*Source: Company, Systematix Institutional Research, *JANA SFB and Karnataka bank have been excluded from sector aggregate numbers*

Strong deposit growth coupled with moderation in advances growth resulted in net CDR reducing to 81% (-129bps qoq). There was a more notable decrease for large private banks followed by PSU peers, with SBI being the exception where net CDR increased by 144bps qoq. CDRs for PSUs declined despite already being below their comfort zones.

Bank spreads come off from peak levels yet above those at start of the current rate hike cycle.

Exhibit 25: Spreads declined sequentially albeit at a slower pace.

Interest spreads	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24
	Asset Yields						Cost of Funds						Spreads					
Private Banks																		
HDFC	8.0%	8.1%	8.4%	8.6%	8.6%	8.5%	4.1%	4.3%	4.7%	5.7%	5.8%	5.7%	3.9%	3.8%	3.6%	2.8%	2.9%	2.9%
ICICI	8.1%	8.5%	8.7%	8.7%	8.8%	8.7%	3.9%	4.2%	4.6%	4.8%	5.0%	5.0%	4.2%	4.3%	4.1%	3.9%	3.8%	3.7%
Axis	8.0%	8.1%	8.3%	8.6%	8.6%	8.5%	4.3%	4.5%	4.8%	5.1%	5.3%	5.2%	3.7%	3.5%	3.4%	3.5%	3.4%	3.3%
Kotak	8.2%	8.5%	8.7%	8.8%	9.0%	8.8%	3.8%	3.9%	4.3%	4.7%	4.9%	4.7%	4.5%	4.6%	4.4%	4.1%	4.1%	4.1%
IndusInd	9.3%	9.5%	9.8%	10.1%	10.2%	10.3%	5.4%	5.6%	6.0%	6.2%	6.2%	6.5%	3.9%	3.9%	3.8%	3.9%	4.0%	3.8%
Federal	7.8%	8.0%	8.1%	8.3%	8.4%	8.4%	4.6%	5.0%	5.2%	5.5%	5.7%	5.7%	3.2%	3.0%	2.9%	2.9%	2.7%	2.7%
RBL	9.4%	9.5%	10.5%	10.7%	11.0%	10.9%	5.3%	5.4%	5.8%	6.0%	6.2%	6.2%	4.1%	4.2%	4.7%	4.7%	4.8%	4.7%
KVB	7.9%	8.2%	8.5%	8.6%	8.8%	8.7%	4.2%	4.5%	4.9%	5.2%	5.2%	5.3%	3.7%	3.7%	3.5%	3.4%	3.6%	3.5%
CUB	7.7%	7.7%	8.0%	8.3%	8.2%	8.3%	4.7%	5.1%	5.3%	5.5%	5.7%	5.6%	3.0%	2.7%	2.7%	2.8%	2.6%	2.6%
DCB	9.4%	9.8%	9.8%	9.8%	9.9%	9.9%	6.0%	6.3%	6.6%	6.7%	7.0%	6.9%	3.4%	3.5%	3.2%	3.1%	2.9%	2.9%
SIB	7.7%	7.9%	7.9%	8.1%	8.2%	8.3%	4.5%	4.6%	4.9%	5.1%	5.3%	5.4%	3.2%	3.3%	3.0%	3.0%	2.9%	2.9%
Karnataka	8.3%	8.7%	8.7%	8.7%	8.6%	8.6%	4.6%	4.9%	5.2%	5.3%	5.3%	5.5%	3.7%	3.8%	3.5%	3.4%	3.3%	3.2%
PSU Banks																		
SBI	7.1%	7.5%	7.5%	7.7%	7.9%	8.0%	4.2%	4.3%	4.6%	4.9%	5.1%	5.1%	3.0%	3.1%	2.9%	2.9%	2.8%	2.8%
BOB	7.2%	7.6%	7.5%	7.7%	7.8%	7.9%	4.2%	4.5%	4.7%	5.1%	5.1%	5.1%	3.1%	3.1%	2.8%	2.7%	2.7%	2.8%
PNB	6.9%	7.1%	7.2%	7.5%	7.7%	7.7%	4.2%	4.4%	4.7%	4.8%	4.9%	5.1%	2.7%	2.7%	2.6%	2.7%	2.7%	2.6%
Canara	7.1%	7.5%	7.6%	8.0%	8.1%	8.1%	4.5%	5.0%	5.2%	5.5%	5.6%	5.7%	2.6%	2.5%	2.4%	2.4%	2.5%	2.4%
Union	7.2%	7.4%	7.7%	7.9%	8.0%	8.1%	4.4%	4.8%	5.0%	5.3%	5.4%	5.5%	2.8%	2.5%	2.7%	2.7%	2.6%	2.6%
Indian	7.4%	7.5%	7.6%	7.9%	7.8%	7.8%	4.1%	4.3%	4.6%	4.9%	5.0%	4.9%	3.3%	3.2%	3.1%	3.0%	2.9%	2.8%
BOI	6.9%	7.1%	7.4%	7.5%	7.4%	7.6%	4.1%	4.4%	4.6%	4.9%	5.0%	5.1%	2.8%	2.7%	2.8%	2.6%	2.4%	2.5%
BOMH	7.1%	7.2%	7.3%	7.6%	7.7%	7.7%	3.9%	3.9%	4.0%	4.2%	4.3%	4.3%	3.2%	3.3%	3.4%	3.4%	3.4%	3.3%
J&K	8.4%	8.3%	8.5%	8.8%	9.0%	8.8%	3.9%	4.1%	4.4%	4.5%	4.9%	4.8%	4.4%	4.1%	4.1%	4.3%	4.1%	4.0%
Small Finance Banks																		
AU Small Finance	11.0%	10.9%	11.1%	11.1%	11.4%	11.0%	5.8%	5.9%	6.4%	6.5%	6.8%	6.7%	5.1%	5.0%	4.7%	4.6%	4.6%	4.3%
Equitas	14.3%	14.3%	14.3%	14.5%	14.5%	13.8%	6.6%	6.6%	6.8%	7.3%	7.6%	7.3%	7.6%	7.7%	7.4%	7.1%	6.9%	6.5%
Suryoday	14.2%	14.7%	14.9%	14.9%	15.7%	15.8%	6.4%	6.4%	6.6%	7.2%	7.4%	7.2%	7.9%	8.4%	8.4%	7.7%	8.3%	8.6%
Ujjivan	15.7%	15.4%	15.6%	15.6%	15.5%	15.8%	6.5%	6.7%	6.9%	7.3%	7.4%	7.1%	9.2%	8.7%	8.7%	8.3%	8.1%	8.7%
Jana	14.3%	14.1%	13.9%	14.7%	14.5%	14.5%	7.2%	7.0%	7.5%	7.7%	7.8%	7.7%	7.1%	7.1%	6.4%	6.9%	6.8%	6.7%

*Source: Company, Systematix Institutional Research, *JANA SFB and Karnataka bank have been excluded from sector aggregate numbers*

In comparison to the levels at the start of the rate cycle (1QFY23), bank spreads are currently up 23bps vs 53bps in 3QFY23/4QFY23 (when spreads peaked). **Amongst the large cap banks, ICICI, AXIS, Kotak and SBI still retain ~35-50% of the peak spread expansion**. Amongst the smaller cap banks, Canara, Union, BOI and J&K bank still retain 45-50% of the peak spread expansion seen in 3QFY23.

RBL has benefitted more from the faster growth in the unsecured higher margin segments over this rate cycle, however retail yields have stagnated over the last few quarters. Bank of Maharashtra, via balance sheet management, has been able to protect its spreads thus far. Spreads for SFBs have declined due to a higher proportion of secured assets within the portfolio.

Exhibit 26: NIMs declined across the board mainly due to declining asset yields while funding cost were largely stable qoq.

	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
Total Banks	3.2%	3.2%	2.9%	3.0%	3.1%	3.1%	3.1%	3.1%	3.4%	3.5%	3.6%	3.5%	3.4%	3.3%	3.3%
Private Banks	3.8%	3.9%	3.7%	3.7%	3.8%	3.8%	3.8%	3.8%	4.1%	4.3%	4.3%	4.2%	3.9%	3.9%	3.9%
PSU Banks	2.8%	2.8%	2.4%	2.6%	2.7%	2.7%	2.7%	2.7%	2.9%	3.1%	3.1%	3.0%	3.0%	2.9%	3.0%
Small Finance Banks	7.3%	7.2%	6.3%	6.8%	7.1%	7.5%	7.5%	7.4%	7.6%	7.5%	7.4%	7.2%	7.0%	7.0%	6.8%
Private Banks															
HDFC	4.1%	4.1%	4.2%	4.0%	4.1%	4.1%	3.9%	3.9%	4.1%	4.3%	4.2%	4.1%	3.5%	3.5%	3.5%
ICICI	3.5%	3.6%	3.7%	3.8%	4.0%	3.9%	3.9%	4.0%	4.3%	4.7%	4.8%	4.8%	4.6%	4.5%	4.4%
Axis	3.6%	3.6%	3.5%	3.4%	3.3%	3.5%	3.3%	3.5%	3.8%	4.1%	3.9%	3.9%	4.0%	3.9%	3.8%
Kotak	4.3%	4.2%	4.1%	4.2%	4.2%	4.3%	4.4%	4.6%	4.9%	5.2%	5.3%	5.1%	5.0%	5.0%	4.9%
IndusInd	4.3%	4.3%	4.3%	4.1%	4.1%	4.2%	4.3%	4.3%	4.4%	4.4%	4.4%	4.5%	4.6%	4.7%	4.5%
Federal	3.1%	3.2%	3.0%	3.0%	3.1%	3.2%	3.1%	3.1%	3.3%	3.5%	3.2%	3.1%	3.1%	3.1%	3.1%
RBL	4.2%	4.1%	3.9%	4.1%	3.8%	4.2%	4.6%	4.1%	4.2%	4.6%	4.6%	5.2%	5.2%	5.3%	5.2%
KVB	3.5%	3.3%	3.4%	3.5%	3.7%	3.7%	3.7%	3.8%	4.0%	4.2%	4.1%	4.0%	3.9%	4.1%	4.0%
CUB	3.9%	4.0%	3.4%	3.5%	3.6%	3.5%	3.5%	3.5%	3.7%	3.6%	3.2%	3.3%	3.4%	3.2%	3.3%
DCB	3.7%	3.7%	3.4%	3.3%	3.3%	3.5%	3.7%	3.5%	3.8%	3.9%	4.0%	3.7%	3.6%	3.4%	3.5%
SIB	3.0%	2.7%	2.6%	2.5%	2.4%	2.5%	2.6%	2.6%	3.0%	3.3%	3.4%	3.1%	3.1%	3.1%	3.2%
Karnataka	3.0%	3.2%	2.4%	2.9%	3.2%	3.1%	3.2%	3.2%	3.7%	3.7%	3.8%	3.6%	3.5%	3.4%	3.3%
PSU Banks															
SBI	3.0%	2.9%	2.6%	2.7%	2.9%	2.8%	2.8%	2.7%	3.0%	3.1%	3.2%	3.1%	3.0%	2.9%	3.0%
BOB	2.8%	2.9%	2.6%	2.9%	2.8%	3.0%	2.9%	2.9%	3.3%	3.3%	3.4%	3.1%	3.0%	3.0%	3.1%
PNB	2.9%	2.9%	2.4%	2.5%	2.2%	2.6%	2.4%	2.4%	2.6%	2.8%	2.8%	2.7%	2.8%	2.9%	2.8%
Canara	2.5%	2.4%	2.1%	2.3%	2.2%	2.4%	2.4%	2.3%	2.4%	2.8%	2.7%	2.6%	2.6%	2.7%	2.7%
Union	2.5%	2.7%	2.2%	2.8%	2.7%	2.8%	2.5%	2.7%	3.0%	3.0%	2.8%	2.9%	2.9%	2.9%	2.9%
Indian	3.0%	3.1%	2.3%	2.8%	2.8%	3.0%	2.8%	2.9%	3.0%	3.5%	3.4%	3.3%	3.3%	3.2%	3.2%
BOI	2.6%	2.3%	1.7%	1.9%	2.1%	2.0%	2.3%	2.3%	2.8%	3.0%	2.9%	3.0%	2.9%	2.7%	2.8%
BOMH	2.7%	3.1%	3.1%	3.0%	3.1%	3.0%	3.0%	3.0%	3.3%	3.4%	3.5%	3.6%	3.7%	3.7%	3.6%
J&K	3.8%	3.9%	3.5%	3.6%	3.7%	3.7%	3.5%	3.7%	4.2%	4.3%	4.1%	4.1%	4.2%	4.0%	3.9%
Small Finance Banks															
AU Small Finance	5.2%	5.8%	5.5%	5.8%	5.9%	6.0%	6.0%	5.7%	6.0%	6.0%	5.8%	5.6%	5.5%	5.5%	5.2%
Equitas	8.8%	8.3%	7.4%	7.7%	7.9%	8.8%	8.8%	8.7%	8.7%	8.7%	8.8%	8.5%	8.1%	8.0%	7.5%
Suryoday	7.7%	7.3%	3.6%	7.6%	9.2%	10.0%	7.9%	8.9%	8.8%	8.9%	9.4%	9.4%	8.8%	9.4%	9.6%
Ujjivan	10.2%	9.4%	7.7%	8.0%	8.4%	9.4%	10.2%	10.5%	10.8%	10.1%	9.6%	9.6%	9.3%	9.1%	9.6%
Jana	0.0%	0.0%	0.0%	6.8%	6.7%	7.2%	7.6%	7.1%	7.4%	7.8%	7.8%	7.2%	7.9%	7.7%	7.7%

*Source: Company, Systematix Institutional Research, *JANA SFB and Karnataka bank have been excluded from sector aggregate numbers*

Funding costs remained largely stable qoq as (1) bulk of the deposit back-book repricing is behind (2) banks incrementally opted for higher refinance from DFI's like NHB, NABARD, SIDBI, MUDHRA etc. However, margins and spreads continued to decline sequentially, albeit at a slower pace mainly due to decline in asset yields.

Given the step up in repricing pre- hike funds of the banks is already behind us, going ahead, asset mix change coupled with MCLR rate hikes to keep spreads within a narrow range. **We note that – 1) for private banks, spreads are up 23bps since the start of the rate cycle whilst NIMs are up c. 44bps. 2) for PSU banks, spreads are up 13bps since the start of the rate cycle whilst NIMs are up c. 25bps. Thus, c. 50% of the NIM expansion has been due to leverage for both PSU and private banks, with the rest explained by asset mix changes favoring RAM and unsecured loans**

Despite low CDRs, most key PSBs gave conservative margin guidance and expect margins to remain stable to slightly lower. Private banks are expected to show modest decline in NIMs with asset yields continuing to hold up well. **Considering RBI's focus on curbing CDR and unsecured advances, and pickup in corporate loans, we expect margins pressures, though modest, to sustain into FY25.**

Other income led by higher treasury gains, seasonally strong fee income, higher TWO recovery.

Exhibit 27: Other income yields have increased by ~30bps sequentially for PSU banks and SFBs and remained largely stable for pvt banks

	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
POSI (Rs bn)															
Private Banks	34.7	32.1	14.9	34.1	22.9	26.6	10.1	-6.9	5.7	14.1	1.1	20.5	14.0	24.6	16.9
PSU Banks	57.0	74.3	31.1	86.0	58.3	32.1	23.1	-52.4	21.3	51.3	47.1	69.0	42.8	37.3	74.2
Small Finance Banks	0.7	1.2	0.7	1.7	0.4	0.3	0.0	-0.4	0.2	0.2	0.1	0.8	0.3	0.5	0.6
Total Banks	92.3	107.6	46.7	121.8	81.6	59.0	33.2	-59.6	27.2	65.5	48.3	90.4	57.1	62.4	91.6
Other income as % of avg assets															
Total Banks	1.1%	1.2%	1.5%	1.2%	1.2%	1.1%	1.2%	0.8%	1.1%	1.1%	1.3%	1.2%	1.1%	1.1%	1.3%
Private Banks	1.5%	1.6%	1.6%	1.5%	1.5%	1.5%	1.5%	1.2%	1.4%	1.5%	1.5%	1.5%	1.4%	1.4%	1.5%
PSU Banks	0.9%	1.0%	1.4%	1.1%	1.0%	0.9%	1.0%	0.6%	0.8%	1.0%	1.2%	1.0%	0.9%	0.8%	1.2%
Small Finance Banks	1.8%	4.0%	2.3%	1.6%	1.6%	2.0%	2.0%	1.3%	1.6%	1.7%	2.0%	1.7%	1.9%	1.9%	2.2%
Private Banks															
HDFC	1.5%	1.8%	1.8%	1.4%	1.6%	1.7%	1.5%	1.2%	1.4%	1.5%	1.5%	1.5%	1.3%	1.3%	1.2%
ICICI	1.4%	1.6%	1.4%	1.3%	1.5%	1.5%	1.4%	1.3%	1.4%	1.3%	1.3%	1.3%	1.4%	1.4%	1.2%
Axis	1.6%	1.3%	1.5%	1.3%	1.5%	1.4%	1.5%	1.0%	1.3%	1.5%	1.5%	1.6%	1.5%	1.6%	1.9%
Kotak	1.5%	1.4%	1.6%	1.6%	1.8%	1.3%	1.7%	1.2%	1.8%	1.9%	1.8%	2.1%	1.8%	1.7%	2.1%
IndusInd	1.9%	2.0%	2.0%	1.9%	2.0%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	2.0%	2.0%
Federal	1.0%	1.0%	1.0%	1.3%	1.0%	0.9%	0.9%	0.8%	1.1%	0.9%	1.1%	1.1%	1.0%	1.2%	1.0%
RBL	1.8%	2.4%	2.8%	2.6%	2.3%	2.4%	2.0%	2.3%	2.2%	2.3%	2.4%	2.3%	2.3%	2.5%	2.6%
KVB	1.0%	1.5%	0.9%	1.1%	0.9%	1.0%	1.0%	1.0%	1.1%	1.4%	1.8%	1.4%	1.4%	1.4%	1.8%
CUB	1.3%	1.8%	1.2%	1.4%	1.5%	1.1%	1.3%	1.4%	1.1%	1.4%	1.2%	1.2%	1.1%	1.1%	1.0%
DCB	0.9%	1.7%	1.3%	1.2%	1.0%	1.1%	1.1%	0.8%	0.9%	0.8%	1.0%	0.8%	0.8%	0.8%	0.9%
SIB	0.9%	0.9%	1.8%	1.9%	0.7%	0.9%	0.8%	1.0%	1.0%	-0.1%	1.3%	1.3%	1.3%	1.6%	1.2%
Karnataka	0.4%	0.5%	0.6%	0.4%	0.5%	0.6%	0.6%	0.5%	0.6%	0.6%	0.6%	0.7%	0.7%	0.7%	0.7%
PSU Banks															
SBI	0.8%	0.9%	1.5%	1.0%	0.7%	0.7%	1.0%	0.2%	0.7%	0.9%	1.0%	0.9%	0.8%	0.8%	1.1%
BOB	1.0%	1.0%	1.7%	1.0%	1.2%	0.8%	0.8%	0.4%	0.6%	1.0%	1.0%	0.9%	1.1%	0.7%	1.1%
PNB	0.7%	1.0%	0.8%	1.2%	1.0%	0.8%	0.7%	0.8%	0.8%	1.0%	1.0%	0.9%	0.8%	0.7%	1.1%
Canara	1.2%	1.5%	1.8%	1.4%	1.4%	1.2%	1.5%	1.7%	1.5%	1.2%	1.4%	1.4%	1.3%	1.2%	1.4%
Union	0.9%	1.2%	1.7%	1.0%	1.5%	0.9%	1.1%	1.0%	1.1%	1.1%	1.7%	1.2%	1.1%	1.1%	1.4%
Indian	1.1%	0.8%	1.0%	1.2%	1.2%	1.0%	1.0%	1.0%	1.1%	1.0%	1.1%	1.0%	1.1%	1.0%	1.2%
BOI	0.8%	1.1%	1.0%	1.3%	1.2%	1.0%	0.9%	0.6%	0.8%	0.7%	1.5%	0.7%	0.8%	0.6%	0.8%
BOMH	0.9%	1.3%	2.6%	1.4%	1.6%	1.1%	0.9%	0.5%	0.8%	1.1%	1.3%	0.9%	1.0%	1.0%	1.4%
J&K	0.5%	1.0%	0.6%	0.7%	0.7%	0.5%	0.6%	0.6%	0.4%	0.7%	0.5%	0.6%	0.5%	0.5%	0.6%
Small Finance Banks															
AU Small Finance	2.6%	5.9%	2.3%	1.7%	1.5%	2.0%	2.0%	0.9%	1.3%	1.5%	1.6%	1.4%	1.8%	1.8%	2.1%
Equitas	1.0%	2.4%	2.8%	1.6%	2.3%	2.1%	2.3%	1.9%	2.0%	2.0%	2.9%	1.9%	1.9%	2.0%	2.2%
Suryoday	0.8%	2.0%	0.8%	1.3%	2.0%	1.0%	1.0%	0.6%	1.2%	1.2%	1.4%	2.0%	2.0%	1.9%	2.2%
Ujjivan	1.3%	2.0%	2.3%	1.5%	1.1%	2.0%	2.3%	2.1%	2.3%	1.9%	2.2%	2.1%	2.1%	1.9%	2.4%
Jana	0.0%	0.0%	0.0%	1.0%	2.0%	1.4%	2.0%	3.4%	2.1%	2.9%	2.6%	2.9%	2.4%	1.9%	2.3%

*Source: Company, Systematix Institutional Research, *JANA SFB and Karnataka bank have been excluded from sector aggregate numbers*

