

Banking - Growth takes centre-stage as Asset Quality stabilises



In this report we assess the outlook for the Banking Sector on 4 key parameters- Growth, Asset Quality cycle, operating environment and credit cost normalisation. In our view digital disruption shall drive growth and factoring competitive advantage, larger banks will gain market share and grow at a faster pace despite a higher base.

Systematic growth gaining momentum; digitization to hold the key

- The consolidated balance sheet of scheduled commercial banks (SCBs) accelerated during FY21-22, notwithstanding the pandemic (2nd wave) and the contraction in economic activity in the first half of the financial year. Deposit growth on the liabilities side was matched by investments on the assets side; however, credit off-take remained subdued. Supervisory data suggests nascent signs of recovery in credit growth. The share of Public Sector Banks (PSBs) in total advances as well as in deposits has been declining since a decade while Private Banks (PVBs) are gaining share. During FY22, deposit mobilisation by SCBs was the highest in seven years, mainly contributed by the low-cost current account and savings account (CASA) deposits. In 3QFY22, there was a moderation in deposit growth with normalisation of economic activity and rising inflation.
- Historically, PVBs have relied heavily on borrowings to supplement their deposits and fuel credit growth. On the other hand, PSBs leveraged their wide deposit base and availability of low-cost CASA deposits to fund their lending. In 2020-21, borrowings of PVBs contracted for the first time since 2016-17, while those of PSBs accelerated after contracting for two consecutive years. SCBs' credit growth has decelerated over previous two years, largely reflecting muted demand conditions and risk aversion. However, signs of recovery became visible from 4QFY21. Credit growth of PVBs decelerated from 4QFY20 till 3QFY21 as the pandemic took its toll. Since 4QFY21, however, PVBs' credit showed signs of revival. Furthermore, credit momentum is showing signs of bottoming out with Credit – Deposit Ratio (CDR) improving systematically. Incremental CDR is forming a new high since 4QFY21 with some exception in 1QFY22. Additionally, Credit – GDP ratio is widening and credit growth overtook the investment growth in G-Sec.
- Banks like HDFC Bank and ICICI Bank are consistently growing despite system level risk aversion. Moreover, 3QFY22 incremental credit growth demonstrated early signs of growth rejuvenation in Axis Bank and Kotak Mahindra Bank. Among PSBs, growth is evident in SBI and BOB. The digital presence and aggressive marketing by large PVBs (HDFCB, ICICIB, AxisB, KotakB and IndusindB) and large PSBs (SBI and BOB) is likely to drive gain in market share while smaller banks are likely to face tough competition and growth hurdles.

Margins holding up; cost of funds bottomed out with rise in inflation risk.

The financial performance of SCBs in FY22 was marked by a discernible increase in profitability as their income remained stable but expenditure declined. This was in sharp contrast with the past five years during which PSBs incurred losses and profitability of PVBs was declining. The total income of banks remained stable, despite a marginal decline in its largest component viz. interest income, in an environment characterised by low credit off-take and interest rates. The fall was cushioned by a sizeable increase in income from investments. Income from trading also accelerated, as banks booked profits on falling G-Sec yields. The contraction in SCBs' expenditure was led by a decline in the interest expended on deposits and borrowings on account of moderation in interest rates and contraction in total borrowings. At system level, interest earned by banks outpaced their interest expenses, and

Private Sector Banks

(₹)	CMP	12M Target	Upside (%)
Axis Bank	691	884	28
HDFC Bank	1,397	2,039	46
ICICI Bank	678	1,045	54
Indusind Bank	902	1,061	18
Kotak Bank	1,763	2,419	37

Public Sector Banks

Bank Of Baroda	104	136	31
Canara Bank	218	276	27
Indian Bank	148	190	28
State Bank	470	657	40

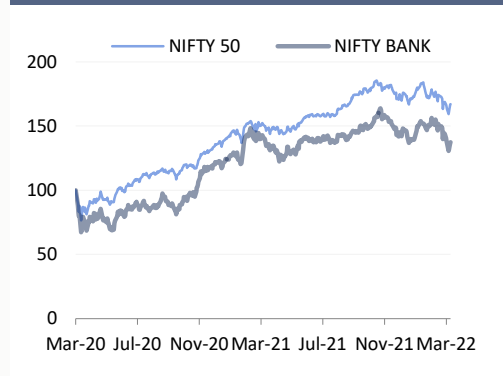
* CMP: March 11, 2022

Price Performance

(%)	1M	3M	6M	1YR
Axis Bank	-14.0	0.4	-12.6	-9.2
HDFC Bank	-8.0	-8.3	-11.0	-10.2
ICICI Bank	-14.3	-10.6	-5.9	8.4
Indusind Bank	-8.2	-4.6	-9.8	-13.3
Kotak Bank	-3.6	-7.1	-3.0	-10.2
Bank Of Baroda	-8.1	10.8	31.8	30.5
Canara Bank	-13.3	-1.9	38.4	35.2
Indian Bank	-5.9	-7.3	18.9	10.2
SBI	-11.2	-4.9	8.8	21.3

* To date / current date : March 11, 2022

Nifty Bank vs Nifty 50



hence the Net Interest Margin (NIMs) improved. As a result we can witness NIMs improvement across banks. ICICI Bank outclassed others by systematic spread improvement and better credit growth compared to peers.

NPA cycle in downward trend; nevertheless restructuring to be keenly watched:

The asset quality super cycle started in FY14 and formed a peak in FY17. We witnessed a continuous downward trend despite covid induced stress, thanks to restructuring and ECLGS. Net slippages in 2QFY22/3QFY22 were surprisingly positive. For our Banks under coverage, we believe, the outstanding restructured book (~2.7% of loan) is at manageable levels as contingent buffers are adequate. Overall PCR level (~70% system level) is satisfactory with bulky provision built-up. Among large private banks, Axis Bank has lowest restructured book (0.6%) with highest contingent buffer (2% of net loans). Indusind Bank has slightly higher restructured book (3.3%) with considerably lower contingent buffer (1.9%). The restructured book to contingent buffer ratio is adequate for HDFCB, ICICIB and KotakB. The PSBs (SBI, BOB and IndianB) expect lower relapse rate from restructuring. According to RBI's recent financial stability report, the GNPA ratio to be ~8.1% (baseline scenario) by 2QFY23. However, its previous report had overestimated the GNPA ratio at 13.5% against the actual number of 6.9%. The lower actual numbers indicated the continued resilience of the banking system.