The impact of lower margins was offset by higher other income due to seasonally higher fee income for private banks, higher treasury gains and strong TWO recovery for PSBs and higher disbursement led strong loan processing fee growth for SFBs. **Banks have indicated that treasury income will be impacted due to implementation of new investment guidelines which limit sale of investments from HTM book to 6% of opening carrying value and reclassification of investments across various buckets only with board approval. This will be partly offset by investment yields especially for PSU banks wherein investment yields have increased by ~20-30bps for likes of BoB, Canara, Indian bank along with increase in modified duration.**

Wage revision coupled with benefits provisioning impact PSU banks' operating expenses

Exhibit 28: Opex for PSU banks (ex SBI) increased due to residual wage revision provisions

	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
	Opex to avg. asset (%)						Cost to Income (%)					
Total Banks	2.0%	2.2%	2.1%	2.1%	2.2%	2.2%	46%	48%	47%	49%	53%	49%
Private Banks	2.3%	2.4%	2.4%	2.3%	2.3%	2.3%	42%	43%	45%	45%	45%	46%
PSU Banks	1.8%	2.1%	1.8%	2.0%	2.1%	2.0%	48%	51%	48%	53%	59%	51%
Small Finance Banks	5.4%	5.5%	5.3%	5.2%	5.3%	5.5%	61%	60%	61%	60%	61%	62%
Private Banks												
HDFC	2.2%	2.3%	2.3%	1.8%	1.8%	2.0%	40%	42%	43%	40%	40%	45%
ICICI	2.2%	2.3%	2.4%	2.3%	2.3%	2.1%	38%	39%	40%	41%	41%	39%
Axis	2.3%	2.4%	2.5%	2.6%	2.6%	2.6%	42%	45%	48%	50%	49%	47%
Kotak	3.3%	3.1%	3.2%	3.1%	3.2%	3.1%	48%	44%	44%	46%	48%	45%
IndusInd	2.7%	2.7%	2.8%	2.9%	3.1%	3.1%	44%	45%	46%	47%	48%	49%
Federal	2.0%	2.0%	2.0%	2.1%	2.1%	2.4%	49%	50%	51%	52%	52%	62%
RBL	4.4%	4.6%	5.0%	4.8%	5.0%	4.8%	68%	69%	69%	66%	67%	64%
KVB	2.4%	2.5%	2.5%	2.6%	2.7%	2.9%	43%	43%	47%	49%	50%	52%
CUB	1.8%	1.8%	1.8%	2.0%	2.0%	2.1%	36%	41%	42%	46%	49%	51%
DCB	2.9%	2.9%	2.8%	2.6%	2.6%	2.7%	64%	60%	64%	64%	65%	64%
SIB	2.2%	2.4%	2.5%	2.6%	2.8%	2.7%	74%	53%	58%	61%	62%	64%
Karnataka	2.0%	2.3%	2.2%	2.1%	2.3%	2.7%	52%	56%	55%	55%	61%	74%
PSU Banks												
SBI	1.8%	2.2%	1.9%	2.2%	2.6%	2.0%	50%	55%	50%	61%	74%	51%
BOB	1.8%	1.9%	1.8%	1.9%	1.8%	2.0%	43%	46%	45%	47%	50%	49%
PNB	2.0%	2.0%	1.9%	1.8%	1.8%	2.1%	54%	55%	54%	52%	51%	56%
Canara	1.7%	1.8%	1.7%	1.7%	1.9%	2.0%	45%	46%	44%	44%	50%	50%
Union	1.7%	2.1%	1.7%	1.7%	1.7%	2.2%	44%	50%	44%	44%	44%	54%
Indian	1.9%	2.0%	1.8%	1.9%	1.9%	2.0%	44%	46%	44%	44%	47%	48%
BOI	1.7%	2.2%	1.8%	1.8%	1.7%	1.9%	48%	51%	49%	49%	55%	54%
BOMH	1.7%	1.8%	1.6%	1.7%	1.6%	1.9%	40%	38%	37%	38%	36%	39%
J&K	2.9%	2.8%	2.7%	2.8%	2.5%	2.3%	64%	68%	65%	65%	62%	57%
Small Finance Banks												
AU Small Finance	4.5%	4.6%	4.5%	4.4%	4.5%	4.7%	62%	63%	65%	61%	63%	65%
Equitas	6.8%	6.7%	6.6%	6.3%	6.2%	6.0%	65%	59%	66%	65%	64%	63%
Suryoday	6.8%	6.1%	6.3%	6.8%	6.7%	7.1%	70%	58%	58%	65%	62%	62%
Ujjivan	6.2%	6.4%	6.0%	5.8%	6.0%	6.5%	53%	55%	53%	52%	56%	56%
Jana	5.6%	5.7%	5.8%	6.0%	5.4%	5.5%	53%	55%	58%	59%	57%	56%

*Source: Company, Systematix Institutional Research, *JANA SFB and Karnataka bank have been excluded from sector aggregate numbers.*

PSU banks (ex SBI and J&K bank) saw a 10-35% qoq increase in opex due to (i) catch up wage hike provisions, (ii) higher gratuity and pension provisions due to reduction in discount rates led by falling G-Sec yields (iii) upfront provisions on 5-year ex-gratia benefits ratified in the final wage bill. Opex/avg assets for PSU bank (ex SBI) increased to 2.1% vs 1.8% qoq. SBI, in contrast, saw opex/assets decline to 2.0% vs 2.6% qoq due to reversal of excess provisions provided in the previous quarters both on wage hikes and gratuity. Most key private banks also saw a qoq increase in opex/assets mainly due to back-ended branch additions in 4Q. SFBs opex/avg assets increased to 5.5% (vs 5.3% qoq) on back-ended branch additions, investment in new products/segments and IT expenses. **Going forward, FY25 opex growth is expected to be subdued for PSU banks as bulk of the incremental wage related provisions largely behind. Industry is likely to experience higher tech related expenses given heightened regulatory scrutiny with a few banks guiding for tech spends of about ~-9-10% of opex.**

Sequentially, strong other income growth drove improvement in PPOP ratios.

Exhibit 29: FY24 PPOP growth of 9% for PSU banks, 17% for Private Banks (ex HDFCB) and 25% for SFBs

	Ppop as % of avg. assets					Ppop growth (YoY %)					Ppop growth (QoQ %)				
	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
Total Banks	2.4%	2.3%	2.2%	2.0%	2.3%	28%	43%	14%	-3%	10%	2%	1%	-1%	-5%	16%
Private Banks	3.1%	3.0%	2.8%	2.8%	2.8%	26%	33%	22%	14%	12%	2%	0%	6%	4%	1%
Private Banks - ex HDFCB	3.0%	2.9%	2.8%	2.8%	2.9%	34%	40%	17%	8%	10%	5%	0%	-1%	4%	7%
PSU Banks	2.0%	2.0%	1.8%	1.5%	1.9%	29%	53%	7%	-19%	8%	2%	2%	-8%	-15%	35%
Small Finance Banks	3.7%	3.3%	3.5%	3.4%	3.4%	39%	38%	28%	23%	15%	14%	-2%	9%	2%	6%
Private Banks															
HDFC	3.1%	3.0%	2.7%	2.7%	2.5%	14%	22%	30%	24%	18%	-2%	1%	21%	4%	-7%
ICICI	3.6%	3.5%	3.4%	3.4%	3.3%	34%	37%	22%	11%	9%	4%	2%	1%	3%	2%
Axis	2.9%	2.7%	2.6%	2.7%	2.9%	42%	50%	12%	-1%	15%	-1%	-4%	-2%	6%	15%
Kotak	3.9%	3.9%	3.5%	3.4%	3.8%	39%	78%	29%	14%	18%	16%	7%	-7%	-1%	20%
IndusInd	3.3%	3.3%	3.3%	3.3%	3.2%	13%	13%	10%	9%	7%	2%	2%	1%	3%	1%
Federal	2.1%	1.9%	1.9%	2.0%	1.5%	67%	34%	9%	13%	-17%	5%	-2%	2%	9%	-23%
RBL	2.1%	2.2%	2.4%	2.4%	2.7%	-10%	22%	43%	35%	49%	5%	9%	13%	5%	16%
KVB	3.3%	2.8%	2.6%	2.7%	2.7%	67%	36%	11%	-2%	-4%	7%	-12%	-2%	6%	5%
CUB	2.5%	2.5%	2.3%	2.2%	2.0%	-5%	-7%	-15%	-27%	-16%	-16%	-1%	-7%	-6%	-3%
DCB	1.9%	1.6%	1.5%	1.4%	1.5%	10%	26%	15%	9%	-4%	26%	-14%	1%	0%	11%
SIB	2.1%	1.8%	1.6%	1.7%	1.5%	95%	55%	8%	138%	-23%	176%	-13%	-6%	5%	-10%
Karnataka	2.8%	2.4%	2.0%	2.0%	1.8%	80%	46%	-10%	2%	-27%	29%	-12%	-13%	3%	-7%
PSU Banks															
SBI	1.8%	1.8%	1.4%	0.9%	1.9%	25%	98%	-8%	-46%	17%	1%	3%	-23%	-32%	117%
BOB	2.3%	2.1%	2.1%	1.8%	2.1%	43%	73%	33%	-15%	0%	-2%	-3%	2%	-13%	16%
PNB	1.6%	1.6%	1.7%	1.7%	1.7%	11%	11%	12%	11%	9%	3%	2%	4%	2%	1%
Canara	2.2%	2.2%	2.2%	1.9%	2.0%	17%	15%	10%	-2%	2%	4%	5%	0%	-11%	9%
Union	2.2%	2.2%	2.2%	2.2%	1.9%	24%	32%	10%	10%	-4%	3%	5%	1%	1%	-10%
Indian	2.3%	2.3%	2.4%	2.2%	2.2%	47%	16%	19%	1%	7%	-1%	3%	4%	-5%	5%
BOI	2.1%	1.8%	1.8%	1.4%	1.6%	70%	72%	11%	-18%	-15%	0%	0%	0%	0%	0%
BOMH	2.9%	2.7%	2.8%	2.9%	3.0%	57%	55%	31%	27%	19%	17%	0%	3%	5%	10%
J&K	1.3%	1.5%	1.5%	1.5%	1.8%	621%	38%	11%	1%	48%	-17%	17%	1%	3%	21%
Small Finance Banks															
AU Small Finance	2.7%	2.4%	2.8%	2.7%	2.5%	18%	39%	30%	18%	16%	3%	-4%	19%	1%	1%
Equitas	4.6%	3.4%	3.4%	3.5%	3.5%	36%	16%	36%	29%	-3%	38%	-19%	6%	9%	4%
Suryoday	4.3%	4.7%	3.6%	4.2%	4.4%	110%	47%	1%	80%	26%	61%	15%	-19%	21%	12%
Ujjivan	5.1%	5.4%	5.3%	4.7%	5.2%	70%	52%	26%	18%	26%	6%	12%	6%	-5%	13%
Jana	4.6%	4.2%	4.2%	4.1%	4.4%	34%	40%	17%	8%	10%	5%	0%	-1%	4%	7%

*Source: Company, Systematix Institutional Research, *JANA SFB and Karnataka bank have been excluded from sector aggregate numbers*

Asset quality improved across the board. Credit costs to normalize upwards going forward.

Exhibit 30: GNPA declined for both private and PSU banks.

	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24
	GNPA						NNPA						PCR					
Total Banks	**4.2%**	**3.8%**	**3.6%**	**3.2%**	**2.9%**	**2.7%**	**1.1%**	**0.9%**	**0.9%**	**0.7%**	**0.7%**	**0.6%**	**75%**	**76%**	**77%**	**77%**	**77%**	**78%**
Private Banks	**2.3%**	**2.1%**	**2.0%**	**1.9%**	**1.8%**	**1.7%**	**0.6%**	**0.5%**	**0.5%**	**0.5%**	**0.4%**	**0.4%**	**75%**	**77%**	**76%**	**76%**	**76%**	**75%**
PSU Banks	**5.4%**	**4.8%**	**4.6%**	**4.1%**	**3.7%**	**3.4%**	**1.4%**	**1.2%**	**1.1%**	**0.9%**	**0.8%**	**0.7%**	**75%**	**76%**	**77%**	**78%**	**78%**	**79%**
Small Finance Banks	**2.7%**	**2.2%**	**2.2%**	**2.1%**	**2.1%**	**2.0%**	**0.8%**	**0.6%**	**0.7%**	**0.6%**	**0.7%**	**0.7%**	**70%**	**74%**	**71%**	**71%**	**68%**	**69%**
Private Banks																		
HDFC	1.2%	1.1%	1.2%	1.3%	1.3%	1.2%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	73%	76%	75%	74%	75%	74%
ICICI	3.2%	3.0%	2.9%	2.6%	2.4%	2.3%	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%	83%	83%	83%	83%	81%	81%
Axis	2.6%	2.2%	2.1%	1.8%	1.7%	1.5%	0.5%	0.4%	0.4%	0.4%	0.4%	0.3%	81%	81%	80%	79%	78%	79%
Kotak	1.9%	1.8%	1.8%	1.7%	1.7%	1.4%	0.4%	0.4%	0.4%	0.4%	0.3%	0.3%	78%	79%	78%	79%	81%	76%
IndusInd	2.1%	2.0%	1.9%	1.9%	1.9%	1.9%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	71%	71%	71%	71%	71%	71%
Federal	2.4%	2.4%	2.4%	2.3%	2.3%	2.1%	0.7%	0.7%	0.7%	0.6%	0.6%	0.6%	70%	71%	71%	72%	72%	72%
RBL	3.6%	3.4%	3.2%	3.1%	3.1%	2.7%	1.2%	1.1%	1.0%	0.8%	0.8%	0.7%	68%	68%	70%	76%	75%	73%
KVB	2.6%	2.3%	2.0%	1.7%	1.6%	1.4%	0.9%	0.7%	0.6%	0.5%	0.4%	0.4%	67%	68%	71%	73%	73%	71%
CUB	4.6%	4.4%	4.9%	4.7%	4.5%	4.2%	2.7%	2.4%	2.5%	2.3%	2.2%	2.0%	43%	47%	50%	51%	52%	52%
DCB	3.6%	3.2%	3.3%	3.4%	3.4%	3.2%	1.4%	1.0%	1.2%	1.3%	1.2%	1.1%	63%	68%	64%	63%	65%	66%
SIB	5.5%	5.1%	5.1%	5.0%	4.7%	4.5%	2.3%	1.9%	1.8%	1.7%	1.6%	1.5%	60%	65%	65%	67%	67%	69%
Karnataka	3.3%	3.7%	3.7%	3.5%	3.6%	3.5%	1.7%	1.7%	1.4%	1.4%	1.6%	1.6%	50%	55%	62%	62%	58%	56%
PSU Banks																		
SBI	3.1%	2.8%	2.8%	2.5%	2.4%	2.2%	0.8%	0.7%	0.7%	0.6%	0.6%	0.6%	76%	76%	75%	75%	74%	75%
BOB	4.5%	3.8%	3.5%	3.3%	3.1%	2.9%	1.0%	0.9%	0.8%	0.8%	0.7%	0.7%	79%	77%	79%	78%	78%	77%
PNB	9.8%	8.7%	7.7%	7.0%	6.2%	5.7%	3.3%	2.7%	2.0%	1.5%	1.0%	0.7%	68%	71%	76%	80%	85%	88%
Canara	5.9%	5.4%	5.2%	4.8%	4.4%	4.2%	2.0%	1.7%	1.6%	1.4%	1.3%	1.3%	68%	69%	71%	71%	71%	71%
Union	7.9%	7.5%	7.3%	6.4%	4.8%	4.8%	2.1%	1.7%	1.6%	1.3%	1.1%	1.0%	75%	79%	80%	81%	78%	79%
Indian	6.5%	6.0%	5.5%	5.0%	4.5%	4.0%	1.0%	0.9%	0.7%	0.6%	0.5%	0.4%	86%	86%	88%	88%	89%	89%
BOI	7.7%	7.3%	6.7%	5.8%	5.4%	5.0%	1.6%	1.7%	1.7%	1.5%	1.4%	1.2%	80%	79%	77%	75%	75%	77%
BOMH	2.9%	2.5%	2.3%	2.2%	2.0%	1.9%	0.5%	0.3%	0.2%	0.2%	0.2%	0.2%	84%	90%	90%	90%	90%	89%
J&K	8.2%	6.0%	5.8%	5.3%	4.8%	4.1%	2.1%	1.6%	1.4%	1.0%	0.8%	0.8%	73%	74%	77%	81%	84%	81%
Small Finance Banks																		
AU Small Finance	1.8%	1.7%	1.8%	1.9%	2.0%	1.7%	0.5%	0.4%	0.6%	0.6%	0.7%	0.5%	72%	75%	69%	69%	66%	68%
Equitas	3.6%	2.8%	2.8%	2.3%	2.3%	2.4%	1.8%	1.2%	1.2%	1.0%	1.1%	1.2%	51%	57%	58%	58%	56%	56%
Suryoday	4.7%	3.1%	3.0%	2.9%	2.9%	2.8%	2.7%	1.5%	1.6%	1.5%	1.4%	0.9%	36%	51%	47%	50%	54%	71%
Ujjivan	3.4%	2.6%	2.4%	2.2%	2.1%	2.1%	0.0%	0.0%	0.1%	0.1%	0.2%	0.3%	99%	99%	98%	96%	93%	88%
Jana	6.4%	3.6%	0.0%	2.4%	2.2%	2.1%	3.6%	2.4%	NA	0.9%	0.7%	0.6%	45%	34%	NA	65%	68%	74%

*Source: Company, Systematix Institutional Research, *JANA SFB and Karnataka bank have been excluded from sector aggregate numbers*

Asset quality continued to remain benign with GNPA / NNPA /credit costs declining across the board. However, a few key players indicated credit costs inching up going forward mainly due to normalization in recovery rates. Further, there was slight deterioration in asset quality in a few pockets which include (i) seasonally higher slippages in agri and MSME. (ii) slippages in MFI due to elections hampering collections and loan waiver campaigns (iii) increase in slippages in credit cards portfolio.

Exhibit 31: Credit costs declined by 13bps qoq for private banks while it inched up marginally for PSU banks (mainly due to CNBK/BOI).

Credit costs (%) - Annualised	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24
Total Banks	**3.4%**	**3.7%**	**2.7%**	**2.1%**	**2.3%**	**2.2%**	**2.1%**	**1.3%**	**1.3%**	**1.3%**	**1.1%**	**1.1%**	**1.1%**	**0.9%**	**0.8%**	**0.6%**	**0.6%**	**0.5%**
Private Banks	**4.8%**	**3.6%**	**2.8%**	**2.1%**	**2.0%**	**2.3%**	**2.0%**	**1.4%**	**1.0%**	**0.8%**	**0.7%**	**0.8%**	**0.9%**	**0.6%**	**0.7%**	**0.5%**	**0.6%**	**0.5%**
PSU Banks	**2.5%**	**3.8%**	**2.6%**	**2.2%**	**2.4%**	**2.1%**	**2.1%**	**1.2%**	**1.5%**	**1.7%**	**1.3%**	**1.3%**	**1.3%**	**1.1%**	**0.8%**	**0.7%**	**0.5%**	**0.6%**
Small Finance Banks	**0.9%**	**3.4%**	**3.0%**	**1.6%**	**6.6%**	**1.7%**	**5.5%**	**3.9%**	**2.2%**	**1.9%**	**1.3%**	**0.9%**	**0.5%**	**0.8%**	**0.6%**	**0.8%**	**1.1%**	**1.1%**
Private Banks																		
HDFC	1.3%	1.6%	1.6%	1.5%	1.3%	1.7%	1.7%	1.3%	1.0%	1.0%	0.9%	0.9%	0.8%	0.7%	0.7%	0.6%	0.7%	0.6%
ICICI	1.3%	3.7%	4.8%	1.9%	1.6%	1.6%	1.5%	1.4%	1.0%	0.5%	0.5%	0.7%	0.9%	0.6%	0.5%	0.2%	0.4%	0.2%
Axis	2.6%	5.5%	3.2%	3.1%	2.6%	1.5%	2.1%	1.1%	0.8%	0.6%	0.2%	0.3%	0.8%	0.2%	0.5%	0.4%	0.4%	0.5%
Kotak	0.8%	0.7%	1.8%	0.7%	0.8%	1.3%	1.7%	0.7%	-0.2%	-0.5%	0.0%	0.2%	0.2%	0.2%	0.4%	0.4%	0.7%	0.3%
IndusInd	2.1%	4.7%	4.5%	3.9%	3.6%	3.6%	3.4%	3.2%	2.9%	2.5%	2.1%	1.8%	1.6%	1.5%	1.3%	1.3%	1.2%	1.1%
Federal	0.5%	1.9%	1.3%	1.7%	1.3%	0.8%	1.9%	0.9%	0.6%	0.2%	0.4%	0.7%	0.5%	0.3%	0.3%	0.1%	0.2%	-0.2%
RBL	4.3%	4.1%	3.5%	3.5%	4.3%	5.3%	9.6%	4.6%	3.0%	2.7%	1.7%	1.6%	1.8%	1.4%	1.5%	3.4%	2.3%	2.0%
KVB	3.1%	3.7%	2.9%	1.7%	1.8%	0.2%	2.0%	1.3%	1.1%	1.0%	1.1%	1.5%	2.4%	1.9%	1.0%	0.7%	0.8%	0.8%
CUB	1.0%	5.4%	1.9%	2.1%	2.5%	2.8%	1.9%	1.6%	1.3%	1.7%	1.5%	1.0%	2.1%	1.5%	1.4%	0.5%	0.4%	0.3%
DCB	0.9%	1.9%	1.3%	1.6%	2.4%	1.5%	2.4%	1.3%	1.4%	1.0%	0.5%	0.4%	0.5%	0.6%	0.4%	0.4%	0.4%	0.2%
SIB	1.6%	4.5%	1.8%	1.9%	2.9%	3.1%	3.5%	3.0%	2.4%	0.5%	0.9%	1.1%	0.2%	0.2%	1.1%	0.3%	0.3%	0.2%
Karnataka	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.8%	2.6%	1.0%	0.7%	2.5%	-0.1%	1.1%	1.9%	1.0%	0.8%	0.9%	1.1%
PSU Banks																		
SBI	1.3%	2.4%	2.2%	1.8%	1.8%	1.8%	1.6%	0.0%	1.1%	1.1%	0.6%	0.4%	0.8%	0.4%	0.3%	0.0%	0.1%	0.2%
BOB	4.4%	4.1%	3.3%	1.7%	2.3%	2.0%	2.3%	1.6%	1.4%	2.0%	0.9%	0.8%	1.1%	0.6%	0.8%	0.9%	0.3%	0.5%
PNB	3.9%	4.4%	3.3%	2.8%	3.3%	2.1%	3.0%	2.0%	2.0%	2.7%	2.6%	2.6%	2.4%	1.9%	1.9%	1.6%	1.2%	0.7%
Canara	1.7%	5.0%	2.9%	2.6%	2.8%	2.6%	2.1%	2.1%	2.1%	2.1%	2.0%	1.9%	1.6%	1.5%	1.3%	1.2%	0.8%	1.1%
Union	2.4%	4.5%	3.2%	2.9%	3.6%	2.7%	2.3%	2.6%	1.7%	2.3%	2.0%	2.3%	1.6%	1.9%	1.0%	0.9%	0.8%	0.6%
Indian	3.3%	3.9%	3.2%	2.6%	2.3%	1.8%	2.8%	2.8%	2.7%	2.0%	2.3%	2.0%	2.4%	2.3%	1.5%	1.3%	1.1%	1.0%
BOI	4.8%	9.2%	1.6%	2.2%	2.0%	1.8%	1.8%	1.0%	0.3%	1.5%	1.2%	1.7%	1.6%	1.7%	0.7%	0.6%	0.4%	1.3%
BOMH	4.5%	4.3%	2.8%	1.6%	2.0%	5.3%	2.9%	3.5%	2.8%	1.1%	1.6%	1.7%	1.6%	2.3%	1.8%	2.2%	2.1%	2.0%
J&K	1.7%	3.9%	1.6%	2.0%	2.7%	0.2%	1.3%	1.1%	0.0%	-0.3%	0.8%	0.4%	0.1%	-0.9%	0.4%	0.0%	0.0%	-0.7%
Small Finance Banks																		
AU Small Finance	0.6%	2.2%	2.7%	0.9%	3.9%	2.2%	2.4%	0.1%	0.6%	0.9%	0.3%	0.3%	0.2%	0.3%	0.2%	0.7%	1.0%	0.8%
Equitas	1.2%	3.8%	1.9%	2.0%	3.1%	2.3%	3.5%	3.2%	1.7%	2.6%	2.8%	1.7%	0.9%	2.0%	0.9%	0.9%	1.2%	1.4%
Suryoday	0.0%	10.7%	6.2%	1.7%	5.1%	3.2%	11.3%	9.7%	6.6%	9.6%	5.8%	6.1%	3.0%	3.6%	3.5%	1.7%	2.2%	2.5%
Ujjivan	0.9%	2.8%	4.0%	2.8%	17.0%	-0.8%	13.6%	13.3%	5.5%	1.7%	0.7%	-0.2%	0.0%	0.0%	0.5%	0.8%	1.0%	1.2%
Jana	NA	NA	NA	NA	NA	NA	3.4%	4.5%	4.9%	6.0%	5.8%	5.3%	4.3%	4.7%	4.0%	3.2%	3.0%	3.1%