MSME stress was addressed by ECLGS; the real test to begin from 4QFY22:

In May-20, the Govt. launched ECLGS scheme for MSME sector to provide relief to the sector from covid induced stress. According to State Bank of India survey, almost 1.4 million MSMEs accounts were saved due to ECLGS (including restructuring). Around 94% of such accounts are Micro and Small units. In absolute terms, MSME loan accounts worth ₹1.8tn (~14% of outstanding MSME credit) were saved from slipping into NPA during periods. Govt. has extended limit of ₹4.5tn for ECLGS, of which ₹2.9tn (~65%) has already been sanctioned by 3QFY22. The ECLGS book will be fully tested from 4QFY22 onwards. KotakB ECLGS portfolio has been relatively stable sequentially at 5.2% which is highest among large private banks.

Lower credit cost to translate in return ratios' improvement:

Factoring improvement in economic environment, upward trend in credit cycle and lower stress formation, we estimate the credit cost of banks under our coverage (especially large PVBs and PSBs) to go down meaningfully. Furthermore, provision write-backs from contingent provision is likely to boost the bottom line growth. We estimate the large banks to post PAT growth of above 20% for FY23E. However, ICICIB may report comparatively lower PAT growth in FY23E owing to a substantially higher base in FY22. Credit cost of large banks are likely to be a range of 1.1% - 1.3% for FY23E because of high contingent buffer and probable write-backs. KotakB's credit cost (0.5%) is estimated to be lowest factoring lowest restructuring book (54bps v/s 260bps system level). We estimate FY23E ROA of ~2% for HDFCB, ICICIB and KotakB; while, AxisB and IndusindB are likely to report FY23E ROA of around 1.5%. Among PSBs' SBIs, BOB's, CanaraB's and IndianB's ROA to be above 1% (above historical levels).

Exhibit 1: Valuation Matrix

Company	CMP (₹)	P/B (x)				Adjusted P/B (x)				RoE (%)				RoA (%)			
		MRQ	FY21	FY22E	FY23E	MRQ	FY21	FY22E	FY23E	MRQ	FY21	FY22E	FY23E	MRQ	FY21	FY22E	FY23E
HDFC Bank	1397	3.6	3.8	3.2	2.7	3.7	3.8	3.3	2.7	14.6	16.6	17.1	17.8	1.8	1.9	2.0	2.1
ICICI Bank	668	3.0	3.2	2.7	2.3	3.1	3.3	2.8	2.4	12.3	12.3	15.8	15.6	1.5	1.4	1.9	1.9
Axis Bank	691	2.0	2.1	1.8	1.6	2.1	2.1	1.9	1.6	9.1	7.1	13.2	14.0	0.9	0.7	1.3	1.4
Kotak Mahindra Bank	1763	5.4	5.5	4.9	4.3	5.5	5.6	5.0	4.4	10.1	12.5	12.1	13.2	1.7	1.9	2.0	2.1
Indusind Bank	902	1.6	1.6	1.5	1.3	1.6	1.6	1.5	1.4	9.3	7.3	10.3	11.6	1.1	0.8	1.2	1.4
State Bank of India	470	1.6	1.8	1.6	1.3	1.6	2.0	1.7	1.4	12.1	8.4	14.4	15.7	0.6	0.5	0.8	0.9
Bank of Baroda	104	0.7	0.8	0.7	0.6	0.7	0.9	0.7	0.6	6.2	1.1	12.5	15.1	0.4	0.1	0.8	1.1
Indian Bank	148	0.4	0.5	0.5	0.4	0.5	0.6	0.7	0.5	15.2	9.9	9.5	15.8	0.8	0.6	0.5	0.8

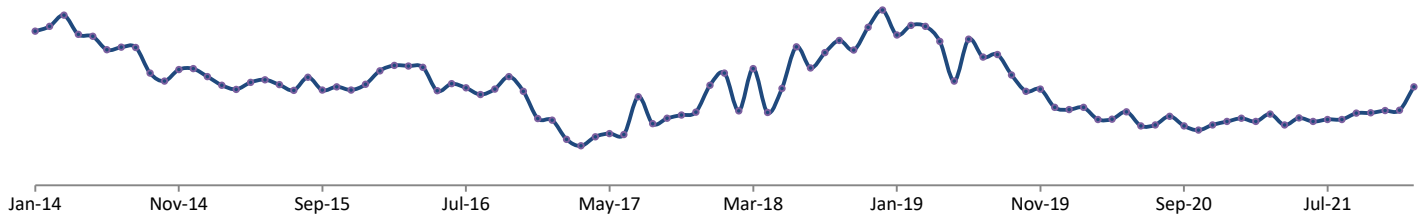
Source: LKP Research

Systematic growth gaining momentum; digitization to hold the key

The consolidated balance sheet of scheduled commercial banks (SCBs) accelerated during FY21-22, notwithstanding the pandemic (2nd wave) and the contraction in economic activity in the first half of the financial year. Deposit growth on the liabilities side was matched by investments on the assets side; however, credit off-take remained subdued. Supervisory data suggests that nascent signs of recovery are visible in credit growth.

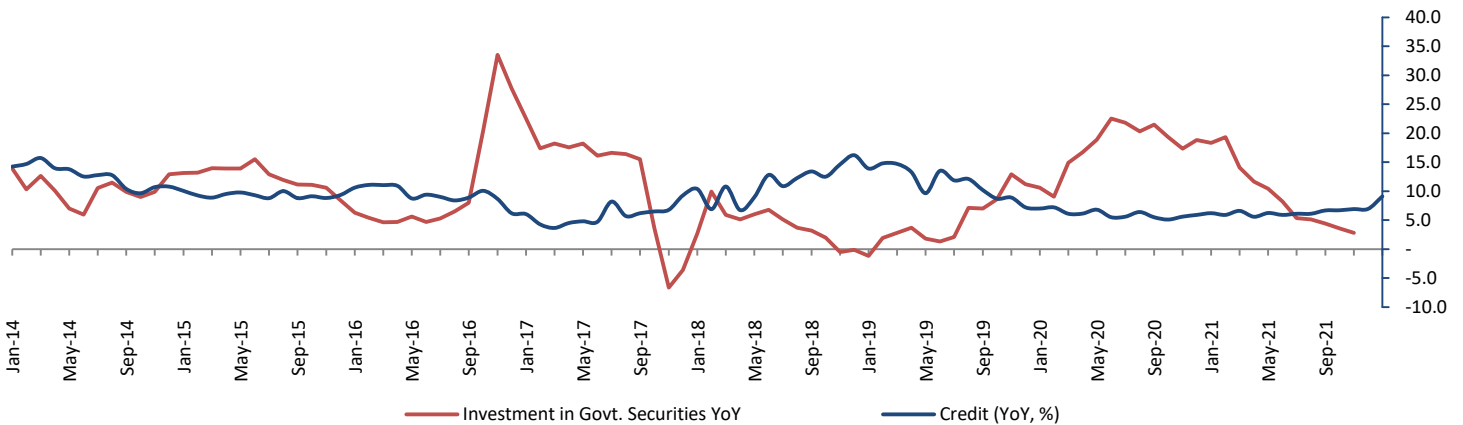
Credit growth

Credit (YoY, %)