*Source: Company, Systematix Institutional Research, *JANA SFB and Karnataka bank have been excluded from sector aggregate numbers*

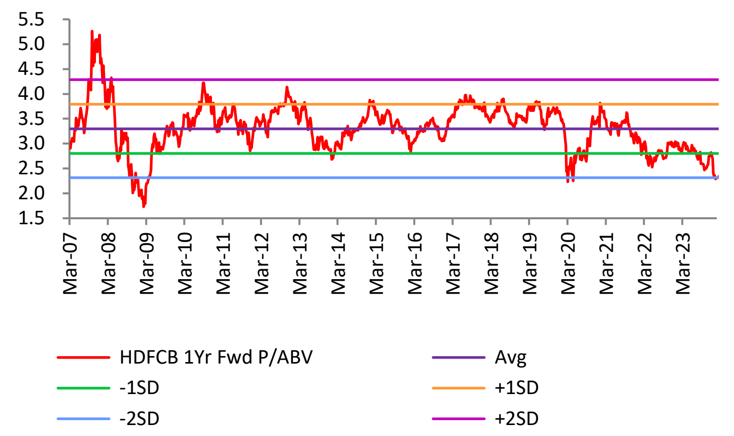
PSU banks' RoA aided by higher other income while Pvt banks RoA aided by reduction in credit costs.

Exhibit 32: Mid-sized PSU banks, except PNB & BOI, sustained the 1% RoA trend with most of them reporting 1%+ RoA for FY24.

	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
	RoA						RoE					
Total Banks	**1.3%**	**1.4%**	**1.4%**	**1.3%**	**1.2%**	**1.4%**	**15.1%**	**16.6%**	**16.3%**	**15.5%**	**14.3%**	**16.6%**
Private Banks	**1.9%**	**2.0%**	**1.9%**	**1.9%**	**1.9%**	**1.9%**	**16.5%**	**17.2%**	**16.3%**	**16.0%**	**15.6%**	**15.7%**
PSU Banks	**0.9%**	**1.0%**	**1.0%**	**1.0%**	**0.8%**	**1.2%**	**13.6%**	**15.9%**	**16.2%**	**14.9%**	**12.7%**	**17.7%**
Small Finance Banks	**2.4%**	**2.4%**	**2.2%**	**2.2%**	**2.0%**	**2.1%**	**17.2%**	**18.0%**	**16.9%**	**16.8%**	**15.4%**	**16.5%**
Private Banks												
HDFC	2.2%	2.0%	1.9%	2.2%	1.9%	1.7%	18.8%	17.6%	16.7%	18.3%	15.8%	14.2%
ICICI	2.2%	2.3%	2.4%	2.4%	2.3%	2.3%	17.8%	18.6%	18.7%	19.2%	18.6%	18.4%
Axis	1.9%	2.1%	1.8%	1.8%	1.8%	2.0%	18.3%	21.1%	18.1%	17.4%	17.3%	19.3%
Kotak	2.6%	2.9%	2.8%	2.4%	2.2%	2.9%	15.0%	17.2%	16.2%	14.5%	13.2%	17.4%
IndusInd	1.8%	1.8%	1.8%	1.8%	1.9%	1.9%	15.2%	15.2%	15.2%	15.1%	15.4%	15.2%
Federal	1.3%	1.4%	1.3%	1.4%	1.4%	1.2%	15.9%	17.2%	15.6%	15.7%	14.8%	12.7%
RBL	0.8%	1.0%	1.0%	1.0%	0.7%	1.1%	6.3%	8.1%	8.4%	8.4%	6.5%	9.7%
KVB	1.3%	1.5%	1.6%	1.6%	1.6%	1.8%	14.3%	16.1%	16.4%	16.7%	17.6%	18.7%
CUB	1.3%	1.3%	1.4%	1.7%	1.5%	1.5%	12.2%	11.9%	12.0%	14.4%	12.6%	12.3%
DCB	0.9%	1.1%	0.9%	0.9%	0.9%	1.0%	10.5%	12.7%	11.0%	10.7%	10.4%	12.5%
SIB	0.4%	1.3%	0.7%	1.0%	1.1%	1.0%	6.5%	20.5%	11.9%	15.7%	16.9%	14.2%
Karnataka	1.2%	1.3%	1.5%	1.3%	1.2%	1.0%	15.6%	16.1%	17.7%	15.2%	14.2%	10.6%
PSU Banks												
SBI	1.0%	1.2%	1.2%	1.0%	0.6%	1.4%	17.1%	20.6%	20.1%	16.3%	10.1%	22.2%
BOB	1.1%	1.3%	1.1%	1.1%	1.2%	1.3%	16.4%	19.6%	16.2%	16.3%	16.8%	17.5%
PNB	0.2%	0.3%	0.3%	0.5%	0.6%	0.8%	2.5%	4.7%	5.0%	6.9%	8.5%	11.4%
Canara	0.9%	1.0%	1.0%	1.0%	1.0%	1.0%	16.1%	17.4%	18.8%	18.3%	17.7%	17.5%
Union	0.7%	0.7%	1.0%	1.1%	1.1%	1.0%	11.9%	10.9%	16.2%	16.4%	15.7%	13.9%
Indian	0.8%	0.8%	1.0%	1.1%	1.1%	1.2%	11.9%	12.1%	14.0%	15.7%	15.5%	15.5%
BOI	0.6%	0.7%	0.8%	0.7%	0.9%	0.6%	8.1%	9.3%	10.4%	9.6%	11.7%	8.5%
BOMH	1.3%	1.3%	1.3%	1.3%	1.5%	1.7%	20.3%	21.5%	21.3%	20.5%	21.9%	24.9%
J&K	0.9%	1.4%	0.9%	1.1%	1.1%	1.7%	14.4%	20.3%	12.9%	14.6%	15.0%	21.2%
Small Finance Banks												
AU Small Finance	2.0%	2.0%	1.7%	1.7%	1.5%	1.7%	15.2%	15.8%	13.8%	13.9%	12.5%	14.5%
Equitas	2.2%	2.3%	2.1%	2.0%	2.0%	1.9%	14.9%	15.5%	14.5%	14.6%	14.4%	14.2%
Suryoday	0.8%	1.7%	1.9%	1.9%	2.1%	2.1%	4.7%	9.9%	11.8%	12.1%	13.4%	13.7%
Ujjivan	4.1%	3.9%	3.8%	3.6%	3.1%	3.3%	30.1%	29.9%	29.6%	28.2%	24.4%	24.7%
Jana	2.1%	1.3%	1.4%	1.8%	1.8%	4.1%	28.9%	18.5%	17.0%	19.6%	20.4%	40.9%

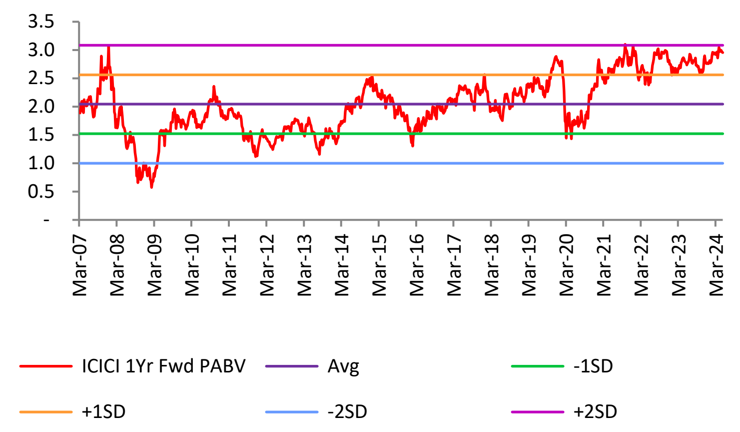
*Source: Company, Systematix Institutional Research, *JANA SFB and Karnataka bank have been excluded from sector aggregate numbers*

Exhibit 33: HDFCB's 1yr fwd P/ABV (2.5x) is -2SD below LT average.



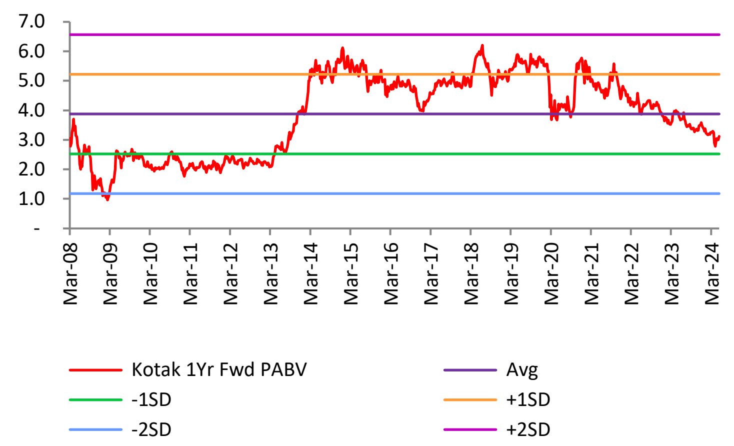
Source: Company, Systematix Institutional Research

Exhibit 34: ICICI's 1yr fwd P/ABV (2.9x) is +2SD above LT average.



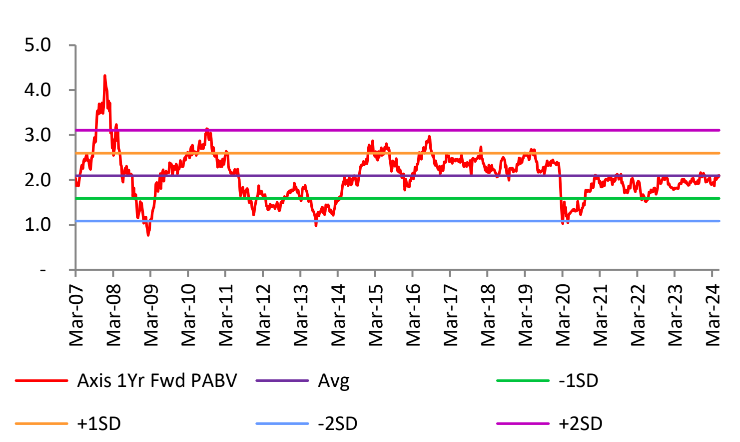
Source: Company, Systematix Institutional Research

Exhibit 35: Kotak's 1yr fwd P/ABV (3x) is -1SD below LT average.



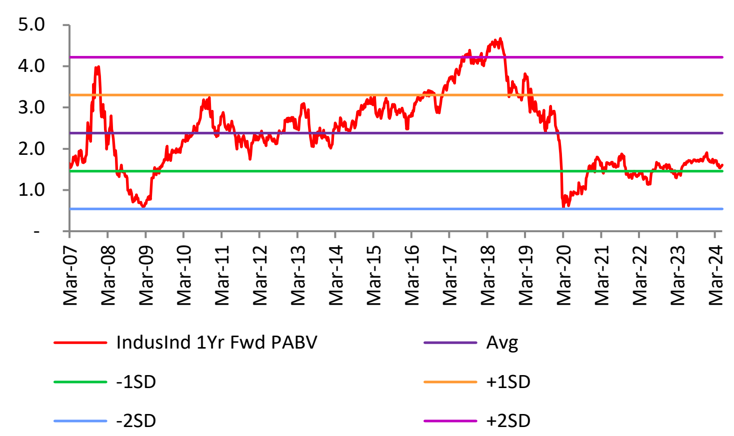
Source: Company, Systematix Institutional Research

Exhibit 36: Axis' 1yr fwd P/ABV (2.1x) is around LT average.



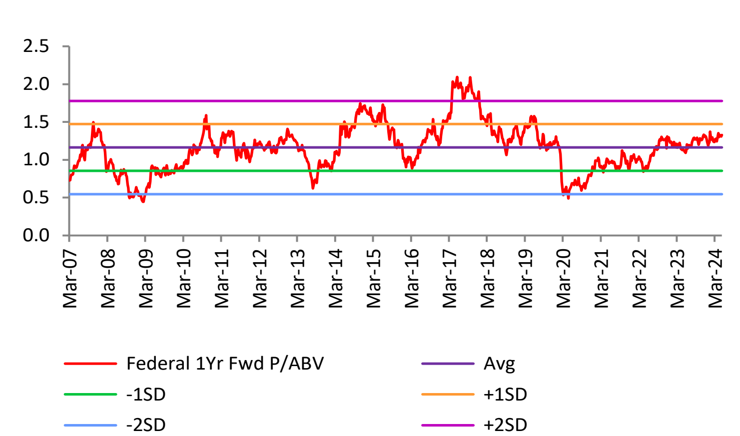
Source: Company, Systematix Institutional Research

Exhibit 37: IndusInd's 1yr fwd P/ABV (1.6x) is -1SD below LT average.



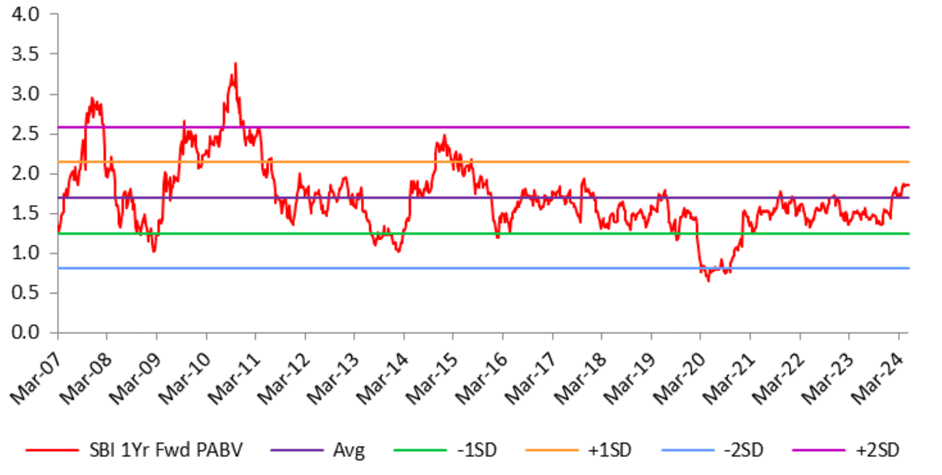
Source: Company, Systematix Institutional Research

Exhibit 38:Federal bank's 1yr fwd P/ABV (1.3x) is around LT average



Source: Company, Systematix Institutional Research

Exhibit 3: SBI's 1yr fwd P/ABV (1.8x) is around LT average



Source: Company, Systematix Institutional Research

COMPANY SECTION

Private Banks

HDFC Bank (BUY): In-line result with focus on profitability intact

Guidance: Margins to remain stable despite the drag from higher PSL requirements on e-HDFC Ltd.

What we like: Going into results, margins were a key focus area given the strong deposit mobilization and weak loan growth. In that respect, core NIM of 3.44% and NIM (% of IEA) of 3.63% remained largely stable qoq and in-line with expectations. This was mainly led by 60-90bps higher share of higher yielding segments i.e. retail and CRB. Wholesale share declined by 150bps qoq. The bank was also able to increase LCR to 115% from 110% as of Dec'23 while keeping margins stable. Going forward, despite the drag from higher PSL requirements on e-HDFC Ltd portfolio from FY25 onwards, management indicated a stable margin trajectory with positive bias. The bank is unlikely to go aggressive on pricing to raise deposits. Asset quality remains benign with GNPA/NNPA at 1.2 / 0.33% (stable qoq) and reported credit costs (net of recoveries) of 27bps vs 35bps in 3Q. Reported RoA (including exceptional items) of 1.96% in 4Q, 1.98% in FY24 was in-line with FY24 guidance of 1.9-2%. In 4QFY24, the bank utilized one-off gains from sale of HDFC Credila (Rs. 73bn) and tax provision write-back (Rs 38bn) to create floating provision buffer of Rs 109bn to strengthen the balance sheet which will be invoked only with RBI approval.

What we don't like: The low credit growth trajectory is likely to continue in the near term as 1) management indicated that advances growth will be deposit led. 2) strong deposit growth in 4Q (7.5% qoq, 17% yoy), was helped by one-off flows in a seasonally strong 4Q which are likely to reverse in the coming quarters. 3) Given the regulator's increased focus to reduce CDR, incremental CDR for the bank is likely to remain below the historical trend of 85-86%, thus impacting overall credit growth 4) with management's focus on maintaining spreads and PSL requirements, it is likely to focus more on retail/CRB growth as opposed to wholesale growth which will impact overall credit growth.

Exhibit 39: Quarterly performance

(INR, mn)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)
Advances	2,48,48,615	1,60,05,859	55%	2,44,60,757	1.6%
Deposits	2,37,97,863	1,88,33,947	26%	2,21,39,770	7.5%
NII	**2,90,768**	**2,33,518**	**25%**	**2,84,713**	**2.1%**
Operating income	3,99,017	3,20,830	24%	3,96,084	0.7%
PPOP	**2,19,328**	**1,86,209**	**18%**	**2,36,473**	**-7.3%**
PBT	1,84,213	1,59,355	16%	1,94,307	-5.2%
PAT	**1,65,119**	**1,20,475**	**37%**	**1,63,725**	**0.9%**
Key Ratios (%)	**4QFY24**	**4QFY23**	**YoY (bps)**	**3QFY24**	**QoQ (bps)**
Avg. CASA Ratio	38.2%	44.4%	-620 bp	37.7%	45 bp
CD Ratio	104.4%	85.0%	1943 bp	110.5%	-607 bp
NIM % of IEA (reported)	3.6%	4.3%	-67 bp	3.6%	3 bp
Cost to Income (ex capital gains)	45.3%	41.9%	340 bp	41.9%	346 bp
Credit costs % advances (reported)	0.4%	0.7%	-25 bp	0.5%	-7 bp
GNPA (%)	1.2%	1.1%	12 bp	1.3%	-2 bp
NNPA (%)	0.33%	0.3%	6 bp	0.31%	2 bp
PCR (%)	74.0%	75.8%	-171 bp	75.3%	-124 bp
CAR	18.8%	19.3%	-46 bp	18.4%	40 bp

Source: Company, Systematix Institutional Research

Exhibit 40: DuPont analysis

Du Pont (% of average assets)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
NII	**3.9%**	**3.8%**	**3.3%**	**3.3%**	**3.3%**
Total income	5.4%	5.3%	4.6%	4.6%	4.5%
PPOP	**3.1%**	**3.0%**	**2.7%**	**2.7%**	**2.5%**
PBT	2.7%	2.6%	2.4%	2.2%	2.1%
PAT (RoAA)*	**2.0%**	**1.9%**	**1.9%**	**1.9%**	**1.7%**
ROE	**17.6%**	**16.7%**	**16.8%**	**15.8%**	**14.2%**

*Source: Company, Systematix Institutional Research *HDFCB RoA excluding exceptional gains.*

ICICI Bank (BUY): Better than expected results.