Source: RBI, LKP Research

Credit growth v/s investment in Govt. Securities growth

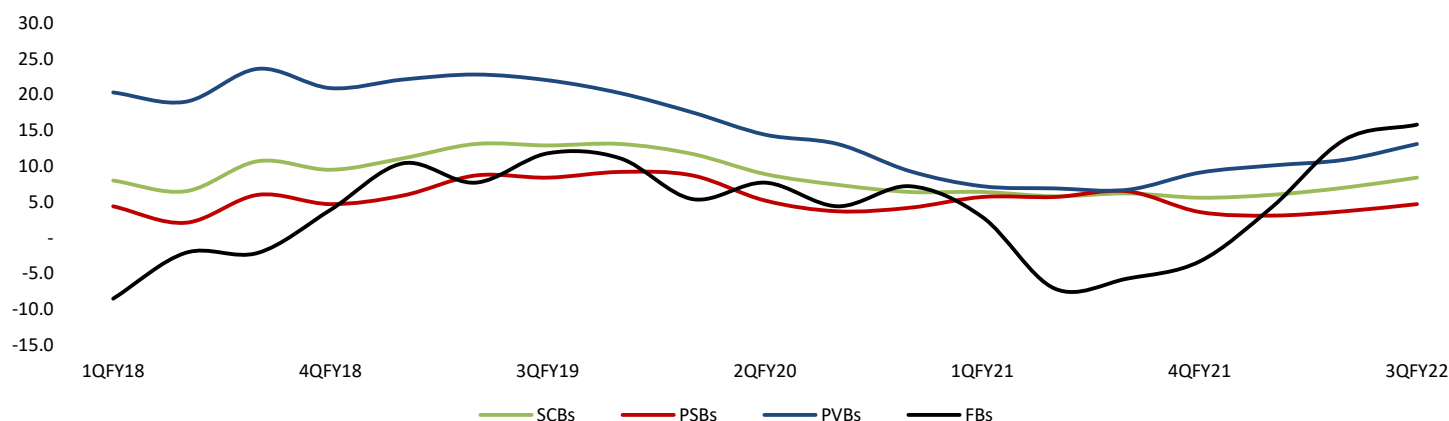


If SCBs growth in investments in Gov. Securities increases and consistently more than credit growth than it does mean RISK AVERSION of banks. Banks aren't ready to lend rather than using fund in investment in Govt. securities.

Source: RBI, LKP Research

The share of Public Sector Banks (PSBs) in total advances as well as in deposits has been declining since a decade while Private Banks (PVBs) are gaining share. During FY22, deposit mobilisation by SCBs was the highest in seven years, mainly contributed by the low-cost current account and savings account (CASA) deposits. In 3QFY22, there was a moderation in deposit growth with normalisation of economic activity and rising inflation. Historically, PVBs have relied heavily on borrowings to supplement their deposits and fuel credit growth. On the other hand, PSBs leveraged their wide deposit base and availability of low-cost CASA deposits to fund their lending. In 2020-21, borrowings of PVBs contracted for the first time since 2016-17, while those of PSBs accelerated after contracting for two consecutive years. SCBs' credit growth has decelerated over previous two years, largely reflecting muted demand conditions and risk aversion. However, signs of recovery became visible from 4QFY21. Credit growth of PVBs decelerated from 4QFY20 till 3QFY21 as the pandemic took its toll. Since 4QFY21, however, PVBs' credit showed signs of revival.

Credit growth (% YoY): SCBs/PSBs/PVBs/FBs



Source: RBI, LKP Research

Exhibit 2: Credit Growth

(%, YoY)	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22
SCBs	11.1	13.1	12.9	13.1	11.7	8.9	7.4	6.4	6.4	5.8	6.2	5.6	6.0	7.0	8.4
PSBs	5.9	8.7	8.4	9.2	8.7	5.2	3.7	4.2	5.7	5.7	6.5	3.6	3.1	3.7	4.7
PVBs	22.1	22.8	22.0	20.2	17.5	14.4	13.1	9.3	7.2	6.9	6.7	9.1	10.1	10.9	13.1
FBs	10.4	7.7	11.8	11.1	5.4	7.7	4.4	7.2	2.9	-7.1	-5.7	-3.3	4.3	13.7	15.8
SFBs	410.4	235.5	88.0	79.7	81.8	104.0	72.5	57.6	42.4	18.8	15.3	19.7	17.7	22.7	25.6

Source: RBI, LKP Research

Exhibit 3: Deposit Growth

(%, YoY)	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22
SCBs	7.0	8.4	9.3	9.4	10.1	10.1	10.0	9.5	11.5	11.0	11.1	12.3	10.0	10.1	9.6
PSBs	3.5	4.7	4.9	6.0	6.7	6.6	7.8	8.2	10.8	10.3	9.5	10.4	7.5	7.4	6.9
PVBs	17.3	18.2	20.0	15.4	16.3	16.9	14.0	10.4	11.2	10.6	13.7	16.6	15.8	16.0	15.0
FBs	4.8	12.0	17.1	19.2	19.3	11.7	10.7	17.5	17.5	21.2	15.4	10.3	7.2	10.2	10.3
SFBs	331.8	306.1	193.4	124.0	104.3	131.9	96.3	66.7	59.8	41.3	33.5	40.3	40.5	26.4	37.9

Source: RBI, LKP Research

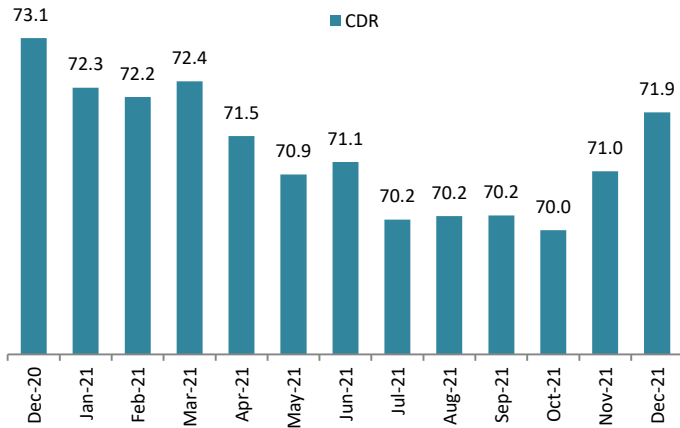
Exhibit 4: Bank Credit

(% Share)	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22
PSBs	63.8	63.3	62.9	60.7	60.0	59.3	59.1	59.4	59.6	59.2	59.1	58.3	58.1	57.1	56.9
PVBs	31.2	31.8	32.2	34.4	35.0	35.4	35.7	35.4	35.3	35.9	36.0	36.5	36.6	37.5	37.7
FBs	4.6	4.4	4.4	4.3	4.3	4.4	4.2	4.3	4.1	3.9	3.9	4.1	4.3	4.3	4.3
SFBs	0.4	0.5	0.5	0.6	0.7	0.8	0.9	0.9	0.9	1.0	1.0	1.1	1.0	1.1	1.1

Source: RBI, LKP Research

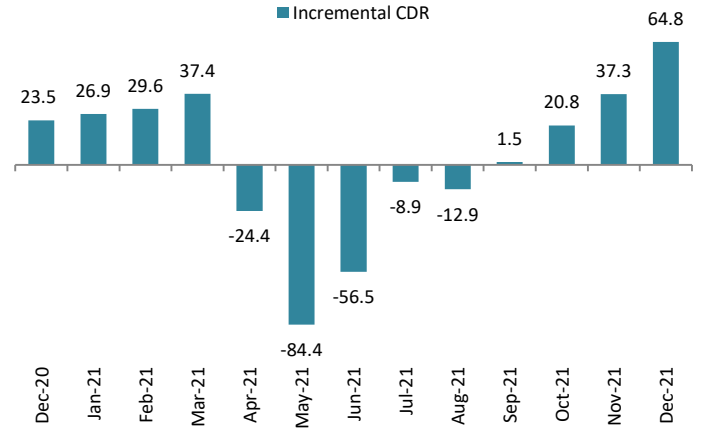
Furthermore, credit momentum is showing signs of bottoming out with Credit – Deposit Ratio (CDR) improving systematically. Incremental CDR is forming a new high since 4QFY21 with some exception in 1QFY22. Additionally, Credit – GDP ratio is widening and credit growth overtook the investment growth in G-Sec.

Credit Deposit Ratio Trend



Source: RBI, LKP Research

Incremental CDR Trend



Source: RBI, LKP Research

The credit growth is visible among large private sector banks. Banks like HDFC Bank, ICICI Bank are consistently growing despite system level risk aversion. Moreover, 3QFY22 incremental credit growth demonstrated early signs of growth rejuvenation in Axis Bank and Kotak Mahindra bank. Among PSBs, SBI and BOB's growth is evident. The digital presence and aggressive marketing by large PVBs (HDFCB, ICICIB, AxisB, KotakB and IndusindB) and large PSBs (SBI and BOB) is likely to drive gain in market share while smaller banks are likely to face tough competition and growth hurdles.

Exhibit 5: Credit Growth (QoQ, %)

Banks	4Q FY19	1Q FY20	2Q FY20	3Q FY20	4Q FY20	1Q FY21	2Q FY21	3Q FY21	4Q FY21	1Q FY22	2Q FY22	3Q FY22
HDFC Bank	4.9	1.3	8.1	4.4	6.2	1.0	3.5	4.2	4.7	1.3	4.5	5.2
ICICI Bank	4.0	1.0	3.5	3.6	1.5	-2.2	3.4	7.1	5.0	0.7	3.6	6.4
Axis Bank	4.1	0.5	4.9	5.5	3.9	-1.8	2.7	1.1	7.0	-1.4	1.1	6.9
Kotak Mahindra Bank	4.7	1.1	2.5	1.6	1.4	-7.2	0.4	4.5	4.5	-2.8	8.0	7.6
Indusind Bank	7.6	3.8	1.9	5.2	-0.3	-4.2	1.6	2.9	2.6	-0.9	4.8	3.5
State Bank of India	6.7	-2.3	0.5	2.5	5.7	-1.2	-0.2	3.2	3.4	-0.7	0.5	5.5
Bank of Baroda	-	-	0.7	2.7	5.4	-0.5	-2.4	4.3	1.1	-5.4	3.8	5.5

Source: RBI, LKP Research

Exhibit 6: Incremental Credit Growth (QoQ, %)

Banks	4Q FY19	1Q FY20	2Q FY20	3Q FY20	4Q FY20	1Q FY21	2Q FY21	3Q FY21	4Q FY21	1Q FY22	2Q FY22	3Q FY22
HDFC Bank	28	-73	551	-42	48	-83	265	26	15	-71	245	21
ICICI Bank	13	-74	263	6	-57	-246	-252	117	-25	-86	441	86
Axis Bank	4	-87	881	17	-25	-147	-249	-58	542	-122	-177	530
Kotak Mahindra Bank	-19	-75	126	-34	-14	-630	-105	994	4	-165	-381	3
Indusind Bank	32	-46	-50	187	-106	1,284	-136	85	-7	-134	-640	-23
State Bank of India	53	-137	-122	372	133	-121	-84	-1,770	10	-122	-164	1,098
Bank of Baroda	-3,065	-241	-99	312	108	-110	388	-271	-73	-596	-167	51
Indian Bank			-95	-2,121	-206	-28	-100	13,133	-95	-70	-1,191	-1,117

Source: RBI, LKP Research

Exhibit 7: Deposit Growth (QoQ, %)

Banks	4Q FY19	1Q FY20	2Q FY20	3Q FY20	4Q FY20	1Q FY21	2Q FY21	3Q FY21	4Q FY21	1Q FY22	2Q FY22	3Q FY22
HDFC Bank	8.3	3.4	7.0	4.5	7.5	3.7	3.4	3.4	5.0	0.8	4.5	2.8
ICICI Bank	7.6	1.2	5.4	2.9	7.6	4.0	3.9	5.0	6.7	-0.7	5.5	4.1
Axis Bank	6.7	-1.4	8.0	1.3	8.2	-1.9	1.2	2.9	8.1	0.9	3.1	4.8
Kotak Mahindra Bank	5.6	3.1	0.1	2.7	9.8	-0.5	0.0	1.4	5.6	2.3	1.8	4.7
Indusind Bank	10.9	2.9	3.3	4.6	-6.8	4.6	8.1	4.8	7.1	4.3	3.1	3.3
State Bank of India	2.9	1.3	2.9	2.6	4.2	5.5	1.5	1.9	4.1	1.1	2.4	1.0
Bank of Baroda	45.2	1.0	-0.2	0.2	5.6	-1.2	2.1	0.0	1.3	-3.7	3.0	1.9
Indian Bank	-	-	4.9	-	-	88.0	2.6	3.8	3.2	0.4	2.1	2.0

Source: RBI, LKP Research

Exhibit 8: Credit Growth (YoY, %)