Guidance: Slight moderation in NIMs and normalization in credit costs to be offset by lower opex

What we like: Growth in unsecured credit moderated to 5.5% qoq vs 8-9% qoq growth previously mainly due to price increases, optimization of sourcing costs and tightening of credit filters impacting incremental disbursements. Overall, the bank indicated slight moderation in competitive intensity in the credit market due to increasing lending rates. Opex declined sharper than expected resulting in core PPOP growth of 6%qoq/13%yoy, ex of one-offs. CIR declined to 39.2% (-136bps qoq) due to optimization in personal loan sourcing costs and moderation from the seasonally high promotional spends in 3Q. Opex growth to moderate further due to moderation in headcount additions and productivity gains from tech investments. Asset quality continued to remain benign with GNPA (2.2%, -14bps qoq) and NNPA 0.4% (-2bps qoq) improving sequentially as gross slippages declined to 1.79% (vs 2.07% in 3Q).

What we don't like: Credit growth was a tad soft for a 4Q (at 2.7%qoq) with corporate advances growth muted at 0.8% qoq, 10% yoy. Deposit mobilization was strong at 6% qoq, 20% yoy, on strong seasonal period end CA flows which are likely to normalize in the coming quarters. While period end CASA ratio (42.2%) increased +255bps qoq, quarterly average CASA ratio declined -50bps qoq. Going forward, NIMs to moderate slightly due to (i) flow through of 10bps increase in TD rates in 4Q (ii) normalization/outflow in volatile CA deposits mobilized in 4Q (iii) moderation in unsecured retail (iv) C-D ratio to remain around current levels given heightened regulatory scrutiny. That said, reported 4QFY24 NIMs at 4.4% were largely stable qoq (ex. 4bps IT refund in 3Q). Spread of yield on advances over CoF, at 4.83%, also remained stable qoq reflecting ability to pass on rates. Other income declined -7.4% qoq due to one-off of Rs 3.4bn forex translation loss on closure of the bank's offshore unit in Mumbai. Credit costs (ex one-off AIF reversal of Rs 1.1bn), normalized to 29bps vs 15bps in 3Q (ex AIF provisions of Rs 6.3bn) and the trend is likely to continue.

Exhibit 41: Quarterly performance

(INR, mn)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)
Advances	1,18,44,064	1,01,96,383	16.2%	1,15,37,710	2.7%
Deposits	1,41,28,250	1,18,08,407	19.6%	1,33,23,145	6.0%
NII	**1,90,928**	**1,76,668**	**8%**	**1,86,786**	**2.2%**
Operating income	2,47,416	2,27,538	9%	2,47,756	-0.1%
PPOP	**1,50,388**	**1,38,256**	**9%**	**1,47,236**	**2.1%**
PBT	1,43,203	1,22,058	17%	1,36,743	4.7%
PAT	**1,07,075**	**91,211**	**17%**	**1,02,715**	**4.2%**
Key Ratios (%)	**4QFY24**	**4QFY23**	**YoY (bps)**	**3QFY24**	**QoQ (bps)**
Avg. CASA Ratio	38.9%	43.6%	-470 bp	39.4%	-50 bp
CD Ratio	83.8%	86.3%	-252 bp	86.6%	-277 bp
NIM (reported)	4.4%	4.9%	-50 bp	4.4%	-3 bp
Cost to Income	39.2%	39.2%	-2 bp	40.6%	-136 bp
Credit costs	0.29%	0.6%	-36 bp	0.15%	14 bp
GNPA (%)	2.2%	2.8%	-65 bp	2.30%	-14 bp
NNPA (%)	0.4%	0.5%	-6 bp	0.4%	-2 bp
PCR (%)	80.8%	83.5%	-270 bp	81.3%	-54 bp
CAR	16.3%	18.3%	-201 bp	14.6%	172 bp

Source: Company, Systematix Institutional Research

Exhibit 42: DuPont analysis

Du Pont (% of average assets)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
NII	**4.6%**	**4.5%**	**4.3%**	**4.3%**	**4.2%**
Total income	5.9%	5.9%	5.7%	5.7%	5.4%
PPOP	3.6%	3.5%	3.4%	3.4%	3.3%
PBT	3.1%	3.2%	3.2%	3.1%	3.1%
PAT (RoAA)	**2.3%**	**2.4%**	**2.4%**	**2.3%**	**2.3%**
ROE	**18.6%**	**18.7%**	**19.2%**	**18.6%**	**18.4%**

Source: Company, Systematix Institutional Research

Axis Bank (BUY): An all-round beat to expectations.

Guidance: In the medium term, advances growth to be 300-400bps higher than sector average. 1-2 quarters more for deposit cost normalization.

What we like: Advances growth of 3.5% qoq, 14% yoy was led by 5-7% qoq growth in high yielding segments of retail and SME. Given elevated CDR of 90.3% and regulatory push to lower CD ratios, deposit mobilization was strong at +6.3% qoq, +13 yoy. Hence going into the results, expectation was of 7-8bps NIM decline due to lowering CDR and strong bulk deposit mobilization at the end of 3Q, full impact of which was expected in 4Q. However, reported NIM (4.06%, +5bps qoq) surprised positively as cost of fund increase of +8bps qoq was offset by yield (% IEA) increase of +11bps qoq due to higher retail share (+177bps qoq) and price hikes. Another quarter of strong growth in other income (+22% qoq, +38% yoy) due to strong treasury gains. Opex/assets ratio remained stable qoq at 2.6% with the bank continuing to invest in technology and growth on the back of benign credit costs. That said, it remains focused on maintaining its 18% RoE trajectory despite NIM pressures and opex investments. PPOP growth (15% qoq and yoy) was supported by better-than expected performance in margin, other income and stable opex.
Asset quality continued to improve with GNPA / NNPA at 1.4% / 0.3% declining -15bps / -5bps qoq.
Management clarified that board approval sought for raising capital was a routine process, at start of the year, and BAU net CET-1 accretion (+44bps in FY24) is sufficient to fund growth plans.

What we don't like: In the short term, credit growth will be constrained by deposit growth given increased focus by the regulator to lower elevated C-D ratio of 90%+. Hence, margins are expected to remain under pressure as deposit cost normalization will continue for next 1-2 qtrs. Going forward, while ramp up of the newly added branches (474 new branches in FY24 vs 145/164 in FY23/FY22) will aid in deposit growth, garnering deposits at favorable rates remains key to maintaining its RoA trajectory. While wholesale slippages continued to be negative, management indicated at normalization in this trend going forward.

Exhibit 43: Quarterly performance

(INR, mn)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)
Advances	96,50,684	84,53,028	14%	93,22,864	3.5%
Deposits	1,06,86,414	94,69,452	13%	1,00,48,995	6.3%
NII	**1,30,890**	**1,17,422**	**11%**	**1,25,322**	**4%**
Operating income	**1,98,548**	**1,66,375**	**19%**	**1,80,870**	**10%**
PPOP	**1,05,357**	**91,676**	**15%**	**91,412**	**15%**
PBT	93,504	88,618	6%	81,129	15%
PAT	**71,297**	**(57,284)**	**-224%**	**60,711**	**17%**
Key Ratios (%)	**4QFY24**	**4QFY23**	**YoY (bps)**	**3QFY24**	**QoQ (bps)**
CASA Ratio	43.0%	47.2%	-417 bp	42.1%	85 bp
CD Ratio	90.3%	89.3%	104 bp	92.8%	-247 bp
NIM (reported)	4.06%	4.2%	-16 bp	4.0%	5 bp
Cost to Income	46.9%	44.9%	204 bp	49.5%	-252 bp
Credit costs	0.35%	0.1%	22 bp	0.30%	5 bp
GNPA (%)	1.4%	2.2%	-73 bp	1.6%	-15 bp
NNPA (%)	0.3%	0.4%	-11 bp	0.4%	-5 bp
PCR (%)	78.5%	80.9%	-234 bp	77.8%	72 bp
CAR	16.63%	17.6%	-99 bp	16.6%	0 bp

Source: Company, Systematix Institutional Research

Exhibit 44: DuPont analysis

Du Pont (% of average assets)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
NII	**3.7%**	**3.7%**	**3.7%**	**3.7%**	**3.6%**
Total income	5.2%	5.2%	5.3%	5.3%	5.5%
PPOP	2.9%	2.7%	2.6%	2.7%	2.9%
PBT	2.8%	2.4%	2.4%	2.4%	2.6%
PAT (RoAA)	**2.1%**	**1.8%**	**1.8%**	**1.8%**	**2.0%**
ROE	**21.1%**	**18.1%**	**17.4%**	**17.3%**	**19.3%**

Source: Company, Systematix Institutional Research

Kotak Mahindra bank (BUY): Strong treasury contribution boost 4QFY24 earnings.

Guidance: Rs 3.5-4.5bn impact to PBT (~2.5% of FY25 PBT) due to RBI ban.

What we like: Despite the regulatory pause on new credit card issuances and digital onboarding of new customers, the company does not see material impact to overall business as (i) management guided for Rs 3.5-4.5bn impact to PBT (~2.5% of FY25 PBT) due to higher tech spends partly offset by reduction in new customer acquisition costs due to pause on new customer onboarding (ii) management remained optimistic about sustaining current asset growth trends (iii) the bank does not see a need to materially increase TD rates as fallout of the RBI ban as 70-75% of the customers acquired in last 2 years has been via 811 digital channel (iv) PL/BL/ Cons. Durables and credit cards, which are to be impacted by RBI order grew by 4% qoq, below bank avg growth of 4.6% qoq, post the price increase in 3Q. Reported 4QFY24 NIM increased to 5.3% (+6bps qoq) with 3bps benefit from interest on IT refund. FY24 NIM at 5.3% was also largely stable and above guidance of ~5%. Funding cost increase to be gradual in FY25 as the back-book has been largely repriced and bank will also actively pursue low cost refinance from DFIs and infrastructure bond finance as means of incremental funding. ~70% of the incremental 4QFY24 PBT was contributed by higher other income (+30% qoq) led by (i) reversal of MTM losses on SRs classified as NPI (ii) seasonally higher distribution/syndication income which also benefitted from large deals in infra, real estates and NBFC financing.

What we don't like: While deposit growth of 9% qoq was much higher than key large private bank peers, CASA ratio declined to 45.5% (-223bps qoq). Gross / Net slippages increased to 1.43% / 0.6% vs (1.33% /1.43% qoq) along with higher write-offs (1.76% vs 0.16% qoq) mainly led by retail unsecured loans (93% of write-offs) which were fully provided. This was done to align with industry practice of writing off 180dpd unsecured loans. Further, despite PCR declining to 76% (-464bps qoq), reported credit costs (incl. std provisions and excl. reversal of COVID & restructuring provisions) increased to 50bps vs 40bps qoq

Exhibit 45: Quarterly performance

(INR, mn)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)
Advances	37,60,753	31,98,612	18%	35,95,880	5%
Deposits	44,89,538	36,30,961	24%	40,86,360	10%
NII	69,094	61,026	13%	65,535	5.4%
Operating income	98,876	82,886	19%	88,505	11.7%
PPOP	54,616	46,471	18%	45,662	19.6%
PBT	51,978	44,995	16%	39,871	30.4%
PAT	41,333	34,953	18%	30,050	37.5%
Key Ratios (%)	**4QFY24**	**4QFY23**	**YoY (bps)**	**3QFY24**	**QoQ (bps)**
CASA Ratio	45.5%	52.8%	-733 bp	47.7%	-223 bp
CD Ratio	83.8%	88.1%	-433 bp	88.0%	-423 bp
NIM (reported)	5.3%	5.8%	-47 bp	5.2%	6 bp
Cost to Income	44.8%	43.9%	83 bp	48.4%	-364 bp
Credit costs	0.5%	0.2%	25 bp	0.4%	11 bp
GNPA (%)	1.4%	1.8%	-39 bp	1.7%	-34 bp
NNPA (%)	0.3%	0.4%	-3 bp	0.3%	0 bp
PCR (%)	75.9%	79.3%	-340 bp	80.6%	-464 bp
CAR	21.8%	21.8%	0 bp	22.2%	-40 bp

Source: Company, Systematix Institutional Research

Exhibit 46: DuPont analysis

Du Pont (% of average assets)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
NII	**5.1%**	**5.0%**	**4.8%**	**4.9%**	**4.8%**
Total income	6.9%	7.1%	6.6%	6.6%	6.9%
PPOP	3.9%	3.9%	3.5%	3.4%	3.8%
PBT	3.8%	3.7%	3.2%	3.0%	3.6%
PAT (RoAA)	**2.9%**	**2.8%**	**2.4%**	**2.2%**	**2.9%**
ROE	**17.2%**	**16.2%**	**14.5%**	**13.2%**	**17.4%**

Source: Company, Systematix Institutional Research

IndusInd Bank (BUY): Utilization of contingency provisions remains a concern.

Guidance: FY25 liability growth of 16-18% with higher share of re-finance (FY24: 50% of borrowings). Advances growth to be in-line with liability growth. FY25 NIM between 4.2-4.3% (4QFY24: 4.26%). FY25 RoA guidance of 1.8-2.2% (FY24: 1.84%).

What we like: Net advances growth (5% qoq, 18% yoy) was led by strong growth in retail (6% qoq, 23% yoy) with retail mix improving by to 55.7% (+200bps in FY24). This is in line with the bank's Planning Cycle 6 (PC-6) for FY23-26, of 18-23% loan growth and retail loan mix of 55-60%. Going forward, the bank targets liability growth of 16-18% with higher share of re-finance due to tight market liquidity. Advances growth to be in-line with liability growth given constraints on CDR which is elevated at 89% and at the higher end of the bank's comfort zone of 86-90%.
Computed NIM declined -11bps qoq as funding costs were impacted by higher borrowings (+18% qoq) which were raised to offset the impact of reduction in Rs 40 bn of individual retail deposits on exit of a large fintech partner. Going forward, FY25 NIM to be stable between 4.2-4.3% (vs 4.26% reported in 4QFY24) with marginal increase in cost of deposits by 3-4bps in next few quarters. Opex/Avg assets remained stable qoq at 3.1%. The bank has seen attrition moderating to mid 30's in FY24 vs 50% levels in FY23.

What we don't like: Reported credit costs declined to 111bps (-8bps qoq). However, the bank again dipped into contingent provision buffer by Rs 3bn and the buffer has now reduced to 29bps (% of net advances) vs 66bps as of Mar'23. The bank will always keep contingent buffer upto 1.5-2% of MFI book and 0.5% on MHCV book. Going forward, any improvement in asset quality will be used to build contingent buffers which should be visible from 1QFY25.
While asset quality in the consumer segment remains stable, slippages increased in credit cards and will take 2 quarters for forward flows to reduce. Hence the bank remains cautious in growing this segment with growth moderating to 5% qoq in 4Q vs 7-8% avg growth in last 4-5 qtrs.

Exhibit 47: Quarterly performance

(INR, mn)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)
Advances	34,32,980	28,99,237	18%	32,67,410	5.1%
Deposits	38,47,929	33,64,381	14%	36,87,930	4.3%
NII	**53,764**	**46,695**	**15%**	**52,956**	**1.5%**
Operating income	**78,769**	**68,200**	**15%**	**76,915**	**2.4%**
PPOP	**40,271**	**37,528**	**7%**	**40,022**	**0.6%**
PBT	**31,280**	**27,227**	**15%**	**30,680**	**2.0%**
PAT	**23,468**	**20,405**	**15%**	**22,979**	**2.1%**
Key Ratios (%)	**4QFY24**	**4QFY23**	**YoY (bps)**	**3QFY24**	**QoQ (bps)**
CASA Ratio	37.9%	40.0%	-219 bp	38.5%	-63 bp
CD Ratio	89.2%	86.2%	304 bp	88.6%	62 bp
NIM (reported)	4.3%	4.3%	-2 bp	4.3%	-3 bp
Cost to Income	48.9%	45.0%	390 bp	48.0%	91 bp
Credit costs	1.1%	1.5%	-39 bp	1.2%	-9 bp
GNPA (%)	1.9%	2.0%	-6 bp	1.9%	0 bp
NNPA (%)	0.6%	0.6%	-2 bp	0.6%	0 bp
PCR (%)	70.6%	70.6%	2 bp	70.6%	-1 bp
CAR	17.2%	17.9%	-63 bp	17.9%	-63 bp

Source: Company, Systematix Institutional Research

Exhibit 48: DuPont analysis

Du Pont (% of average assets)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
NII	**4.1%**	**4.2%**	**4.3%**	**4.4%**	**4.3%**
Total income	6.0%	6.1%	6.2%	6.4%	6.3%
PPOP	3.3%	3.3%	3.3%	3.3%	3.2%
PBT	2.4%	2.5%	2.5%	2.5%	2.5%
PAT (RoAA)	**1.8%**	**1.8%**	**1.8%**	**1.9%**	**1.9%**
ROE	**15.2%**	**15.2%**	**15.1%**	**15.4%**	**15.2%**

Source: Company, Systematix Institutional Research

Federal Bank (HOLD): Reduced credit costs offset impact of one-off wage provisions.

Guidance: FY25 NIM to expand by 2-3bps. FY25 CIR 50% (FY24: 54.5%). FY25 credit costs 30bps (vs 23bps reported in FY24). FY25 RoA to improve by 4-5bps (FY24: 1.32%). Core fee growth 20-25%.

What we like: Gross advances growth of 3.7% qoq, 21% yoy (slightly higher than guidance of 18-20%) was broad-based and driven by 3-5% qoq growth in agri, retail and SME. Within each segment, the bank is focusing on higher yielding cohorts like used CV/used cars in auto loans, LAP in mortgages, supply chain financing in corporate banking and smaller ticket loans in business banking. NIM at 3.21% remained largely stable qoq with guidance of FY25 NIM expansion by 2-3bps. While cost of funds may move up marginally over the next couple of quarters, its impact will be offset by improvement in blended yields given increased focus on granularization. Despite RBI's restrictions on a few co-brand partnerships, loan processing fees and credit card fees (~60% of core fees) registered healthy growth of 25% qoq and 14% qoq respectively. Guidance of FY25 core fee income growth of 20-25% and will be largely in-line with business growth. Reported credit costs were largely Nil vs 31bps in qoq due to provision reversal of Rs 1.2bn. FY25 credit costs to normalize upwards to 30bps (vs 23bps reported in FY24). The bank will approach the regulator regarding corrective actions taken w.r.t cobrand card partnerships and seek approval for resumption of new issuances. Further, management assured of no adverse impact to opex or to fee income due these actions.

What we don't like: Opex increased (+19% qoq) due to wage hike related pension provisions of Rs 1.62bn (Rs 0.5bn in 3Q) and seasonal uptick in other overheads (+11% qoq, +33% yoy) due to IT contract renewals and back ended branch additions (86 of the 149 new branches were opened in 4Q). FY25 opex growth to remain high on (i) continued branch expansion with target of minimum 100 branch additions (149 additions in FY24) (ii) higher tech spends with target to increase tech spends as % total opex to 8% vs 6.7% in FY24 (iii) partly offset by normalization in staff cost which is likely to increase by 5% yoy (~20% yoy in FY24, ex one-offs) from the 4Q exit run rate, ex one-offs.

Exhibit 49: Quarterly performance

(INR, mn)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)
Advances	20,94,033	17,44,469	20%	19,91,850	5.1%
Deposits	25,25,340	21,33,860	18%	23,95,910	5.4%
NII	21,951	19,093	15%	21,234	3.4%
Operating income	29,490	26,432	12%	29,859	-1.2%
PPOP	11,104	13,346	-17%	14,373	-22.7%
PBT	12,050	12,179	-1%	13,461	-10.5%
PAT	9,063	9,026	0%	10,067	-10.0%
Key Ratios (%)	**4QFY24**	**4QFY23**	**YoY (bps)**	**3QFY24**	**QoQ (bps)**
CASA Ratio	29.4%	32.7%	-330 bp	30.6%	-125 bp
CD Ratio	82.9%	81.8%	117 bp	83.1%	-21 bp
NIM (reported)	3.2%	3.4%	-15 bp	3.2%	2 bp
Cost to Income	62.3%	49.5%	1284 bp	51.9%	1049 bp
Credit costs	0.01%	0.19%	-18 bp	0.31%	-30 bp
GNPA (%)	2.1%	2.4%	-23 bp	2.3%	-16 bp
NNPA (%)	0.6%	0.7%	-9 bp	0.6%	-4 bp
PCR (%)	72.3%	71.2%	108 bp	72.3%	3 bp
CAR	16.1%	14.8%	132 bp	15.0%	111 bp

Source: Company, Systematix Institutional Research

Exhibit 50: DuPont analysis

Du Pont (% of average assets)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
NII	**3.0%**	**2.9%**	**2.9%**	**2.9%**	**2.9%**
Total income	4.1%	4.0%	4.0%	4.1%	3.9%
PPOP	2.1%	1.9%	1.9%	2.0%	1.5%
PBT	1.9%	1.7%	1.8%	1.8%	1.6%
PAT (RoAA)	**1.4%**	**1.3%**	**1.4%**	**1.4%**	**1.2%**
ROE	**17.2%**	**15.6%**	**15.7%**	**14.8%**	**12.7%**

Source: Company, Systematix Institutional Research

RBL (NOT RATED): Disappointment on asset quality.