Banks	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
HDFC Bank	23	26	21	27	19	19	24	21	14	18	20	21
ICICI Bank	14	17	14	12	7	10	14	10	14	18	20	21
Axis Bank	16	17	22	21	10	18	13	15	9	14	15	16
Kotak Mahindra Bank	24	9	25	79	15	25	21	7	2	21	22	23
Indusind Bank	26	24	25	29	28	28	29	11	3	12	13	14
State Bank of India	21	16	7	13	7	23	13	6	5	11	12	13
Bank of Baroda	14	21	8	-10	-0	12	10	47	2	9	10	11
Indian Bank	17	16	3	3	-1	23	16	9	84	12	13	14

Source: RBI, LKP Research

Exhibit 8: Deposit Growth (YoY, %)

Banks	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
HDFC Bank	20	24	23	21	18	23	17	24	16	15	19	20
ICICI Bank	15	13	9	17	16	14	16	18	21	15	17	17
Axis Bank	15	11	15	11	16	9	21	17	10	16	17	19
Kotak Mahindra Bank	32	16	27	85	14	22	17	16	7	15	17	18
Indusind Bank	28	12	23	25	36	20	29	4	27	14	11	12
State Bank of India	15	16	13	10	18	32	8	11	14	10	13	13
Bank of Baroda	23	20	9	-7	5	-2	8	48	2	5	10	11
Indian Bank	18	14	4	5	2	14	16	7	107	10	11	12

Source: RBI, LKP Research

Exhibit 8: CASA Ratio (%)

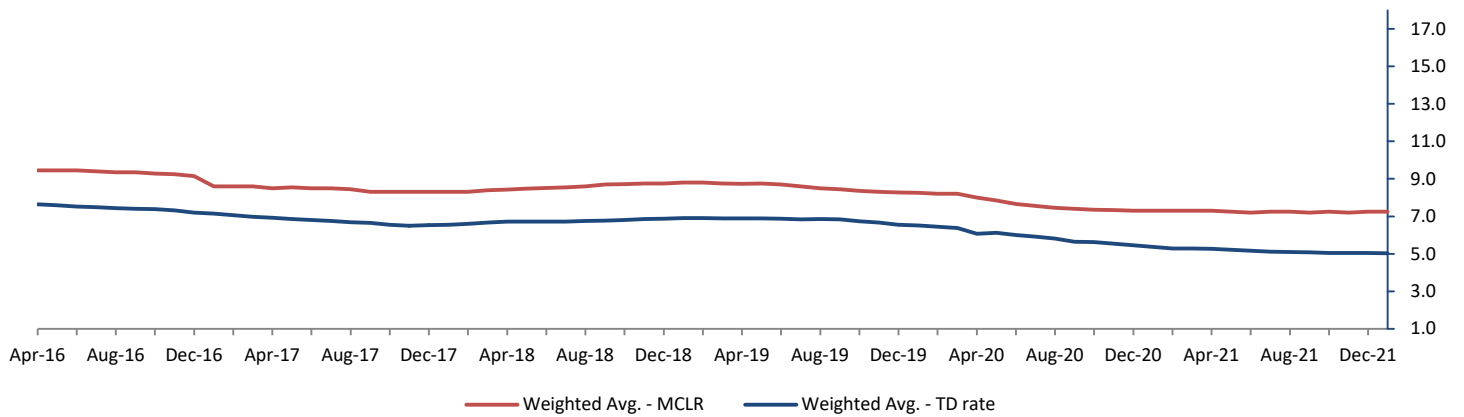
Banks	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
HDFC Bank	48	46	45	44	48	44	43	42	46	47	47	47
ICICI Bank	45	45	47	47	51	52	50	46	47	47	47	47
Axis Bank	47	47	46	48	52	54	45	41	45	46	46	46
Kotak Mahindra Bank	29	32	36	38	44	51	53	56	60	61	61	61
Indusind Bank	29	33	34	35	37	44	43	40	42	42	42	42
State Bank of India	48	46	44	45	47	46	46	46	47	47	47	47
Bank of Baroda	35	39	39	38	44	45	43	41	45	46	46	46
Indian Bank	28	27	29	31	37	37	35	35	42	43	43	43

Source: RBI, LKP Research

Margins holding up; cost of funds bottomed out with rise in inflation risk

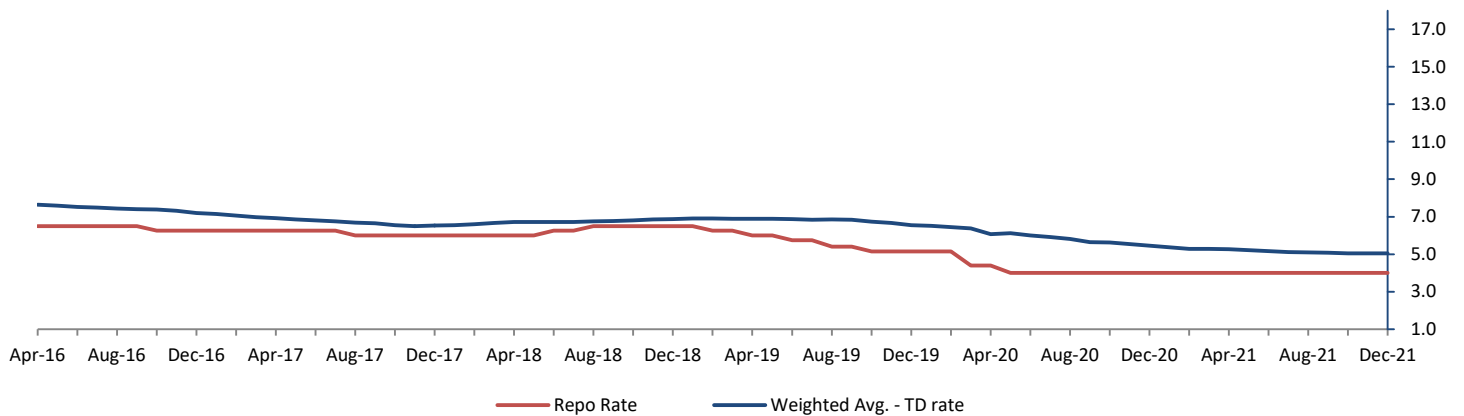
The financial performance of SCBs in FY22 was marked by a discernible increase in profitability as their income remained stable but expenditure declined. This was in sharp contrast with the past five years during which PSBs incurred losses and profitability of PVBs was declining. The total income of banks remained stable, despite a marginal decline in its largest component viz. interest income, in an environment characterised by low credit off-take and interest rates. The fall was cushioned by a sizeable increase in income from investments. Income from trading also accelerated, as banks booked profits on falling G-Sec yields. The contraction in SCBs' expenditure was led by a decline in the interest expended on deposits and borrowings on account of moderation in interest rates and contraction in total borrowings. At system level, interest earned by banks outpaced their interest expenses, and hence the net interest margin (NIMs) improved. As a result we can witness NIMs improvement across banks. However, ICICI Bank outclassed others by systematic spread improvement and better credit growth compared to peers.

Monthly Weighted avg. MCLR and Weighted avg. TD rates Trend



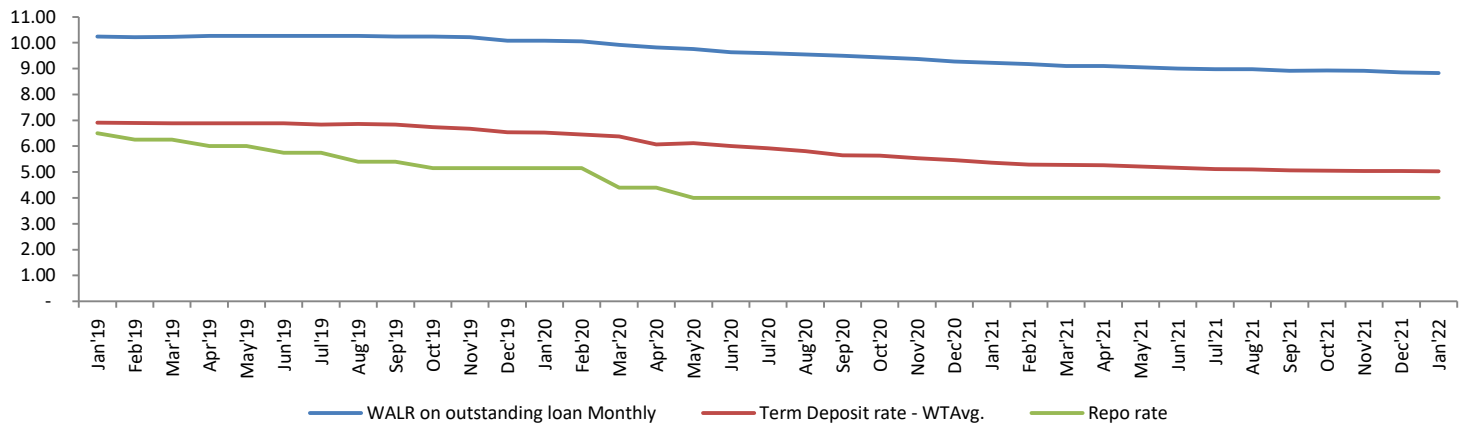
Repo rate and Monthly weighted average MCLR shows the movement of MCLR with Repo It shows the Yield of SCBs and its movement.
Source: RBI, LKP Research

Repo rate and Monthly WA-MCLR Trend



To check NIMs weighted avg. MCLR and weighted average TD rates is important. If WA TD rates are going down more than MCLR than NIMs improves or vice versa.
Source: RBI, LKP Research

WALR v/s WATDR v/s Repo



Source: RBI, LKP Research

Exhibit 9: WALR - Loanmix wise

Banks	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22
Agriculture	10.38	10.47	10.23	10.11	9.89	9.85	9.80	9.66
Industry	9.94	9.79	9.57	9.37	9.07	8.83	8.68	8.58
Transport Operations	10.86	10.74	10.67	10.45	10.32	10.07	9.92	9.77
Professional & Other Services	10.53	10.27	10.11	9.91	9.62	9.36	9.31	9.18
Retail Loans	11.31	11.14	10.78	10.61	10.49	10.25	10.21	10.11
of which:								
Housing Loans	8.80	8.62	8.24	7.92	7.70	7.57	7.52	7.45
Personal Credit Cards	35.86	35.93	36.04	36.63	36.57	36.41	36.35	36.54
Trade	10.45	10.27	9.87	9.61	9.38	9.17	9.26	9.19
Finance	9.00	8.64	8.46	8.01	7.59	7.26	7.11	7.03
Other	10.75	10.55	10.43	10.05	10.04	9.91	9.50	9.30
Total Loans & Advances	10.40	10.23	9.97	9.76	9.53	9.32	9.25	9.15

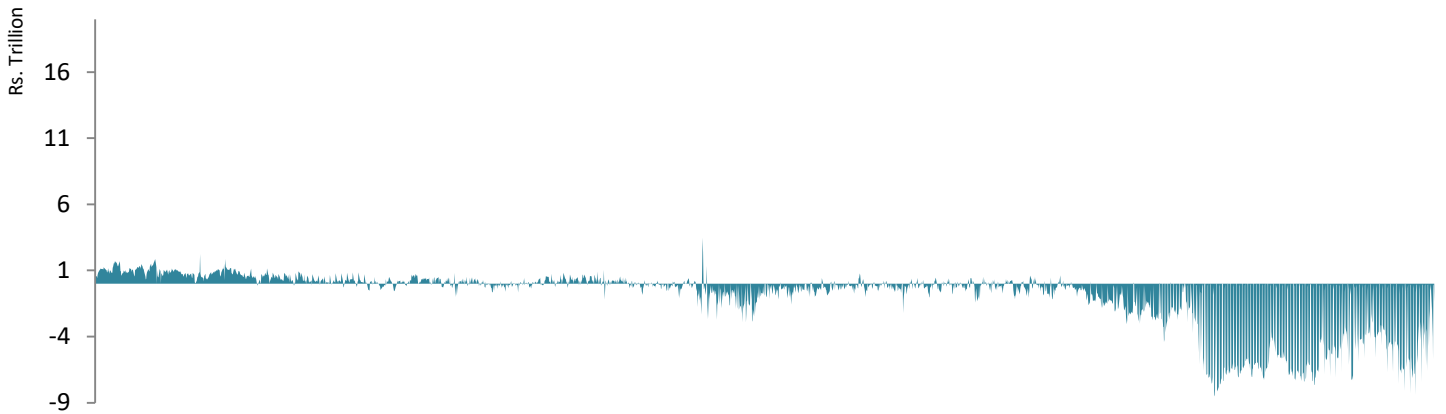
Source: RBI, LKP Research

Exhibit 10: BCOD/COF/YOA: Bank Group wise

	Cost of Deposits		Cost of Funds		Yields on Advances		Yields on Assets		Spread	
	FY20	FY21	FY20	FY21	FY20	FY21	FY20	FY21	FY20	FY21
PSBs	5.0	4.2	4.9	4.2	8.2	7.5	7.8	7.2	2.9	3.0
PVBs	5.3	4.3	5.4	4.5	10.1	9.1	9.2	8.3	3.8	3.8
FBs	3.7	2.4	3.7	2.5	8.5	7.1	7.6	6.5	3.9	4.0
SFBs	8.2	6.8	8.7	7.3	19.9	17.1	17.3	14.9	8.6	7.6
All SCBs	5.0	4.2	5.0	4.2	8.9	8.1	8.3	7.6	3.3	3.4