Guidance: **FY24-FY26 targets**: Advances/deposits growth 20%+ CAGR (vs 20%/22% in FY24), share of new business 30% (vs 13% FY24), retail mix 60-65% (vs 59% in FY24). RoA of 1.4-1.5% vs 1.03% and RoE of 14-15% vs 8.85% in FY24. NIMs to be around current levels for next few quarters. CIR to reduce by 2-3% in FY25. FY25 opex growth 10-15% (FY24: ~30%). Sustainable credit costs ~2% vs 1.85% FY24. Bank's CDR comfort zone of 83-87% (vs 81.2% as of Mar'24), LCR comfort zone of 120-130% (vs 140% as of Mar'24)

What we like: Strong deposit mobilization at 12% qoq and 22% yoy. Average LCR improved to 140% vs 132% in Q3FY24 (bank's comfort zone of 120-130%) As per the bank, deposit growth to be led by bank's enablement for all tax payments of the government and branch's focus on CA.
Bank guided for NIMs to be largely stable (4QFY24 NIM: 5.45%, -7bps qoq) as headwinds from stickier deposit costs and stagnating retail yields (unchanged for 2 qtrs) on increasing secured mix are likely to be offset by (i) yield increase from scaling up of newer products (13% share in FY24 vs 30% FY26 target) (ii) improvement in CDR from 81.2% as of Mar'24 vs bank's comfort zone of 83-87% and (iii) the bank is PSL compliant at both the segment and sub-segment level reducing need for incremental RIDF exposures, thus reducing margin drag.
De-risking of credit card portfolio on track with RBL originated cards in the sourcing mix increased to 48% at exit 4Q vs 33% for FY24. 3 new co-brand partners are expected to go live in 1QFY25.
In FY25, RoA expansion will mainly be led by operating leverage as bulk of the investments in new retail products are behind. CIR to reduce by 2-3% in FY25 (vs 67% in FY24). Employee costs declined 6% qoq on reversal of excess gratuity and pension provisions.

What we don't like: Credit costs at 2% were elevated with gross slippages increasing in MFI to 9.7% (vs 6% qoq) due to elections with collection efficiency normalizing in Mar/April. However, as product mix changes and COVID recoveries subside, management guided for sustainable credit costs to increase to ~2% vs 1.5-2% FY24 target range, 1.85% achieved. FY24 saw capital burn of 80bps and similar rate to continue in FY25 post which capital raise likely.

Exhibit 51: Quarterly performance

(INR, mn)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)
Advances	8,39,869	7,02,090	20%	7,99,490	5%
Deposits	10,34,936	8,48,870	22%	9,27,430	12%
NII	**15,999**	**12,112**	**32%**	**15,459**	**3%**
Operating income	24,753	18,853	31%	23,234	7%
PPOP	**8,870**	**5,938**	**49%**	**7,653**	**16%**
PBT	4,732	3,591	32%	3,071	54%
PAT	**3,526**	**2,711**	**30%**	**2,331**	**51%**
Key Ratios (%)	**4QFY24**	**4QFY23**	**YoY (bps)**	**3QFY24**	**QoQ (bps)**
CASA Ratio	35.2%	37.3%	-208	33.8%	143
CD Ratio	81.2%	82.7%	-156	86.2%	-505
NIM (reported, post BC re-classification)	5.5%	5.6%	-17	5.5%	-7
Cost to Income (post BC re-classification)	64.2%	70.8%	-660	67.1%	-290
Credit costs	2.0%	1.1%	93	1.8%	17
GNPA (%)	2.7%	3.4%	-72	3.1%	-47
NNPA (%)	0.7%	1.1%	-36	0.8%	-6
PCR (%)	72.7%	68.1%	465	75.1%	-235
CAR	16.2%	16.9%	-74	16.4%	-24

Source: Company, Systematix Institutional Research

Exhibit 52: DuPont analysis

Du Pont (% of average assets)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
NII	**4.3%**	**4.9%**	**4.9%**	**4.9%**	**4.8%**
Total income	6.7%	7.2%	7.2%	7.4%	7.5%
PPOP	2.1%	2.2%	2.4%	2.4%	2.7%
PBT	1.3%	1.3%	0.3%	1.0%	1.4%
PAT (RoAA)	**1.0%**	**1.0%**	**1.0%**	**0.7%**	**1.1%**
ROE	**8.1%**	**8.4%**	**8.4%**	**6.5%**	**9.7%**

Source: Company, Systematix Institutional Research

KVB (NOT RATED): Most key metrics remain largely stable sequentially.

Guidance: FY25 guidance: advances growth 14%+ (FY24:16% yoy), gross C-D ratio ~85% (vs 84% Mar'24), 1HFY25 NIM to remain around 4% (FY24: 4.19%). CIR ~50% (FY24: 48.3%), RoA ~1.6-1.65% (FY24: 1.63%). FY25 credit costs of 75bps vs 65bps in 4QFY24.

What we like: Advances growth of 16% yoy was higher than guidance of 14-15% growth despite 2.5% impact from reduction in low yielding book. The bank does not see material impact from the proposed new project finance guidelines as infrastructure, manufacturing and CRE form 12-14% of total loan book with only 1-2 projects facing DCCO. 4QFY24 NIM improved +6bp qoq to 4.19% (vs 4.13% in 3Q ex -one-offs of 19bps interest recovery on NPA). Fee/ avg assets also remained stable in 4Q (0.92%) and FY24 (0.88%) despite run-off in the corporate book.
Asset quality remains benign with GNPA / NNPA declining to 1.4%/0.4% (-18bps/-2bps qoq). Credit costs (1.2% ex one-off reclassification of Rs1.6Bn investment dep on SRs) remained stable qoq.

What we don't like: With clean-up in the corporate book largely behind, guidance for loan growth of ~14% remains weak vs 16% yoy delivered in FY24 despite 2.5% impact from reduction in low yielding book. As per mgmt, this is mainly due to constraints on CDR (mgmt. guidance of 85% gross CDR vs 84% as of Mar'24) and sourcing cost-effective deposits. Margin pressures to continue as (i) CASA challenges remain with flat qoq growth in 4Q (ii) bulk of clean-up in corporate book is behind and to that extent margin benefit from improvement in RAM mix (4Q: 81.3%, +100bps qoq, +200bps yoy) remains limited. That said, bank does not see a need to raise TD rates in near term and guided for NIM to sustain around 4% in 1HFY25 (4.19% FYFY24).
CIR at 51.6% (ex one-off Rs 1.57bn reversal of NPI in SR investments in other income) increased +135bps qoq due to 17% qoq increase in employee costs led by (i) wage hike related catch-up provisions (35% of the Rs 1.15bn was provided in 4Q) and (ii) lower discount rates impacting pension provisions. CIR will remain elevated around ~50% due to branch additions (80 light and 20 regular branches to be added in FY25 vs 39 branch adds in FY24) and employee additions to augment sales channel (1300 hires vs 2600 target), branch level hiring and virtual RMs.

Exhibit 53: Quarterly performance

(INR, mn)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)
Advances	7,36,675	6,31,341	17%	7,17,980	2.6%
Deposits	8,91,127	7,66,376	16%	8,56,650	4.0%
NII	**9,955**	**8,926**	**12%**	**10,013**	**-0.6%**
Operating income	16,243	12,934	26%	13,591	19.5%
PPOP	**8,669**	**7,391**	**17%**	**6,759**	**28.3%**
PBT	5,735	4,460	29%	5,262	9.0%
PAT	**4,561**	**3,378**	**35%**	**4,116**	**10.8%**
Key Ratios (%)	**4QFY24**	**4QFY23**	**YoY (bps)**	**3QFY24**	**QoQ (bps)**
CASA Ratio	30.4%	33.2%	-281	31.5%	-114
CD Ratio	82.7%	82.4%	29	83.8%	-114
NIM (reported)	4.2%	4.4%	-18	4.3%	-13
Cost to Income	46.6%	42.9%	377	50.3%	-364
Credit costs	1.6%	1.9%	-26	0.8%	77
GNPA (%)	1.4%	2.3%	-87	1.6%	-18
NNPA (%)	0.4%	0.7%	-34	0.4%	-2
PCR (%)	71.4%	67.9%	350	73.5%	-210
CAR	16.7%	18.6%	-189	15.4%	128

Source: Company, Systematix Institutional Research

Exhibit 54: DuPont analysis

Du Pont (% of average assets)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
NII	**4.0%**	**3.9%**	**3.8%**	**4.0%**	**3.8%**
Total income	9.7%	9.6%	9.7%	9.9%	10.8%
PPOP	3.3%	2.8%	2.6%	2.7%	3.3%
PBT	2.0%	2.1%	2.1%	2.1%	2.2%
PAT (RoAA)	**1.5%**	**1.6%**	**1.6%**	**1.6%**	**1.8%**
ROE	**16.0%**	**16.3%**	**16.7%**	**17.6%**	**18.7%**

Source: Company, Systematix Institutional Research

City Union Bank (NOT RATED): Growth outlook uncertain

Guidance: FY25 loan growth to be in double digit. FY25 NIM to be stable around current 3.65% levels +/-10bps. FY25 CIR between 47%-51%. FY25 slippage between Rs 70-80bn (FY24: 100bn). FY25 NNPA 1-1.25% (1.2% Mar'24).

What we like: Reported NIM at 3.66% was stable qoq (excluding c.16bps negative impact of one-off interest income reversal of Rs 250mn on FITL - funded interest term loans in previous quarter). Given the expectations of pushout in rate cut cycle to 2H'FY25, the bank expects FY25 NIMs to stay around current levels of 3.65% +/-10bps.
Fee/avg assets has remained stable qoq at 0.54% and is likely to sustain going forward on higher insurance distribution income.
Asset quality trends remained benign with the bank reporting negative net slippage ratio (-0.13%) for third consecutive quarter. It expects the trend to continue for the next couple of quarters. All key asset quality metrics improved qoq: GNPA (4%, -48bp qoq), NNPA (2%, -22bp qoq), and credit costs 30bp (largely stable qoq)

What we don't like: 4QFY24 loan growth of 5.7% yoy was lower vs guidance of 8-10% growth. 1QFY25 growth is also likely to be lower sequentially on seasonality. However, the bank has taken several initiatives to drive growth with (i) the last leg of digital lending implementation journey to be completed in Jun'24 for MSME and end of 1QFY25 for LAP, micro LAP, Home loans (ii) hiring of sales team along with several senior management hires to join in next couple of quarters to drive growth in a focused and structured manner in secured retail assets of LAP, Home loans and affordable home loans. Nevertheless, the management refrained from giving a growth guidance and the commentary indicated growth to be back-ended.

CIR increased to 51.3% (+262bps) in 4QFY24 and 47% in FY24 vs 39% in FY23 due to business investments. The bank added 1,169 employees in FY24 vs 652 in FY23. It is likely to remain elevated in 1H with FY25 CIR between 47%-51% given continued investments and lower total income due to back-ended growth and new treasury guidelines impacting treasury income.

Exhibit 55: Quarterly performance

(INR, mn)	4Q FY24	4Q FY23	YoY (%)	3Q FY24	QoQ (%)
Advances	4,55,257	4,30,533	6%	4,29,901	6%
Deposits	5,56,566	5,23,979	6%	5,27,264	6%
NII	**5,466**	**5,143**	**6%**	**5,159**	**6%**
Operating income	7,218	7,093	2%	7,088	2%
PPOP	**3,518**	**4,170**	**-16%**	**3,640**	**-3%**
PBT	3,198	2,580	24%	3,180	1%
PAT	**2,548**	**2,180**	**17%**	**2,530**	**1%**
Key Ratios (%)	**4Q FY24**	**4Q FY23**	**YoY (bps)**	**3Q FY24**	**QoQ (bps)**
CASA Ratio	30.6%	29.9%	75	29.1%	151
CD Ratio	80.3%	83.9%	-364	83.5%	-320
NIM (reported)	3.7%	3.7%	1	3.5%	16
Cost to Income	51.3%	41.2%	1006	48.6%	262
Credit costs	0.3%	1.5%	-119	0.2%	6
GNPA (%)	4.0%	4.4%	-38	4.5%	-48
NNPA (%)	2.0%	2.4%	-39	2.2%	-22
PCR (%)	51.5%	47.0%	454	52.2%	-65
CAR	23.8%	20.9%	299	21.9%	197

Source: Company, Systematix Institutional Research

Exhibit 56: DuPont analysis

Du Pont (% of average assets)	4Q FY23	1Q FY24	2Q FY24	3Q FY24	4Q FY24
NII	**3.1%**	**3.2%**	**3.3%**	**3.1%**	**3.2%**
Total income	4.3%	4.4%	4.4%	4.2%	4.2%
PPOP	2.5%	2.5%	2.3%	2.2%	2.0%
PBT	1.6%	1.6%	2.0%	1.9%	1.9%
PAT (RoAA)	**1.3%**	**1.4%**	**1.7%**	**1.5%**	**1.5%**
ROE	**11.9%**	**12.0%**	**14.4%**	**12.6%**	**12.3%**

Source: Company, Systematix Institutional Research

DCB (NOT RATED): An all-round performance.

Guidance: FY25 guidance: NIM 3.65%-3.75% (FY24 NIM: 3.65%), opex/avg assets 2.4-2.5% (FY24: 2.67%), credit costs 0.28-0.3% (4QFY24: 0.16%). RoA of >1% (0.93% FY24), RoE 14% (12% FY24).

What we like: C-D ratio was stable qoq with net advances growth of 5% qoq, 19% yoy (in line with the guidance of 18-20% yoy) and deposit growth of 5% qoq, 20% yoy which was broad-based led by 4-5% qoq growth in CASA and TD. FY24 SA growth (19% yoy) was strong despite higher competition, on the back of (i) DCB Happy, a new SA product with cashback on UPI transactions, (ii) launched new capabilities in 4Q for tax payment, CBDT, GST, critical to its core customer segments, (iii) higher feet on street with alignment of branch score cards to focus on retail CASA vs HNI CASA (iv) fintech partnerships like NIYO. Reported NIM (3.62%) improved 14bps qoq due to higher sourcing yields, improved mix (more LAP over home loan), realization of accrued interest on improved collection efficiency, conversion of hybrid fixed rate loans to floating rate loans. Deposit costs (+13bps qoq in 4Q) are likely to stabilize in 1-2 quarters with FY25 NIM to be broadly stable between 3.65%-3.75% (FY24 NIM: 3.65%). Despite PSLC reducing to 1/10th in FY24, fee/avg assets increased to 0.77% (+10bps) qoq due to higher TPP income, higher processing fees on higher disbursements and the trend is likely to sustain. While Opex / avg assets was elevated at 2.67% due to investments in branch, headcount and digital, target is to reduce it to 2.5% in next 3-4 quarters due to ramp up of frontline staff added in last few qtrs and digitization benefits. Asset quality improved as (i) Std restructured advances (% of gross adv) reduced to 3.03% (-40bp qoq). (ii) Gross slippage declined to 3.52% (4.88% qoq) on seasonality. Hence, reported credit costs declined to 0.16 % (0.28% Q3FY24). (iii) GNPA remained stable to declining across most key segments.

What we don't like: Co-lending portfolio de-grew -8% qoq due to restrictions on a key partner with significant volume impact likely in the short term. Mortgages growth (30% of total disbursement) was weak at 1% qoq, -9% yoy. With credit costs expected to normalize, the company guided for sustainable credit costs to increase to 28-30bps vs 16bps in 4Q (reported).

Exhibit 57: Quarterly performance

(INR, mn)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)
Advances	4,09,246	3,43,780	19%	3,89,510	5.1%
Deposits	4,93,530	4,12,389	20%	4,71,200	4.7%
NII	**5,075**	**4,860**	**4%**	**4,740**	**7.1%**
Operating income	6,437	6,083	6%	5,977	7.7%
PPOP	**2,338**	**2,439**	**-4%**	**2,115**	**10.5%**
PBT	2,097	1,915	10%	1,705	23.0%
PAT	**1,557**	**1,422**	**9%**	**1,266**	**23.0%**
Key Ratios (%)	**4QFY24**	**4QFY23**	**YoY (bps)**	**3QFY24**	**QoQ (bps)**
CASA Ratio	26.0%	26.4%	-40	26.1%	-10
CD Ratio	84.7%	83.4%	138	84.6%	19
NIM (reported)	3.6%	4.2%	-56	3.5%	14
Cost to Income	63.7%	59.9%	379	64.6%	-93
Credit costs	0.2%	0.6%	-38	0.4%	-19
GNPA (%)	3.2%	3.2%	4	3.4%	-20
NNPA (%)	1.1%	1.0%	7	1.2%	-11
PCR (%)	0.0%	79.3%	-7934	76.4%	-7642
CAR	16.6%	17.6%	-96	15.7%	87

Source: Company, Systematix Institutional Research

Exhibit 58: DuPont analysis

Du Pont (% of average assets)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
NII	**3.8%**	**3.5%**	**3.4%**	**3.2%**	**3.3%**
Total income	4.8%	4.3%	4.1%	4.1%	4.2%
PPOP	1.9%	1.6%	1.5%	1.4%	1.5%
PBT	1.5%	1.3%	1.2%	1.2%	1.4%
PAT (RoAA)	**1.1%**	**0.9%**	**0.9%**	**0.9%**	**1.0%**
ROE	**12.7%**	**11.0%**	**10.7%**	**10.4%**	**12.5%**

Source: Company, Systematix Institutional Research

South Indian Bank (NOT RATED): Positively surprised on margins.

Guidance: FY25 loan growth of 12-13% backed by similar growth in deposits. The bank guided for NIM to remain around 3.5% in medium term (FY24: 3.31%)

What we like: Disbursement growth was strong at 31% qoq, albeit led by seasonality. While FY24 loan growth (11% yoy) was mainly led by bulky corporate loans (+36% yoy), the bank indicated that in the next 12-18 months it will look to granularize the portfolio by scaling up affordable housing, CV/CE and LAP.
Deposit growth of 3% qoq was led by low cost CASA growth of 4% with CA growth of 10% on strong seasonality.
Reported NIM (3.38%) increased by 19bps qoq despite 15bps qoq increase in CoD as cost of funds increased by only +8bps qoq. This is mainly as borrowings declined by 7% qoq, likely on repayment of higher cost debt post the rights issue of Rs 11.5bn in 4QFY24, yield on funds also increased by 25bps qoq mainly due to higher investment yields (c.+38bps qoq on calculated basis). The bank benefitted from price hikes to NBFC customers post the RWA increase by the regulator.

Opex/avg assets also declined to 2.7% mainly due to 10% qoq decline in employee costs. It is likely to remain broadly stable despite investments in new product segments.

Asset Quality improved qoq with GNPA / NNPA declining to 4.5% / 1.5% (-24bps qoq, -15bps qoq). Credit costs remained stable at 0.21%.

What we don't like: Gross loan growth of 3% qoq continued to be led by strong growth in lower yielding corporate loans of 7% qoq. Share of corporate loans in 4QFY24 increased by 100bps qoq to 40% of total portfolio.

Exhibit 59: Quarterly performance

(INR, mn)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)
Advances	7,80,607	6,98,044	11.8%	7,53,399	3.6%
Deposits	10,19,203	9,16,514	11.2%	9,91,547	2.8%
NII	**8,747**	**8,572**	**2.0%**	**8,190**	**6.8%**
Operating Income	12,207	12,026	1.5%	12,714	-4.0%
PPOP	**4,335**	**5,616**	**-22.8%**	**4,835**	**-10.3%**
PBT	3,929	5,226	-24.8%	4,349	-9.7%
PAT	**2,876**	**3,339**	**-13.9%**	**3,054**	**-5.8%**
Key Ratios (%)	**4QFY24**	**4QFY23**	**YoY (bps)**	**3QFY24**	**QoQ (bps)**
CASA Ratio	32.1%	33.0%	-90 bp	31.8%	28 bp
CD Ratio	76.6%	76.2%	43 bp	76.0%	61 bp
NIM (reported)	3.4%	3.7%	-29 bp	3.2%	19 bp
Cost to Income	64.5%	53.3%	1118 bp	62.0%	251 bp
Credit costs	0.2%	0.5%	-24 bp	0.2%	-3 bp
GNPA (%)	4.5%	5.1%	-64 bp	4.7%	-24 bp
NNPA (%)	1.5%	1.9%	-40 bp	1.6%	-15 bp
PCR (%)	68.7%	65.1%	355 bp	67.1%	158 bp
CAR	19.9%	17.3%	265 bp	15.6%	430 bp

Source: Company, Systematix Institutional Research

Exhibit 60: DuPont analysis

Du Pont (% of average assets)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
NII	**3.2%**	**3.0%**	**3.0%**	**2.9%**	**3.0%**
Total income	4.5%	4.3%	4.3%	4.5%	4.2%
PPOP	2.1%	1.8%	1.6%	1.7%	1.5%
PBT	2.0%	1.1%	1.5%	1.5%	1.4%
PAT (RoAA)	**1.3%**	**0.7%**	**1.0%**	**1.1%**	**1.0%**
ROE	**20.5%**	**11.9%**	**15.7%**	**16.9%**	**14.2%**

Source: Company, Systematix Institutional Research

Karnataka bank (NOT RATED): Profitability impacted due to higher opex and lower margins

Guidance: Loan growth 20-21%, NIM: 3.5-3.7% (FY24: 3.5%), CIR closer to 50% by exit FY25 (FY24: 53%), credit cost 0.85-1% (FY24: 0.8%), GNPA ~3% (FY24: 3.53%), NNPA ~1.2% (FY24: 1.58%), RoA 1.2-1.4%

What we like: Deposit growth was strong at 6.4% qoq, 12% yoy and was broad based with both CASA and term deposit growing by 6-8% qoq. C-D ratio declined to 73% (-100bps qoq). However, the management targets to increase the C-D ratio to 80% in the coming quarters.
While CIR increased to 60% (vs 53% in qoq), due to one-time costs of Rs 1.53bn on the back of wage hike settlement and Rs 0.11bn for 100th anniversary celebrations, the bank guided to reduce the CIR to closer to 50% by exit FY25 led by cost rationalization and digitization benefits.