Source: RBI, LKP Research

Huge Liquidity surplus



Source: RBI, LKP Research

Exhibit 11: NIMs - Qtr

Banks	4Q FY19	1Q FY20	2Q FY20	3Q FY20	4Q FY20	1Q FY21	2Q FY21	3Q FY21	4Q FY21	1Q FY22	2Q FY22	3Q FY22
HDFC Bank	4.4	4.3	4.2	4.2	4.3	4.3	4.1	4.2	4.2	4.1	4.1	4.1
ICICI Bank	3.7	3.6	3.6	3.8	3.9	3.7	3.6	3.7	3.8	3.9	4.0	4.0
Axis Bank	3.4	3.4	3.5	3.6	3.6	3.4	3.6	3.6	3.6	3.5	3.4	3.5
Kotak Mahindra Bank	4.5	4.5	4.6	4.7	4.7	4.4	4.6	4.5	4.4	4.6	4.5	4.6
Indusind Bank	3.6	4.1	4.1	4.2	4.3	4.3	4.2	4.1	4.1	4.1	4.1	4.1
State Bank of India	2.8	2.8	2.9	3.1	3.0	3.0	3.1	3.1	2.9	2.9	3.1	3.1
Bank of Baroda	-	2.6	2.8	2.8	2.6	2.5	2.8	2.8	2.7	3.0	2.9	3.1
Indian Bank	-	2.9	2.9	2.7	3.0	2.8	3.1	3.1	2.3	2.9	2.9	3.0

Source: RBI, LKP Research

Exhibit 12: C/I ratio - Qtr

Banks	4Q FY19	1Q FY20	2Q FY20	3Q FY20	4Q FY20	1Q FY21	2Q FY21	3Q FY21	4Q FY21	1Q FY22	2Q FY22	3Q FY22
HDFC Bank	39.6	39.0	38.8	37.9	39.0	35.0	36.8	36.1	37.2	35.0	37.0	37.0
ICICI Bank	44.5	43.7	43.9	42.5	43.9	30.1	38.3	39.6	41.3	40.4	39.9	41.1
Axis Bank	45.7	39.3	40.5	43.9	45.8	38.9	38.0	45.3	43.8	43.5	49.3	50.7
Kotak Mahindra Bank	47.1	46.4	45.2	49.9	46.0	41.7	38.5	42.3	41.2	43.5	46.5	52.6
Indusind Bank	45.5	42.5	43.9	43.5	43.3	40.7	41.4	41.8	42.4	41.4	42.2	43.5
State Bank of India	52.5	57.2	55.6	50.6	56.4	52.2	55.2	54.5	54.5	51.9	54.1	52.9
Bank of Baroda	-50.6	49.2	45.8	49.8	46.8	50.0	46.2	47.5	47.6	47.9	49.1	50.5
Indian Bank	-	44.6	42.3	35.9	40.1	47.1	48.0	45.7	49.8	40.9	45.9	44.8

Source: RBI, LKP Research

Exhibit 13: NIMs (calculated, %)

Banks	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
HDFC Bank	4.6	4.4	4.4	4.4	4.4	4.4	4.4	4.2	4.1	4.0	4.1	4.2
ICICI Bank	2.9	3.1	3.3	3.4	3.2	3.1	3.2	3.5	3.6	3.8	3.8	4.0
Axis Bank	3.2	3.4	3.5	3.6	3.4	3.1	3.2	3.2	3.4	3.4	3.4	3.6
Kotak Mahindra Bank	4.4	4.5	4.6	4.9	4.2	4.2	4.1	4.2	4.3	4.3	4.4	4.5
Indusind Bank	3.5	3.7	3.7	3.8	4.0	4.0	3.8	4.4	4.4	4.2	4.3	4.4
State Bank of India	3.2	3.0	3.0	2.8	2.6	2.6	2.7	2.8	2.9	2.8	3.0	3.2
Bank of Baroda	2.3	2.0	2.0	1.9	2.1	2.3	2.6	3.0	2.6	3.0	3.2	3.4
Indian Bank	3.1	2.6	2.5	2.3	2.6	2.8	2.8	2.7	3.5	2.6	2.8	2.9

Source: RBI, LKP Research

Exhibit 14: Cost to income ratio (%)

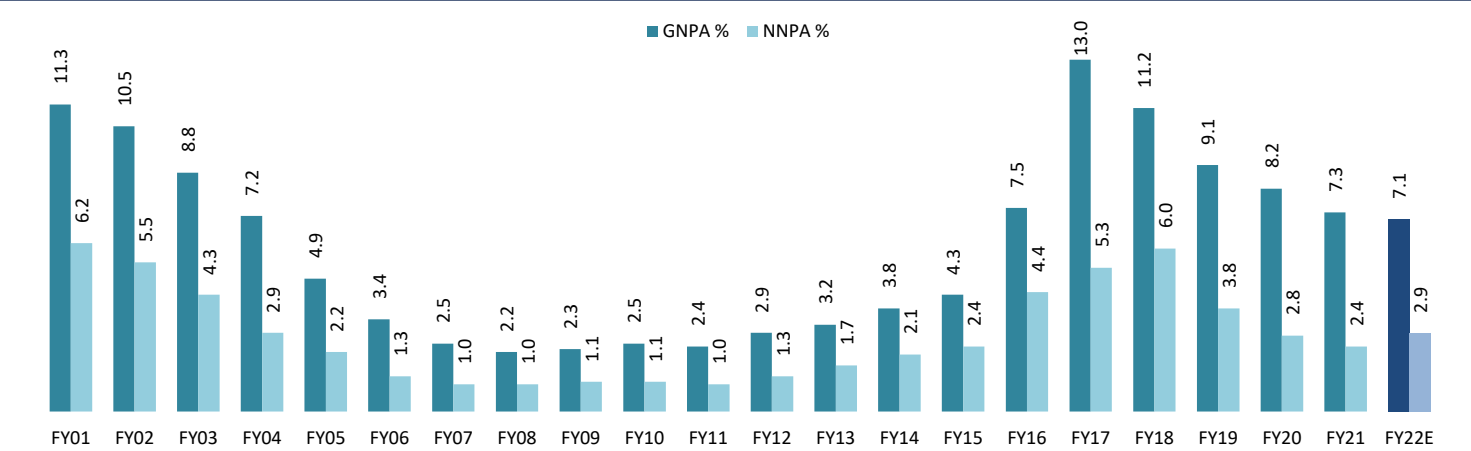
Banks	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
HDFC Bank	49.6	45.6	44.6	44.3	43.4	41.0	39.7	38.6	36.3	36.3	34.3	32.3
ICICI Bank	40.6	38.3	36.8	34.7	41.5	44.7	43.6	43.5	37.2	38.6	39.3	39.5
Axis Bank	42.6	40.8	40.7	38.5	41.0	47.3	45.4	42.5	41.7	46.2	45.7	45.2
Kotak Mahindra Bank	50.6	49.7	52.1	57.5	48.4	47.3	47.4	46.9	41.3	47.9	45.8	43.3
Indusind Bank	48.8	45.7	48.1	47.0	46.7	45.7	44.2	43.3	41.6	42.1	42.0	41.9
State Bank of India	48.5	52.7	49.0	49.1	47.8	50.2	55.7	52.5	53.6	52.7	51.1	50.1
Bank of Baroda	39.8	43.4	43.6	50.3	45.9	45.9	45.6	47.9	49.9	46.1	42.6	39.5
Indian Bank	47.3	49.4	48.3	51.3	45.6	42.3	45.2	40.5	47.6	44.5	39.8	37.2