While 75% of the book has been collateral based, for the first time, the bank is now looking to venture into retail unsecured and has engaged with a large fintech NBFC to launch credit line on UPI. This is likely to aid margins going forward.

What we don't like: 4QFY24 calculated NIM declined 10bps qoq mainly due to funding cost increase of 12bps qoq with marginal increase in yields mainly due to adverse mix as share of higher margin retail loans declined to 47% vs 48% in 3Q. However, going forward, the bank indicated FY25 NIM to remain stable between 3.5-3.7% (vs FY24: 3.5%).
While headline GNPA improved to 3.53% vs 3.64% qoq and NNPA at 1.58% remained broadly stable with credit costs increasing to 1.1% vs 0.9% qoq. The bank guided credit cost to normalize to 0.85-1% backed by sustained recovery trend given 75% of the loan book is backed by collateral.
Calculated RoA continued to decline and fell below 1% to 0.97% in 4QFY24.

Exhibit 61: Quarterly performance

(INR, mn)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)
Advances	7,15,086	5,99,516	19.3%	6,82,160	4.8%
Deposits	9,80,578	8,73,680	12.2%	9,21,950	6.4%
NII	**8,340**	**8,601**	**-3.0%**	**8,276**	**0.8%**
Operating Income	12,534	12,553	-0.1%	11,537	8.6%
PPOP	**4,998**	**6,858**	**-27.1%**	**5,402**	**-7.5%**
PBT	3,151	4,021	-21.6%	3,958	-20.4%
PAT	**2,742**	**3,233**	**-15.2%**	**3,311**	**-17.2%**
Key Ratios (%)	**4QFY24**	**4QFY23**	**YoY (bps)**	**3QFY24**	**QoQ (bps)**
CASA Ratio	32.0%	33.0%	-100 bp	31.5%	52 bp
CD Ratio	72.9%	68.6%	431 bp	74.0%	-107 bp
NIM (reported)	3.3%	3.9%	-57 bp	3.5%	-16 bp
Cost to Income	60.1%	45.4%	1476 bp	53.2%	695 bp
Credit costs	1.1%	1.8%	-75 bp	0.9%	21 bp
GNPA (%)	3.5%	3.7%	-21 bp	3.6%	-11 bp
NNPA (%)	1.6%	1.7%	-12 bp	1.6%	3 bp
PCR (%)	56.2%	55.5%	75 bp	58.2%	-200 bp
CAR	18.0%	17.5%	55 bp	15.9%	212 bp

Source: Company, Systematix Institutional Research

Exhibit 62: DuPont analysis

Du Pont (% of average assets)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
NII	**3.5%**	**3.3%**	**3.2%**	**3.1%**	**3.0%**
Total income	5.0%	4.6%	4.2%	4.3%	4.4%
PPOP	2.8%	2.4%	2.0%	2.0%	1.8%
PBT	1.6%	1.8%	1.6%	1.5%	1.1%
PAT (RoAA)	**1.3%**	**1.5%**	**1.3%**	**1.2%**	**1.0%**
ROE	**16.1%**	**17.7%**	**15.2%**	**14.2%**	**10.6%**

Source: Company, Systematix Institutional Research

Small Finance Banks

AU SFB (NOT RATED): Asset quality largely stable, margins decline.

Guidance: **FY27 targets**: Balance sheet growth of 25% CAGR during FY24-27, higher yielding products share to increase (VF, MBL, MFI) to 75% vs 70% by FY27. CA share to increase to 7.5% vs 5%. **FY25 guidance:** 75% share of disbursements from 3%+ RoA businesses of wheels, MBL, MFI, gold loans, NBFC. FY25 CoF increase of 40-45 bps. FY25 RoA on merged basis to be 1.6%.

What we like: Advances (on book) growth of 9%qoq, 25%yoy was in-line with guidance of 26-27%yoy growth (on-book). Reported FY24 NIM at 5.45% was also broadly in-line with guidance of ~5.5%. Going forward, FY25 CoF to increase by 40-45bps with offsets available from (i) pass-through of higher yields as FY24 disbursement yields increased by 39bps while yield on advances declined by 10bps qoq in 4Q(ii) improving disbursement mix (iii) higher yields from MFI post merger. Core fee income (ex-recovery, treasury ops) as % of assets increased to 1.9% vs 1.7% qoq and is sustainable on the back of higher credit card fees as spends ramp up, operationalization of AD-1 license and PSL income growth, post Fincare merger. Management guided for protecting FY24 RoA of 1.6% in FY25. Asset quality improved as gross slippages declined to 1.8% vs 2.5% qoq, and GNPA / NNPA declined to 1.67% / 0.55% (-30bps /-13bps qoq). Credit costs normalized to 70bps vs 100bps in 3Q due to higher write-offs in credit cards. Steady state basis, MFI credit costs to be 2.5-3% (vs 1.5% in FY24) with any excess used to create countercyclical buffer.

What we don't like: Strong deposit growth (7%qoq) was mainly due to seasonal flows in CA (39% qoq) and bulk deposits (8% qoq). 4QFY24 reported NIM declined to 5.1% (-16bps qoq ex. one-off impact from policy change in interest income recognition on securitized book). CIR increased to 64.9% (+194bps qoq) and will remain elevated for next 2-3 years due to digital investments, additional Rs 500-600m merger integration costs and drag from credit cards. Credit costs in credit cards portfolio will stay around 6-6.5% for next year and the portfolio will continue to have 2 more years of negative drag to RoA (-27bps drag in FY24) despite moderation in card issuances.

Exhibit: Quarterly performance

(INR, mn)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)
Advances	7,31,627	5,84,215	25.2%	6,67,400	9.6%
Deposits	8,71,821	6,93,650	25.7%	8,01,200	8.8%
NII	**13,370**	**12,132**	**10.2%**	**13,249**	**0.9%**
Operating income	18,926	15,463	22.4%	17,746	6.7%
PPOP	**6,642**	**5,709**	**16.3%**	**6,571**	**1.1%**
PBT	5,316	5,300	0.3%	4,981	6.7%
PAT	**4,475**	**4,246**	**5.4%**	**3,752**	**19.3%**
Key Ratios (%)	**4QFY24**	**4QFY23**	**YoY (bps)**	**3QFY24**	**QoQ (bps)**
CASA Ratio	33.4%	38.4%	-503	33.0%	40
CD Ratio	84.9%	85.3%	-41	84.4%	48
NIM (reported)	5.1%	6.1%	-100	5.5%	-40
Cost to Income	64.9%	63.1%	183	63.0%	194
Credit costs	0.8%	0.3%	47	1.0%	-21
GNPA (%)	1.67%	1.7%	1	2.0%	-31
NNPA (%)	0.55%	0.4%	13	0.7%	-13
PCR (%)	67.6%	75.0%	-742	66.0%	164

Source: Company, Systematix Institutional Research

Exhibit 63: DuPont analysis

Du Pont (% of average assets)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
NII	**5.7%**	**5.5%**	**5.3%**	**5.4%**	**5.1%**
Total income	7.2%	6.9%	7.1%	7.2%	7.2%
PPOP	2.7%	2.4%	2.8%	2.7%	2.5%
PBT	2.5%	2.3%	2.3%	2.0%	2.0%
PAT (RoAA)	**2.0%**	**1.7%**	**1.7%**	**1.5%**	**1.7%**
ROE	**15.8%**	**13.8%**	**13.9%**	**12.5%**	**14.5%**

Source: Company, Systematix Institutional Research

Ujjivan SFB (NOT RATED): RoA headwinds from margin pressures and bottoming credit costs.

Guidance: FY25 gross loan growth 20-25% (FY24: 24%yoy), deposit growth to be in line with asset growth, CDR around FY24 levels (FY24 Net CDR: 87%), NIM ~9% (FY24: 9.1%), credit cost 1.4-1.5% (FY24: <1%), RoE 22% (FY24: 26.1%). Secured loan mix of 40% by Mar'26 (vs 30% Mar'24).

What we like: Quality of deposit accretion was good as total deposit growth of 6% qoq was led by 10-14% qoq growth in CA and SA deposits and 7% qoq growth in retail TD. Bulk growth was minimal at 2% qoq. CA growth will be further supported by ramp up in MSME lending in FY25. More importantly, cost of CASA also declined by 10bps qoq.

What we don't like: 4QFY24 reported NIM (9.4%, +60bps) increased mainly due to funding cost decline of 30bps qoq supported by 17bps one-time benefit from interest reversal on holding company term deposit post reverse merger and continued utilization of excess liquidity (Gross CDR increased to 95% vs 94% qoq, Avg LCR reduced to 134% vs 160% qoq). However, yield on advances was flat qoq. Margins to remain under pressure as (i) share of secured book increases on ramp up in MSME and higher FIG lending (target of secured mix of 40% in 2 years vs 30% currently) (ii) flow through of increased retail TD rates by 25bps in the 15-month maturity bucket in Mar'24, (iii) 25% of back book repricing remaining (iv) share of refinance in the liability mix likely to remain low.
Opex/ avg assets increased to 0.8% (vs 0.6% qoq) due to higher employee costs on new branch additions and IT project expenses. While new branch additions will moderate in FY25 (50 new branches in FY25 vs 123 in FY24), opex/avg asset is likely to remain elevated on investments in new products/segments and continued IT related investments given increased regulatory focus. Credit costs increased to 79bps vs 63bps qoq due to loan waiver campaigns in northern India. The bank guided for credit costs to normalize upwards on (i) portfolio seasoning (ii) tailwinds from recoveries in COVID book largely over. FY25 credit costs guidance at 1.4%-1.5% vs <1% reported in FY24.

Exhibit 64: Quarterly performance

(INR, mn)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)
Advances	2,68,829	2,12,897	26.3%	2,56,200	4.9%
Deposits	3,14,622	2,55,377	23.2%	2,96,690	6.0%
NII	**9,335**	**7,380**	**26.5%**	**8,599**	**8.6%**
Total Net Income	11,697	9,171	27.5%	10,447	12.0%
PPOP	**5,186**	**4,106**	**26.3%**	**4,573**	**13.4%**
PBT	4,396	4,125	6.6%	3,944	11.5%
PAT	**3,296**	**3,095**	**6.5%**	**3,001**	**9.9%**
Key Ratios (%)	**4QFY24**	**4QFY23**	**YoY (bps)**	**3QFY24**	**QoQ (bps)**
CASA Ratio	26.5%	26.4%	8	25.5%	102
CD Ratio	85.4%	83.4%	208	86.4%	-91
NIM (reported)	9.4%	9.1%	30	8.8%	60
Cost to Income	55.7%	55.2%	44	56.2%	-56
Credit costs	1.2%	0.0%	124	1.0%	20
GNPA (%)	2.2%	2.6%	-37	2.2%	5
NNPA (%)	0.3%	0.0%	24	0.2%	11
PCR (%)	87.5%	98.6%	-1102	92.5%	-496
CAR(%)	24.7%	25.8%	-112	24.4%	32

Source: Company, Systematix Institutional Research

Exhibit 65: DuPont analysis

Du Pont (% of average assets)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
NII	**9.3%**	**9.3%**	**9.0%**	**8.8%**	**9.3%**
Total income	11.5%	11.4%	11.0%	10.7%	11.7%
PPOP	5.1%	5.4%	5.3%	4.7%	5.2%
PBT	5.2%	5.1%	4.8%	4.0%	4.4%
PAT (RoAA)	**3.9%**	**3.8%**	**3.6%**	**3.1%**	**3.3%**
RoE	**29.9%**	**29.6%**	**28.2%**	**24.4%**	**24.7%**

Source: Company, Systematix Institutional Research

Equitas SFB (NOT RATED): RoA supported by higher other income, lower opex.

Guidance: FY25 advances growth at 25%, CDR (ex IBPC/securitization) at 85% (87% FY24). FY25 CIR between 60-63% (vs 64.5% FY24). FY25 RoA of 2%. 70% PCR in 3 years vs 56% Mar'24.

What we like: Other income increased by 17% qoq, 1% yoy on seasonality. Opex/asset declined to 6% (-17bps qoq) despite one-offs due to change in ESOP policy and catch-up provision on gratuity and leave encashment. However, CIR will remain elevated between 60-63% in FY25 (vs 64.5% in FY24) due to investments in new products. The bank guided for stable margins as funding costs increases of c.10-12bps will be mainly on residual back-book repricing (80% of deposit book repriced) with incremental deposit costs stable for last 2 quarters. This will be offset by (i) flow through of higher disbursement yields as delta between portfolio yields and disbursement yields has increased to 240bps vs 33bps yoy mainly due to stagnant portfolio yields (on gross advances). With ~ 85% fixed rate loans with avg tenure of 2.5 years, this should broadly converge in the medium term. (ii) heavy lifting on CDR reduction is behind. Overall, RoA at 1.9% was stable qoq.

What we don't like: Given focus to reduce CDR, deposit mobilization was strong at 12% qoq, 43% yoy with 38% of the incremental deposits as wholesale deposits. Consequently, 4QFY24 NIM declined -20bp qoq as cost of funds increased by +8bps qoq while yield on gross advances declined by -11bps qoq. (ii) 450bps qoq decline in CDR (ex IBPC/securitization). Disbursement growth also remained weak at 7.5% qoq (-14% yoy) in 4Q and 10% yoy in FY24 due to focus on higher yields vs growth. Credit costs increased to 1.4% (+25bps qoq) due to ~20bps impact from re-classification of NPA's for co-borrower accounts. Steady state credit costs to be ~1.25% (of gross advances) vs 1.01% in FY24 on increase in PCR to 70% in 3 yrs vs 56% in Mar'24 and normalization in credit cost cycle. MFI GNPA increased to 4% in 4QFY24 (+76bps qoq) due to change in strategy to focus on collections instead of writing-off PAR-90dpd loans (zero write-offs in FY24). Hence, MFI GNPA to be between 3.5-4.5% (vs 4% in 4QFY24).

Exhibit 66: Quarterly performance

(INR, mn)	4QFY24	4QFY24	YoY (%)	3QFY24	QoQ (%)
Advances	3,09,643	2,57,986	20.0%	2,92,100	6.0%
Deposits	3,61,290	2,53,806	42.3%	3,23,850	11.6%
NII	**7,859**	**7,070**	**11.2%**	**7,851**	**0.1%**
Operating income	10,263	9,457	8.5%	9,906	3.6%
PPOP	**3,747**	**3,864**	**-3.0%**	**3,603**	**4.0%**
PBT	2,681	2,608	2.8%	2,759	-2.8%
PAT	**2,076**	**1,900**	**9.2%**	**2,020**	**2.8%**
Key Ratios (%)	**4QFY24**	**4QFY24**	**YoY (bps)**	**3QFY24**	**QoQ (bps)**
CASA Ratio	32.0%	42.2%	-1020 bp	32.8%	-84 bp
CD Ratio	95.0%	103.3%	-823 bp	101.2%	-617 bp
NIM (reported)	8.2%	9.1%	-88 bp	8.4%	-20 bp
Cost to Income	63.5%	59.1%	435 bp	63.6%	-14 bp
Credit costs	1.4%	2.0%	-63 bp	1.2%	25 bp
GNPA (%)	2.6%	2.6%	1 bp	2.5%	8 bp
NNPA (%)	1.2%	1.1%	3 bp	1.1%	4 bp
PCR (%)	56.1%	56.9%	-85 bp	56.0%	9 bp
CAR	21.7%	23.8%	-210 bp	20.2%	146 bp

Source: Company, Systematix Institutional Research

Exhibit 67: DuPont analysis

Du Pont (% of average assets)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
NII	**8.5%**	**8.1%**	**7.8%**	**7.7%**	**7.2%**
Total income	11.3%	10.0%	9.7%	9.7%	9.5%
PPOP	4.6%	3.4%	3.4%	3.5%	3.5%
PBT	3.1%	2.8%	2.7%	2.7%	2.5%
PAT (RoAA)	**2.3%**	**2.1%**	**2.0%**	**2.0%**	**1.9%**
ROE	**15.5%**	**14.5%**	**14.6%**	**14.4%**	**14.2%**

Source: Company, Systematix Institutional Research

Suryoday SFB (NOT RATED): RoA guidance trimmed on margin pressures.

Guidance: FY25 loan growth of 30-35%, deposit growth of 40-45%, CDR of 100% by FY25. Secured mix at 45% vs 41% FY24 and 50% in 3 yrs. FY25 CIR (incl. CGFMU) at 57% vs 60% in FY24. FY25 CGFMU expense of Rs 700-800mn (30-50% yoy). FY25 credit cost of 1.5-1.8%. FY25 RoA of 2.2-2.3% vs 2.1% FY24.

What we like: Advances growth of 14% qoq, 41% yoy was higher vs. guidance of 35%+ with IF book declining by c. 2% yoy. The bank achieved its target VL:JLG mix of 50%+. NIM (calculated) increased +27bps qoq due to increase in yields (+16bps) and decline in cost of funds (-15bps qoq). Strong other income growth of 25% qoq was due to higher processing fees from strong disbursement growth in Vikas Loan and JLG. 4Q CIR (including CGFMU) broadly stable at 61.7% (+11bps qoq expected to decline to 57% in FY25 (vs 61.6% in FY24) due to operating leverage and as CGFMU expenses are now in the base year, partly offset by expenses to strengthen the collections team, especially given strong growth in the Vikas Loan portfolio. GNPA/NNPA reduced to 2.8% / 0.8% (-10bp/-60bp qoq) due to lower slippages. Credit costs increased to 2.5% (+35bps qoq) due to provisioning policy change on unsecured loans (50% provisions on 90dpd+). As a result, overall PCR increased to 71% in 4Q vs 54.3% qoq, for JLG at 83% vs 64.7% qoq and for Vikas loan at 55% vs 42% qoq. Normalized credit costs of 1.5-1.8%. In 1QFY25, the company is eligible for first set of claims under CGFMU of Rs 400-450mn of NPA of which 70-75% is expected to be reimbursed.

What we don't like: While deposit growth was strong at 20% qoq. it was driven by high cost bulk deposits (46% qoq) and CASA (31% qoq), likely on the back of higher SA rates. FY25 NIMs to remain under pressure due to (i) reduction in Vikas loan pricing from 28% to ~24% over next few quarters as customers graduate for next round of loans (ii) improving secured mix (iii) maturity of Rs 7.5bn low cost SLTRO financing in Dec'24. 4QFY24 RoA of 2.08% was lower vs guidance of 2.5%+ exit RoA in FY24, which was reduced from 2.75% given earlier. FY25 RoA guidance of 2.2%-2.3% is lower vs earlier focus on 3% RoA due to margin pressures and credit costs.

Exhibit 68: Quarterly performance

(INR, mn)	**4QFY24**	**4QFY23**	**YoY (%)**	**3QFY24**	**QoQ (%)**
Advances	80,780	60,151	34%	71,786	13%
Deposits	77,773	51,667	51%	64,840	20%
NII	2,708	2,101	29%	2,457	10%
Operating income	**3,355**	**2,441**	**37%**	**2,976**	**13%**
PPOP	**1,283**	**1,017**	**26%**	**1,142**	**12%**
PBT	802	502	60%	763	5%
PAT	**608**	**389**	**56%**	**572**	**6%**
Key Ratios (%)	**4QFY24**	**4QFY23**	**YoY (bps)**	**3QFY24**	**QoQ (bps)**
CASA Ratio	20.1%	17.1%	302	18.5%	164
CD Ratio	103.9%	116.4%	-1,255	110.7%	-685
NIM (reported)	10.1%	10.4%	-30	9.8%	30
Cost to Income	61.7%	58.3%	341	61.6%	11
Credit costs	2.5%	3.6%	-111	2.2%	35
GNPA (%)	2.8%	3.1%	-33	2.9%	-10
NNPA (%)	0.8%	1.6%	-73	1.4%	-60
PCR (%)	71.2%	51.4%	1,975	54.3%	1,686
CAR	28.4%	33.7%	-530	27.8%	60

Source: Company, Systematix Institutional Research

Exhibit 69: DuPont analysis

Du Pont (% of average assets)	**4QFY23**	**1QFY24**	**2QFY24**	**3QFY24**	**4QFY24**
NII	9.0	9.0	8.4	8.9	9.2
Total income	10.4	11.0	10.4	10.8	11.4
PPOP	4.3	4.7	3.6	4.2	4.4
PBT	2.1	2.5	2.6	2.8	2.7
PAT (RoAA)	1.7	1.9	1.9	2.1	2.07
ROE	9.9	11.8	12.1	14.2	15.1

Source: Company, Systematix Institutional Research

Jana SFB (NOT RATED): Focus on secured loans while maintaining stable margins

Guidance: Over the next 2-3 years, advances CAGR to be lower at 20% vs 25% CAGR during the last three years. Target secured mix of ~75-80% share in next 2-3 years. Over the next 3 years, yoy opex growth at 8-10% pa vs. 15% CAGR during FY21-24.

What we like: 4QFY24 gross advances growth of 5% qoq, 25% yoy, was led by growth in secured segments of affordable housing (+11% qoq), micro-LAP (+7% qoq) and other secured loans (+12.5% qoq). The share of term loans to NBFCs declined by 12% qoq and is likely to slow down further as the bank focusses on its core retail segments. Management further highlighted that its focus remains to be amongst the top 3 players in the existing business segments and has no plans to launch new segments like credit cards, 4W etc., in near future, in contrast to other SFBs.
C-D ratio declined to 102.4% (-328bps qoq, -633bps yoy). Over the next 2-3 years, the bank targets deposits' CAGR of ~20% vs 25% CAGR in the last 3 years. Deposit growth will be aided by (i) the bank's strategy to convert legacy urban MFI branches to liability focused branches by relocating them to more affluent areas with potential to garner higher deposits (39 branches relocated in FY24, 209 in pipeline to be done over 2-3 years). In FY24, CIR increased to 57.4% (vs 56.2%) mainly due to higher marketing spends for liability sourcing given tight liquidity, branch relocation costs, hiring of more RMs and IPO related expenses. Going forward, CIR to decline on increased branch productivity as nearly half the branches have a vintage of over 2 years. Over the next 3 years, the bank expects opex to increase by 8-10% vs 15% CAGR in FY21-24. Key asset quality metrics continue to show an improving trend with GNPA at 2.1% (-8bps qoq), NNPA at 0.6% (-15bps qoq).

What we don't like: On calculated basis, NIM remained flat qoq as funding cost improvement of 6bps qoq was offset by yield decline of 8bps. Further, headwinds to margins persist due to increasing secured mix. Secured mix at 60% was stable qoq and improved +300bps yoy with the bank targeting ~75-80% share in next 2-3 years.

Exhibit 70: Quarterly performance

(INR, mn)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)
Advances	2,31,113	1,77,596	30%	2,19,640	5%
Deposits	2,25,712	1,63,340	38%	2,07,850	9%
NII	5,910	4,673	26%	5,485	8%
Operating Income	**7,709**	**6,286**	**23%**	**6,880**	**12%**
PPOP	**3,419**	**2,807**	22%	**2,953**	16%
PBT	**1,665**	**810**	106%	**1,346**	24%
PAT	**3,217**	**810**	297%	**1,346**	139%
Key Ratios (%)	**4QFY24**	**4QFY23**	**YoY (bps)**	**3QFY24**	**QoQ (bps)**
CASA Ratio	19.7%	20.2%	-51	18.8%	95
CD Ratio	102.4%	108.7%	-633	105.7%	-328
NIM (reported)	7.7%	7.8%	-6	7.7%	1
Cost to Income	55.6%	55.3%	29	57.1%	-144
Credit costs	3.1%	4.7%	-160	3.0%	12
GNPA (%)	2.1%	3.6%	-149	2.2%	-8
NNPA (%)	0.6%	2.4%	-184	0.7%	-15
PCR (%)	73.7%	34.0%	3,969	67.9%	580
CAR	20.3%	15.6%	473	16.3%	403

Source: Company, Systematix Institutional Research

Exhibit 71: DuPont analysis

Du Pont (% of average assets)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
NII	**7.6%**	**7.1%**	**7.7%**	**7.5%**	**7.5%**
Total income	10.2%	10.0%	10.1%	9.4%	9.8%
PPOP	4.6%	4.2%	4.2%	4.1%	4.4%
PBT	1.3%	1.4%	1.8%	1.8%	2.1%
PAT (RoAA)	**1.3%**	**1.4%**	**1.8%**	**1.8%**	**4.1%**
ROE	**18.5%**	**17.0%**	**19.6%**	**20.4%**	**40.9%**

Source: Company, Systematix Institutional Research

PSU Banks

SBI (BUY): Quarterly earnings outshine other PSU banking peers.

Guidance: 13-15% loan growth in FY25. FY25 NIMs to remain stable around current levels (FY24: 3.28%). FY25 wage bill to decline to Rs 650bn-700bn (FY24: 712bn).

What we like: Gross advances growth of 5% qoq and 15% yoy was higher than guidance of 12-14% growth in FY24 and was led by strong growth of 11% qoq in corporate advances. The bank guided for 13-15% loan growth in FY25. Given the low domestic C-D ratio of 68.34% as compared to large private bank peers having C-D ratios of 80%+, deposits mobilization was relatively lower at 3% qoq, 11% yoy. However, domestic C-D ratio at 68.3% remains lower vs bank's comfort zone of 75%.
Other income increased by 1.5x qoq due to higher TWO recovery, higher dividends from subsidiaries and seasonally higher fee income. FY24 employee costs of Rs 712bn were 7% lower than guidance of Rs 770bn (ex of pension and dearness relief related one-offs) due to MTM gains on pension and provident fund and reversal of excess gratuity provisions. Further, with catch-up provisions completed in FY24, the bank guided for FY25 wage bill to decline to Rs 650bn-700bn. Asset quality continues to remain benign with GNPA / NNPA declined to 2.2% / 0.6% (-18bp / -7bp qoq) as gross and net slippage ratios declined to 0.46% / 0.22% vs 0.61% / 0.39% qoq. Restructured assets have reduced to 0.48% vs 0.55% qoq, 0.78% yoy). FY24 RoA 1.04% was in-line with guidance.

What we don't like: FY24 NIM of 3.28% (-9bps yoy) was lower than guidance of FY24 NIM to be around FY23 levels of 3.4%. Domestic FY24 NIM declined by -15bps yoy. However, going forward, with cost of deposits plateauing, the bank guided for FY25 NIMs to remain stable. While calculated credit costs increased to 0.36% vs 0.2% in qoq due to slightly higher write-offs (50bps of net advances in 4Q vs 42bps in 3Q), the impact was offset by Rs 9bn reversal of regulatory provision on NPI. Going forward, bank does not expect any major lumpy recoveries from AUCA accounts. While GNPA declined across subsegments, Xpress credit GNPA increased to 0.77% (0.73% qoq, 0.6% yoy).

Exhibit 72: Quarterly performance

(INR, Bn)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)
Advances	37,040	31,993	16%	35,195	5.2%
Deposits	49,161	44,238	11%	47,622	3.2%
NII	**417**	**404**	**3%**	**398**	**4.6%**
Operating income	590	544	9%	513	15.1%
PPOP	**287**	**246**	**17%**	**132**	**117.2%**
PBT	271	213	27%	125	116.3%
PAT	**207**	**167**	**24%**	**92**	**125.9%**
Key Ratios (%)	**4QFY24**	**4QFY23**	**YoY (bps)**	**3QFY24**	**QoQ (bps)**
Domestic CASA Ratio	41.1%	43.8%	-269 bp	41.2%	-8 bp
CD Ratio	75.3%	72.3%	302 bp	73.9%	144 bp
NIM (reported)	3.3%	3.4%	-9 bp	3.3%	0 bp
Cost to Income	51.3%	54.7%	-341 bp	74.2%	-2289 bp
Credit costs	0.4%	0.2%	20 bp	0.2%	16 bp
GNPA (%)	2.2%	2.8%	-54 bp	2.4%	-18 bp
NNPA (%)	0.6%	0.7%	-10 bp	0.6%	-7 bp
PCR (%)	75.0%	76.4%	-137 bp	74.2%	85 bp
CAR	14.3%	14.7%	-40 bp	13.1%	123 bp

Source: Company, Systematix Institutional Research

Exhibit 73: DuPont analysis

Du Pont (% of average assets)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
NII	**3.0%**	**2.8%**	**2.8%**	**2.7%**	**2.7%**
Total income	4.0%	3.7%	3.5%	3.5%	3.9%
PPOP	1.8%	1.8%	1.4%	0.9%	1.9%
PBT	1.6%	1.6%	1.4%	0.9%	1.8%
PAT (RoAA)	**1.2%**	**1.2%**	**1.0%**	**0.6%**	**1.4%**
ROE	**19.6%**	**19.1%**	**15.5%**	**9.6%**	**21.2%**

Source: Company, Systematix Institutional Research

BOB (NOT RATED): Margins improve but slight decline in asset quality.

Guidance: FY25 guidance: Advances growth 12-14% (FY24: 12.5%), deposit growth 10-12% (FY24 10%), CDR 80-82% (vs 82% Mar'24). NIM of 3.15% (+/-5bps) stable yoy, Slippage at 1-1.25%, Credit costs to be <1%, RoA 1.1% (vs 1.17% FY24).

What we like: 4QFY24 NIM of 3.27% (+17bp qoq) benefitted from one-offs of seasonally higher recoveries. Even excluding one-offs, NIM at 3.15% improved +5bps qoq due to pass-through of MCLR rate hikes. FY25 margins to be stable as (i) RTD book largely repriced, (ii) bank remains remains cautious on mobilizing bulk deposits. In-line with that, it has calibrated its FY25 advances growth outlook to 12-14% vs 14-16% target in FY24 (iii) and high yielding retail will continue to grow at higher rate (20%+) than overall loan growth. Further, it will also opt for higher refinance, raising of infra bonds and raise international deposits to drive growth. Other income benefitted by one-offs from (i) Rs 3bn from impact of interest on income tax refund (ii) higher treasury income from Rs 5bn writeback of depreciation. Going forward, decline in trading profit from new investment guidelines will be offset by higher investment income (Investment yields increased by 30bps yoy, international investment yields up 82bps yoy) and sustenance of TWO recovery in FY25. Fee/asset trajectory to sustain as the relationship vertical created for large and mid-corp which has stabilized in FY24. The bank will pass on the impact of new project finance guidelines via price hikes with impact on credit costs to be <10bps. Substantial accretion to AFS reserves likely from new investment guidelines.

What we don't like: Opex / total assets increased to 2% vs 1.8% due to Rs 8bn one-offs in employee expenses related to (i) Rs 4bn from higher pension provisions, as guided earlier (ii) Rs 4bn unanticipated impact from lower discount rates impacting wage provisions. 4QFY24 gross slippage ratio increased to 1.26% vs 1.06% in 3Q due to seasonally higher slippages in Agri and normalization of slippages in MSME. Personal Loan GNPA ratio has doubled in last 1yr 1.95% (+35bps qoq, 2x yoy). Credit costs increased to 57bps vs 40bps qoq due to one-time provisions of Rs 5bn on a large corporate aviation account. FY25 RoA guidance also slightly lower at 1.1% vs 1.17% in FY24.

Exhibit 74: Quarterly performance

(INR, mn)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)
Advances	1,06,57,817	94,09,983	13%	1,02,40,986	4%
Deposits	1,32,69,578	1,20,36,878	10%	1,24,52,996	7%
NII	**1,17,928**	**1,15,249**	**2%**	**1,11,013**	**6%**
Total Net Income	1,59,843	1,49,909	7%	1,39,118	15%
PPOP	**81,061**	**80,729**	**0%**	**70,151**	**16%**
PBT	68,042	66,522	2%	63,488	7%
PAT	**48,865**	**47,753**	**2%**	**45,793**	**7%**
Key Ratios (%)	**4QFY24**	**4QFY23**	**YoY (bps)**	**3QFY24**	**QoQ (bps)**
Domestic CASA Ratio	41.3%	42.2%	-92	40.7%	64
CD Ratio	80.3%	78.2%	214	82.2%	-192
NIM (reported)	3.27%	3.5%	-26	3.10%	17
Cost to Income	49.3%	46.1%	314	49.6%	-29
Credit costs	0.6%	0.14%	43	0.40%	17
GNPA (%)	2.9%	3.8%	-87	3.1%	-16
NNPA (%)	0.7%	0.9%	-21	0.7%	-2
PCR (%)	77.3%	77.2%	15	77.7%	-35
CAR (%)	16.3%	16.2%	7	14.7%	159

Source: Company, Systematix Institutional Research

Exhibit 75: DuPont analysis

Du Pont (% of average assets)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
NII	**3.2%**	**3.0%**	**2.9%**	**2.9%**	**3.0%**
Total income	4.2%	3.9%	4.0%	3.6%	4.1%
PPOP	2.3%	2.1%	2.1%	1.8%	2.1%
PBT	1.9%	1.6%	1.6%	1.7%	1.7%
PAT (RoAA)	**1.3%**	**1.1%**	**1.1%**	**1.2%**	**1.3%**
ROE	**19.6%**	**16.2%**	**16.3%**	**16.8%**	**17.5%**

Source: Company, Systematix Institutional Research

PNB (NOT RATED): Business growth muted but targets met on other key parameters.

Guidance: **FY25 Guidance**: Loan growth 11-12% (FY24:11.2%). Deposit growth 9-10% (FY24: 7%), NIM 2.9-3% (FY24: 3.09%), reported credit cost < 1% (FY24: 1.4%). Gross Slippage ratio <1% (FY24: 0.72%). FY25 recovery Rs 180bn (FY24 Rs 225bn). FY25 RoA of 0.8%, 1% by exit FY25 (FY24: 0.54%).

What we like: 4QFY24 Reported NIM (3.1%) was largely stable qoq (ex c.5bps benefit from higher interest recognition from recoveries in 3Q). FY24 NIM at 3.09% was also in-line with guidance of 2.9-3%. FY25 NIM to be stable within 2.9-3% helped by (i) improvement in CDR by 100-300bps, (ii) utilization of excess SLR (Rs 1trn in 4Q vs 800bn in 3Q), (iii) 95% of deposit book repriced, (iv) improvement in RAM mix from 55% to 60% in next 2-3 yrs. The bank will pass on some of the impact from implementation of new project finance guidelines via price hikes. GNPA/NNPA declined to 5.7% (-51bps qoq) / 0.7% (-23bps qoq), within guidance of below 6% / 1%. GNPA in Agri and MSME declined by ~120bps qoq. FY24 credit cost (1.4%) was below guidance of 1.5%-1.75% with FY25 guidance of <1%. The bank achieved FY24 recovery target of Rs 220bn and similar run-rate of Rs 150-200bn is also likely for next couple of yrs (FY25 recovery target of Rs 180bn). The bank has board approval to raise capital of Rs 175bn (75bn QIP + 70bn AT-1 + 30bn Tier-2). In addition, a likely benefit of Rs 50bn to AFS reserves on new investment guidelines.

What we don't like: Muted and below guidance business growth with FY24 advances growth of 11% (vs guidance of 12-13%) and deposit growth of 7% (vs guidance of 10-11%). FY25 growth guidance of 11-12% is also subdued given low CDR and green shoots seen in corporate capex. Opex /avg assets (0.53% vs 0.44% qoq) increased due to (i) higher AS-15 provisions post wage hike settlement at 17% (ii) higher leave encashment provisions at enhanced salary (iii) reducing discount rates causing higher pension provisions (iv) ex-gratia provisions. However, FY25 opex/assets to reduce on (i) reduced AS-15 provisions (ii) establishment expense growth of 0-3% yoy vs 17% in FY24 (ii) Other opex growth of 5-7% vs 8% in FY24. NCLT recovery of Rs 6.5bn was lower vs expectation of Rs 12bn.

Exhibit 76: Quarterly performance

(INR, mn)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)
Advances	93,44,306	83,08,340	12%	91,64,450	2%
Deposits	1,36,97,128	1,28,11,631	7%	1,32,34,850	3%
NII	1,03,631	94,988	9%	1,02,928	1%
Operating income	1,46,107	1,29,191	13%	1,29,666	13%
PPOP	**64,157**	**58,664**	**9%**	**63,307**	**1%**
PBT	48,276	20,359	137%	35,916	34%
PAT	30,103	11,586	160%	22,228	35%
Key Ratios (%)	**4QFY24**	**4QFY23**	**YoY (bps)**	**3QFY24**	**QoQ (bps)**
CASA Ratio	40.34%	41.99%	(166)	41.37%	(103)
CD Ratio	68.22%	64.85%	337	69.24%	(102)
NIM (reported)	3.10%	3.24%	(14)	3.15%	(5)
Cost to Income	56.09%	54.59%	150	51.18%	491
Credit costs	0.85%	1.78%	(93)	1.33%	(48)
GNPA (%)	5.73%	8.74%	(301)	6.24%	(51)
NNPA (%)	0.73%	2.72%	(199)	0.96%	(23)
PCR (%)	95.39%	86.90%	849	94.28%	111
CAR	15.97%	15.50%	47	14.63%	134

Source: Company, Systematix Institutional Research

Exhibit 77: DuPont analysis

Du Pont (% of average assets)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
NII	2.7%	2.6%	2.7%	2.7%	2.7%
Total income	3.6%	3.5%	3.5%	3.4%	3.8%
PPOP	1.6%	1.6%	1.7%	1.7%	1.7%
PBT	0.6%	0.5%	0.7%	1.0%	1.3%
PAT (RoAA)	0.3%	0.3%	0.5%	0.6%	0.8%
ROE	5.2%	5.5%	7.6%	9.5%	12.7%

Source: Company, Systematix Institutional Research

Canara Bank (NOT RATED): Weak FY25 guidance on most key parameters

Guidance: FY25 Guidance: Advances growth 10% vs 11.3% in FY24, Deposits growth 9% vs 11.3% in FY24. Domestic CASA ratio of 33% vs 32.3% in FY24. NIM: 2.9% (-15bp yoy). GNPA: 3.5% (-73bp yoy). NNPA: 1.1% (-17bp yoy). Credit costs 1.1% vs 0.96% FY24. RoA of 1% vs 1.01% in FY24.

What we like: Deposit growth of 4% qoq, 11% yoy was higher than FY24 guidance of 8.5%yoy. CASA growth (+6.2% qoq) was also strong due to strong CA growth from floating funds from central and state governments. Domestic CASA ratio increased by 65bps qoq to 32.3%. Other income growth (+21% qoq) was strong due to more than 2x increase in treasury gains and higher TWO recovery (+15%qoq). There was a 21bps boost to CET-1 due to implementation of revised accounting norms for the investment book effective 1-Apr'24. Bank indicated that other income will remain supported as 80% of the portfolio is in HTM category and portfolio yields have increased to 6.91% as of Mar'24 (+22bps yoy). While CIR remained elevated at 50% due to higher-than-expected ex-gratia pension provisions (Rs 3.5bn vs 1.5-2bn estimated) and one-time IT related depreciation expense (Rs 2bn), the company indicated opex to normalize with c.2-3% yoy growth in FY25 and CIR around ~47%. FY24 credit costs (reported) at 0.96% was below the 1% mark and below guidance of 1.2% and GNPA at 4.2% (-16bps qoq) was below guidance of 4.5%.

What we don't like: Credit growth of 1.2% qoq was weak despite 4Q being seasonally strong. FY25 growth guidance at 10% (vs 11% in FY24) was also weak. While 4QFY24 reported NIM (3.05%) increased by +3bps qoq, margin pressures could continue as while bulk deposit and CD rates have softened, retail TD rates have hardened. Incremental TD cost (6.5-6.75%) is also higher than average outstanding cost of TD (6.25-6.5%). However, the bank has some offset available from improving corporate book yield due to run-off in the low yielding portfolio. Nevertheless, FY25 margin guidance of 2.9% (-15bps yoy) remains weak. Guidance for CASA ratio of 33% by FY25 (~+70bps yoy) remains weak especially in the context of several new product launches in last 2 yrs.
Net slippage ratio also increased to 0.75% FY24 vs 0.35% yoy mainly on lower recoveries/ upgrades.

Exhibit 78: Quarterly performance

(INR, mn)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)
Advances	93,16,128	83,06,726	12.2%	92,06,467	1.2%
Deposits	1,31,23,666	1,17,92,186	11.3%	1,26,29,306	3.9%
NII	**95,802**	**86,168**	**11.2%**	**94,171**	**1.7%**
Operating income	1,47,980	1,33,920	10.5%	1,37,122	7.9%
PPOP	**73,875**	**72,522**	**1.9%**	**68,055**	**8.6%**
PBT	49,056	41,573	18.0%	49,066	0.0%
PAT	**37,572**	**31,747**	**18.3%**	**36,561**	**2.8%**
Key Ratios (%)	**4QFY24**	**4QFY23**	**YoY (bps)**	**3QFY24**	**QoQ (bps)**
CASA Ratio	29.9%	31.1%	-118 bp	29.2%	66 bp
CD Ratio	71.0%	70.4%	54 bp	72.9%	-191 bp
NIM (reported)	3.1%	3.0%	10 bp	3.0%	3 bp
Cost to Income	50.1%	45.8%	423 bp	50.4%	-29 bp
Credit costs	1.0%	1.2%	-18 bp	0.9%	5 bp
GNPA (%)	4.2%	5.4%	-112 bp	4.4%	-16 bp
NNPA (%)	1.3%	1.7%	-46 bp	1.3%	-5 bp
PCR (%)	89.1%	87.3%	179 bp	89.0%	9 bp
CAR	16.3%	16.7%	-40 bp	15.8%	50 bp

Source: Company, Systematix Institutional Research

Exhibit 79: DuPont analysis

Du Pont (% of average assets)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
NII	**2.6%**	**2.5%**	**2.5%**	**2.6%**	**2.6%**
Total income	4.0%	3.9%	3.9%	3.8%	4.0%
PPOP	2.2%	2.2%	2.2%	1.9%	2.0%
PBT	1.2%	1.4%	1.4%	1.4%	1.3%
PAT (RoAA)	**1.0%**	**1.0%**	**1.0%**	**1.0%**	**1.0%**
ROE	**17.4%**	**18.8%**	**18.3%**	**17.7%**	**17.5%**

Source: Company, Systematix Institutional Research

Union Bank (NOT RATED): Despite margin pressures, RoA to be supported by lower tax rate and opex normalization.

Guidance: FY25 guidance: advances growth 11-13% (vs 11.7% FY24), deposit growth 9-11% (vs 9.3% FY24), NIM 2.8-3% (vs 3.10% in FY24), GNPA <4% (vs 4.76% Mar'24), slippages Rs 115bn (vs 119bn in FY24), gross recovery Rs 160bn (vs 186bn in FY24), tax rate 25-27% vs 36% in FY24. IT refund of (Rs 5bn vs 10bn in FY24). Employee costs of Rs 33-35bn per quarter. FY25 RoA >1%.

What we like: While 4QFY24 employee costs increased (~50% qoq) due higher provision (28% of employee costs) on pension, gratuity and leave encashment consequent to the wage hike settlement, FY25 employee costs to decline 2-3% yoy as all catch-up provisions are now behind.

The bank has exceeded its FY24 asset quality targets: GNPA of 4.76% as on Mar'24 (vs <6% target), Slippage of Rs 119bn (vs Rs 120bn target) and recovery of Rs 186bn (vs Rs 160bn target). Further, FY25 guidance also remains encouraging as gross recovery (Rs 160bn) target continues to be higher than slippages (Rs 115bn) with credit costs of 60-70bps (74bps in FY24). Despite NIM pressures, the bank guided FY25 RoA of >1% (1.03% FY24) supported by (i) lower FY25 tax rate of 25-27% vs 36% in FY24 which was impacted due to DTA reversal (ii) normalization in opex and stable credit costs.

What we don't like: While deposit growth was strong at 9% qoq, it was mainly led by high cost bulk deposits (8% qoq). While 4Q NIM (3.09%) was stable, NIM pressures to continue due to (i) higher funding costs, (ii) increase in low yielding corporate growth with the bank witnessing green shoots in private capex. Target RAM share to remain around current 55% levels, (iii) management's stance to maintain current C-D ratio (74%) and hence an increased likelihood of mobilizing bulk deposits and borrowings due to competition for retail deposits. This will be partly offset by pass through of MCLR increase and utilization of excess liquidity (avg. LCR at 132% vs 125% qoq). Overall, the bank guided for FY25 NIM of 2.8-3%, 10-30bps contraction yoy. Net slippage ratio (0.38% vs -0.72% qoq) increased due to seasonally higher Agri slippages and normalization in MSME slippages.

Exhibit 80: Quarterly performance

(INR, mn)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)
Advances	87,07,761	76,18,455	14.3%	86,20,634	1.0%
Deposits	1,22,15,280	1,11,77,163	9.3%	1,17,24,560	4.2%
NII	**94,366**	**82,506**	**14.4%**	**91,680**	**2.9%**
Operating income	1,41,441	1,35,198	4.6%	1,29,423	9.3%
PPOP	**65,329**	**68,234**	**-4.3%**	**72,776**	**-10.2%**
PBT	52,734	32,052	64.5%	55,298	-4.6%
PAT	**33,106**	**20,998**	**57.7%**	**35,899**	**-7.8%**
Key Ratios (%)	**4QFY24**	**4QFY23**	**YoY (bps)**	**3QFY24**	**QoQ (bps)**
CASA Ratio	33.6%	35.3%	-168 bp	33.9%	-29 bp
CD Ratio	74.1%	72.5%	162 bp	76.4%	-234 bp
NIM (reported)	3.1%	3.0%	11 bp	3.1%	1 bp
Cost to Income	53.8%	49.5%	428 bp	43.8%	1004 bp
Credit costs	0.7%	1.9%	-119 bp	0.6%	10 bp
GNPA (%)	4.8%	7.5%	-277 bp	4.8%	-7 bp
NNPA (%)	1.0%	1.7%	-73 bp	1.1%	-11 bp
PCR (%)	79.1%	78.8%	34 bp	78.4%	76 bp
CAR	17.0%	16.0%	93 bp	15.0%	194 bp

Source: Company, Systematix Institutional Research

Exhibit 81: DuPont analysis

Du Pont (% of average assets)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
NII	**2.6%**	**2.8%**	**2.8%**	**2.8%**	**2.8%**
Total income	4.3%	4.0%	3.9%	3.9%	4.1%
PPOP	2.2%	2.2%	2.2%	2.2%	1.9%
PBT	1.0%	1.6%	1.7%	1.7%	1.5%
PAT (RoAA)	**0.7%**	**1.0%**	**1.1%**	**1.1%**	**1.0%**
ROE	**10.9%**	**16.2%**	**16.4%**	**15.7%**	**13.9%**

Source: Company, Systematix Institutional Research

Indian Bank (NOT RATED): Exceeding FY24 guidance on all key metrics.

Guidance: FY25 credit growth 12-13% (FY24:12.7%). FY25 NIM: 3.4%-3.5% (+/- 10bps). FY25 employee costs ~Rs 90bn (92bn FY24). FY25 recovery target between Rs 70-80bn (Rs 88bn in FY24).

What we like: All key metrics, advances, deposit, NIM, GNPA, NNPA were ahead of guidance. Other income led by strong growth in core fee income (14% qoq) and bad debt recovery (nearly 2x qoq). Higher treasury gains are likely in back half of FY25 due to higher holding yields (AFS holding yield 7.17%, HTM 7.06%, HFT+FVTPL 8.61% vs 4Q investment yield of 6.88%) due to investment portfolio churn prior to implementation of new investment guidelines.
Asset quality of agri book has improved as agri GNPA declined ~100bps qoq along with reducing share of non-gold crop loan balances. Likewise, asset quality of the MSME book has also improved as MSME GNPA declined ~60bps qoq and MSME SMA reduced to 2.11% (-40bps qoq) qoq). Credit costs to be supported by provision reversal on redemption of SRs and reducing stressed loan assets. Stressed loans % of gross loans stands at 3.95% vs 5%/8% in qoq/yoy. Impact of new project finance guidelines to be small as impact likely to only be on projects done in last 2-3 yrs with other projects largely completed with negligible SMA.
Despite NIM pressures in FY25 due to residual deposit book repricing and CASA mobilization challenges, the bank guided stable NIM (3.4-3.5% vs 3.41% in FY24) due to (i) excess liquidity with excess SLR of Rs 440bn (~6% of NDTL), LCR at 130%, (ii) further CDR improvement as incremental gross CDR of ~90% is higher than O/s gross CDR of 78% and the bank indicated of maintaining this trend into FY25. (iii) flow through of MCLR based repricing (60% of the loan book is MCLR linked). Despite pension-related provisions, the bank delivered 3rd quarter of 1%+ RoA due to lower slippages, higher other income and stable margins and the trend is likely to continue in FY25.

What we don't like: CIR increased to 48% (+110bps qoq) due to front loading of ex-gratia pension provision for entire 4 -5 yrs provided in 4Q and higher other overheads on digitization expenses. However, FY25 employee costs to normalize to ~ Rs 90bn vs 92bn in FY24.

Exhibit 82: Quarterly performance

(INR, mn)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)
Advances	51,48,891	44,92,967	15%	48,95,922	5.2%
Deposits	68,80,000	62,11,658	11%	65,41,540	5.2%
NII	**60,154**	**55,083**	**9%**	**58,142**	**3.5%**
Total Net Income	**82,779**	**75,022**	**10%**	**77,158**	**7.3%**
PPOP	**43,050**	**40,156**	**7%**	**40,972**	**5.1%**
PBT	30,572	14,526	110%	27,478	11.3%
PAT	**22,470**	**14,473**	**55%**	**21,194**	**6.0%**
Key Ratios (%)	**4QFY24**	**4QFY23**	**YoY (bps)**	**3QFY24**	**QoQ (bps)**
CASA Ratio	40.8%	42.0%	-122	39.7%	110
CD Ratio	74.8%	72.3%	251	74.8%	-1
NIM (reported)	3.44%	0.0%	344	3.4%	3
Cost to Income	48.0%	46.5%	152	46.9%	110
Credit costs (reported)	0.7%	1.0%	-23	0.8%	-3
GNPA (%)	4.0%	6.0%	-200	4.5%	-52
NNPA (%)	0.4%	0.9%	-47	0.5%	-10
PCR (%)	89.5%	85.7%	382	88.7%	79
CAR	16.4%	16.5%	-5	15.6%	86

Source: Company, Systematix Institutional Research

Exhibit 83: DuPont analysis

Du Pont (% of average assets)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
NII	**3.2%**	**3.2%**	**3.2%**	**3.1%**	**3.1%**
Total income	4.3%	4.2%	4.3%	4.1%	4.3%
PPOP	2.3%	2.3%	2.4%	2.2%	2.2%
PBT	0.8%	1.3%	1.5%	1.5%	1.6%
PAT (RoAA)	**0.8%**	**1.0%**	**1.1%**	**1.1%**	**1.2%**
ROE	**12.1%**	**14.0%**	**15.7%**	**15.5%**	**15.5%**

Source: Company, Systematix Institutional Research

Bank of India (NOT RATED): Elevated slippages and credit costs.

Guidance: **FY25 guidance**: Global advances growth 13-14% (FY24:13.5%), Domestic advances growth 13% (FY24: 14%), domestic deposit growth 12% (FY24: 11%), Global NIM 2.95% (FY24: 2.97%), Domestic NIM 3.3% (FY24: 3.34%), CIR 51% (FY24:51.7%), reported slippage 1.2% (FY24: 1.58%), RoA 0.9% (FY24: 0.7%). Tax rate 25% (FY24: 27%).

What we like: Gross advances increased 3.6% qoq with RAM mix improving by 50bps qoq. The bank guided for FY25 credit growth of 13-14% (FY24:13.5%) and has a pipeline of Rs 500bn (9% of gross loan book) consisting of Rs 380bn in corporate credit (17% of corporate book) and Rs 120bn in RAM credit (4% of RAM book). 4QFY24 NIM (2.92%) increased by 7bps qoq as funding cost increased of 6bps qoq was more than offset by 19bps yield increase due to improved loan mix. Guidance of stable NIMs in FY25. Reversal of standard asset provision of Rs 4.4bn in 2HFY24 as total SMA has reduced to 1.26% of gross advances (vs 3.34% yoy). Standard asset provision is likely to be minimal in FY25.

What we don't like: Deposit growth of 4.3% qoq was mainly led by TD growth of 7%qoq with bulk TD growth of 15% qoq. While GNPA/NNPA declined to 5%/1.2% (-37bp / 19bps), credit costs increased 100bps qoq to 1.5% due to Rs 8bn ageing provisions, Rs 0.55bn correction in SREI provisioning, prudent provisions on small MSME & other accounts due to lack of adequate security, partly offset by provision reversals of Rs 3.12bn from prudentially written off accounts and Rs 1.25bn prov reversal on SRs. Gross slippages also increased to 1.52% vs 1% in qoq mainly due to slippages of Rs 4.40bn from a large corporate account in Orrisa (Rs 1.4bn) and a State Govt account in Punjab (Rs 3bn). However, the Punjab account is likely to be upgraded in 1QFY25. Further, there was stress build up in Agri and MSME small ticket accounts (<Rs5mn ticket size accounts). That said, the bank guided for slippages to normalize in 1HFY25 and FY25 reported slippage ratio to be contained at 1.2% (FY24: 1.58%). On impact from new project finance guidelines, the bank expects 20% of the infrastructure portfolio (Rs 120-150bn) to be impacted with the increase in credit costs likely to be ~10bps and CET-1 impact of 20-22bps.

Exhibit 84: Quarterly performance

(INR, mn)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)
Advances	56,31,447	48,58,996	15.9%	54,22,960	3.8%
Deposits	73,79,202	66,95,858	10.2%	70,78,274	4.3%
NII	**59,359**	**55,239**	**7%**	**54,635**	**8.6%**
Operating Income	76,872	86,229	-11%	66,566	15.5%
PPOP	**35,572**	**41,837**	**-15%**	**30,039**	**18.4%**
PBT	**17,312**	**21,332**	**-19%**	**25,028**	**-30.8%**
PAT	**14,389**	**13,505**	**7%**	**18,695**	**-23.0%**
Key Ratios (%)	**4QFY24**	**4QFY23**	**YoY (bps)**	**3QFY24**	**QoQ (bps)**
Domestic CASA Ratio	42.9%	44.5%	-161 bp	43.6%	-76 bp
CD Ratio	79.4%	77.0%	232 bp	79.8%	-47 bp
NIM (reported)	2.9%	3.2%	-23 bp	2.9%	7 bp
Cost to Income	53.7%	51.5%	225 bp	54.9%	-115 bp
Credit costs	1.5%	0.5%	102 bp	0.5%	102 bp
GNPA (%)	5.0%	7.3%	-233 bp	5.4%	-37 bp
NNPA (%)	1.2%	1.7%	-44 bp	1.4%	-19 bp
PCR (%)	76.5%	78.6%	-209 bp	74.8%	177 bp
CAR	17.0%	16.3%	68 bp	16.1%	90 bp

Source: Company, Systematix Institutional Research

Exhibit 85: DuPont analysis

Du Pont (% of average assets)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
NII	**2.8%**	**2.9%**	**2.7%**	**2.5%**	**2.7%**
Total income	4.3%	3.6%	3.5%	3.1%	3.4%
PPOP	2.1%	1.8%	1.8%	1.4%	1.6%
PBT	1.1%	1.4%	1.4%	1.2%	0.8%
PAT (RoAA)	**0.7%**	**0.8%**	**0.7%**	**0.9%**	**0.6%**
ROE	**9.3%**	**10.4%**	**9.6%**	**11.7%**	**8.5%**

Source: Company, Systematix Institutional Research

Bank of Maharashtra (NOT RATED): RoA supported by higher other income and lower credit costs

Guidance: FY25 guidance: Advances growth 16-20% (vs 16% FY24), Deposit growth 12-15% (vs 16% FY24), NIM 3.7-3.9% (vs 3.92% FY24), RoA 1.5-1.6% (vs 1.5% FY24), Slippage: 0.75%-1% (vs 1.23% in 4Q), recoveries Rs 15bn (vs Rs 20bn FY24, cash recovery + upgrades+ TWO recovery), credit costs <1%, Branch additions 250 vs 286 FY24 (o/s branches 2489).

What we like: Deposit growth was strong at 10% qoq, 16% yoy and was higher than FY24 guidance of 15% with strong CASA growth of 16% qoq led by strong SA growth of 13% qoq.
Other income growth of 50% qoq, 24% yoy was mainly due to 60% qoq growth in fees and commission income and 70% qoq growth in treasury income. Going forward, CIR to be supported by improved productivity from digitization, centralization and verticalization.
Asset quality improved further with GNPA/NNPA declining to 1.9%/0.2% (-16bp / -2bp qoq) mainly due to higher recoveries and upgrades. In contrast to the trend seen by other PSBs, BOMH's GNPA improved in Agri (7.96%, -117bps) and MSME (2.52%, -20bps qoq). SMA 1+2 reduced to 9bps vs 45bps in 3Q which was impacted by slippage of a govt account. Credit costs at 0.9% (-32bps qoq) are now below 1% mark. High PCR of 98% will provide support during IFRS migration, BASEL-IIII and ECL implementation. Bank has carry-forward losses of Rs 80bn, the benefit of which is expected for next 1-2 years. FY24 RoA of 1.5% was higher than guidance of 1.2-1.4%.

What we don't like: Advances growth of 17% yoy was lower vs guidance of 18-20% growth. Further, FY25 growth guidance of 16-20% was also weak despite being comfortably placed vs peers in terms of CDR and (75%, -156bps qoq). While FY24 NIM at 3.92% was at higher end of guidance of 3.8-4%, FY25 NIM guidance of 3.7-3.9% was conservative. Despite providing for wage hikes at 22% in the past quarters and having excess provisions of Rs 1bn (12% of wage bill) vs 17% hike negotiated, the bank's opex increased by 23% qoq in 4QFY24 due to superannuation, pension liability and other ex-gratia fixed rate provisions finalized in the 12th bipartite wage bill.

Exhibit 86: Quarterly performance

(INR, mn)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)
Advances	20,02,399	17,12,207	16.9%	18,52,168	8.1%
Deposits	27,07,472	23,40,827	15.7%	24,57,345	10.2%
NII	**25,844**	**21,869**	**18.2%**	**24,658**	**4.8%**
Operating Income	**36,059**	**30,088**	**19.8%**	**31,457**	**14.6%**
PPOP	**22,096**	**18,553**	**19.1%**	**20,121**	**9.8%**
PBT	12,673	9,105	39.2%	10,694	18.5%
PAT	**12,177**	**8,400**	**45.0%**	**10,355**	**17.6%**
Key Ratios (%)	**4QFY24**	**4QFY23**	**YoY (bps)**	**3QFY24**	**QoQ (bps)**
CASA Ratio	52.7%	53.4%	-65	50.2%	255
CD Ratio	75.2%	74.8%	41	76.8%	-156
NIM (reported)	4.0%	3.8%	19	4.0%	2
Cost to Income	38.7%	38.3%	38	36.0%	269
Credit costs	0.9%	1.3%	-40	1.3%	-32
GNPA (%)	1.9%	2.5%	-59	2.0%	-16
NNPA (%)	0.2%	0.3%	-5	0.2%	-2
PCR (%)	98.3%	98.3%	6	98.4%	-6
CAR	17.4%	18.1%	-76	16.9%	53

Source: Company, Systematix Institutional Research

Exhibit 87: DuPont analysis

Du Pont (% of average assets)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
NII	**3.4%**	**3.5%**	**3.6%**	**3.6%**	**3.5%**
Total income	8.3%	8.0%	8.4%	8.5%	8.8%
PPOP	2.9%	2.7%	2.8%	2.9%	3.0%
PBT	1.4%	1.6%	1.4%	1.5%	1.7%
PAT (RoAA)	**1.3%**	**1.3%**	**1.3%**	**1.5%**	**1.7%**
ROE	**23.9%**	**21.3%**	**20.5%**	**21.9%**	**24.9%**

Source: Company, Systematix Institutional Research

J&K bank (NOT RATED): profitability supported by reduced opex and credit costs.

Guidance: FY25 guidance: Credit growth 15%, Deposit growth 12%, CASA Ratio 50%, NIM 3.75%-3.85%, ROA 1.25%-1.3%, ROE 17%-18%, GNPA 3.6%- 3.75%

What we like: Deposit growth of 4.8% qoq was 7% qoq growth in term deposits. CASA growth was 3% qoq leading to CASA ratio declining to 49.7% (-87bp qoq).
While Current CDR at ~70% is broadly stable qoq, the bank targets to achieve 72% by FY25, aided by shift from investment to credit book.
Q3FY24 yields at 9.8% were high on account of one-offs. Barring the one-off, the same would have been at 9.5%, which is in line with Q4 yields. This is expected to continue going forward. Cost of deposits at 4.6-4.7%, would sustain at the current level going forward. Hence NIMs to remain stable.
Opex/avg assets declined to 2.3% vs 2.5% in 3Q due to reversal of excess gratuity and superannuation costs.
Asset quality continued to remain benign as GNPA / NNPA improved to 4% / 0.8% (-75bps / -3bps qoq). Restructured assets as % of gross advances declined to 1.8% vs 2.2% in 3Q. Given the improving asset quality trends, the bank took standard asset provision write back of Rs 1.15bn (Rs 207mn on 3Q). As a result, the bank reported negative net credit costs of -0.7% (Nil in 3Q).
Credit cost to be negligible in FY25 as ageing provision requirement is Rs 2bn (vs o/s other provisions of Rs 4bn and Rs 1.2bn floating provisions).

What we don't like: 4QFY24 NIM (3.77%) declined 6bps qoq as yield on advances declined -30bps qoq while cost of deposits declined by -11bps qoq.
While FY24 opex growth of 3% yoy was low, FY25 opex to increase by 6-13% on the back of (i) 5-6% increase in employee costs as FY24 was benefitted by reversal of excess provisions and (ii) 8-10% increased in other overheads in FY25 as the bank will continue to invest in digital and technology.

Exhibit 88: Quarterly performance

(INR, mn)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)
Advances	9,37,625	8,22,855	13.9%	8,97,524	4.5%
Deposits	13,47,749	12,20,377	10.4%	12,85,425	4.8%
NII	**13,061**	**12,496**	**4.5%**	**12,804**	**2.0%**
Operating Income	15,307	14,158	8.1%	14,628	4.6%
PPOP	**6,638**	**4,496**	**47.6%**	**5,505**	**20.6%**
PBT	8,289	6,249	32.7%	5,600	48.0%
PAT	**6,387**	**4,764**	**34.1%**	**4,211**	**51.7%**
Key Ratios (%)	**4QFY24**	**4QFY23**	**YoY (bps)**	**3QFY24**	**QoQ (bps)**
CASA Ratio	49.7%	54.6%	-497	50.5%	-87
CD Ratio	69.6%	67.4%	214	69.8%	-25
NIM (reported)	3.8%	3.9%	-17	3.8%	-6
Cost to Income	56.6%	68.2%	-1161	62.4%	-573
Credit costs	-0.7%	-0.9%	16	0.0%	-68
GNPA (%)	4.1%	6.0%	-196	4.8%	-76
NNPA (%)	0.8%	1.6%	-83	0.8%	-4
PCR (%)	81.4%	74.4%	701	83.6%	-226
CAR	15.3%	15.4%	-5	14.2%	115

Source: Company, Systematix Institutional Research

Exhibit 89: DuPont analysis

Du Pont (% of average assets)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
NII	**3.6%**	**3.6%**	**3.7%**	**3.5%**	**3.4%**
Total income	4.0%	4.2%	4.3%	4.0%	4.0%
PPOP	1.3%	1.5%	1.5%	1.5%	1.8%
PBT	1.8%	1.3%	1.5%	1.5%	2.2%
PAT (RoAA)	**1.4%**	**0.9%**	**1.1%**	**1.1%**	**1.7%**
ROE	**20.3%**	**12.9%**	**14.6%**	**15.0%**	**21.2%**

Source: Company, Systematix Institutional Research

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Registered and Corporate address: The Capital, A-wing, No. 603 – 606, 6th Floor, Plot No. C-70, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051
Tel no. 022-66198000/40358000 Fax no. 022-66198029/40358029 Email id contactus@systematixgroup.in. Visit us at: www.systematixgroup.in
Details of Compliance officer: Ms Nipa Savla, Compliance officer Tel no. 022-66198092/4035808092 Email id compliance@systematixgroup.in
Details of Email id grievance redressal cell : grievance@systematixgroup.in
Details of Registration : CIN - U65993MH1995PLC268414 | BSE SEBI Reg. No.: INZ000171134 (Member Code: 182) | NSE SEBI Reg. No.: INZ000171134 (Member Code: 11327) | MCX SEBI Reg. No.: INZ000171134 (Member Code: 56625) | NCDEX SEBI Reg. No.: INZ000171134 (Member Code: 1281) | Depository Participant SEBI Reg. No.: IN-DP-480-2020 (DP Id: 12034600) | PMS SEBI Reg. No.: INP000002692 | Research Analyst SEBI Reg. No.: INH200000840 | AMFI : ARN - 64917