Source: RBI, LKP Research

NPA cycle in downward trend; nevertheless restructuring to be keenly watched.

The asset quality super cycle started in FY14 and formed a peak in FY17. We can witness a continuous downward trend despite covid induced stress, thanks to restructuring and ECLGS. Net slippages in 2QFY22/3QFY22 are surprisingly positive. For our Banks under coverage, we believe, the outstanding restructured book (~2.7% of loan) is at manageable level as contingent buffers are adequate. Overall PCR level (~70% system level) is satisfactory with bulky provision built-up. Among large private banks Axis Bank has lowest restructured book (0.6%) with highest contingent buffer (2% of net loans). Indusind Bank has slightly higher restructured book (3.3%) with considerably lower contingent buffer (1.9%). The restructured book to contingent buffer ratio is adequate for HDFCB, ICICIB and KotakB. The PSBs (SBI, BOB and IndianB) expect lower relapse rate from restructuring. According to RBI’s recent financial stability report, the GNPA ratio to be ~8.1% (baseline scenario) by 2QFY23. However, its previous report had overestimated the GNPA ratio at 13.5% against the actual number of 6.9%. The lower actual numbers indicated the continued resilience of the banking system.

GNPA and NNPA trend



Source: RBI, LKP Research

Exhibit 15: GNPA & NNPA Bank Group wise: Last 4 Years

	FY18		FY19		FY20		FY21	
	GNPA %	NNPA %	GNPA %	NNPA %	GNPA %	NNPA %	GNPA %	NNPA %
PSBs	14.6	8.0	11.6	5.5	10.3	3.7	9.1	3.1
PVBs	4.6	2.4	5.3	2.8	5.5	1.5	4.9	1.4
FBs	3.8	0.4	3.0	0.5	2.3	0.5	2.4	0.7
SFBs	2.5	1.1	1.8	0.8	1.9	0.8	5.4	2.7
All SCBs	11.2	6.0	9.1	3.8	8.2	2.8	7.3	2.4

Source: RBI, LKP Research

Exhibit 16: GNPA Ratio (%) - Qtr

Banks	4Q FY19	1Q FY20	2Q FY20	3Q FY20	4Q FY20	1Q FY21	2Q FY21	3Q FY21	4Q FY21	1Q FY22	2Q FY22	3Q FY22
HDFC Bank	1.36	1.40	1.38	1.42	1.26	1.36	1.08	0.81	1.32	1.47	1.35	1.26
ICICI Bank	6.70	6.49	6.37	5.95	5.53	5.46	5.17	4.38	4.96	5.15	4.82	4.13
Axis Bank	5.26	5.25	5.03	5.00	4.86	4.72	4.18	3.44	3.70	3.85	3.53	3.17
Kotak Mahindra Bank	2.14	2.19	2.32	2.46	2.25	2.70	2.55	2.26	3.25	3.56	3.19	2.71
Indusind Bank	2.10	2.15	2.19	2.18	2.45	2.53	2.21	1.74	2.67	2.88	2.77	2.48
State Bank of India	7.53	7.53	7.19	6.94	6.15	5.44	5.28	4.77	4.98	5.32	4.90	4.50
Bank of Baroda	-	10.28	10.25	10.43	9.40	9.39	9.14	8.48	8.87	8.86	8.11	7.25
Indian Bank	-	7.30	7.20	7.20	6.90	10.90	9.90	9.00	9.90	9.70	9.56	9.13

Source: RBI, LKP Research

Exhibit 17: PCR (%) - Qtr

Banks	4Q FY19	1Q FY20	2Q FY20	3Q FY20	4Q FY20	1Q FY21	2Q FY21	3Q FY21	4Q FY21	1Q FY22	2Q FY22	3Q FY22
HDFC Bank	71	70	70	67	72	76	84	88	70	68	71	71
ICICI Bank	71	74	76	76	76	79	82	86	78	78	80	80
Axis Bank	62	62	62	60	69	75	77	79	72	70	70	72
Kotak Mahindra Bank	65	67	64	64	69	68	76	78	64	65	67	71
Indusind Bank	43	43	50	53	63	67	77	87	75	72	72	72
State Bank of India	62	61	63	64	65	67	71	75	71	68	70	71
Bank of Baroda	-	64	64	64	69	72	74	74	67	68	67	71
Indian Bank	-	49	53	53	56	68	72	76	68	66	68	72

Source: RBI, LKP Research

Exhibit 18: Restructured (% of book)

Banks	1Q FY22	2Q FY22	3Q FY22
HDFC Bank	0.80	1.70	1.39
ICICI Bank	0.66	1.27	1.19
Axis Bank	0.33	0.64	0.63
Kotak Mahindra Bank	0.25	0.54	0.54
Indusind Bank	2.70	3.60	3.30
State Bank of India	-	1.24	1.28
Bank of Baroda	-	2.95	2.97
Indian Bank	3.25	5.85	5.09

Source: RBI, LKP Research

Exhibit 19: COVID Provision (% of book)

Banks	1Q FY22	2Q FY22	3Q FY22
HDFC Bank	1.16	1.26	1.26
ICICI Bank	1.88	1.95	1.97
Axis Bank	2.04	2.09	2.03
Kotak Mahindra Bank	1.06	0.98	0.91
Indusind Bank	1.50	1.88	1.90
State Bank of India	1.23	1.14	1.17
Bank of Baroda	-	0.36	0.34

Source: RBI, LKP Research

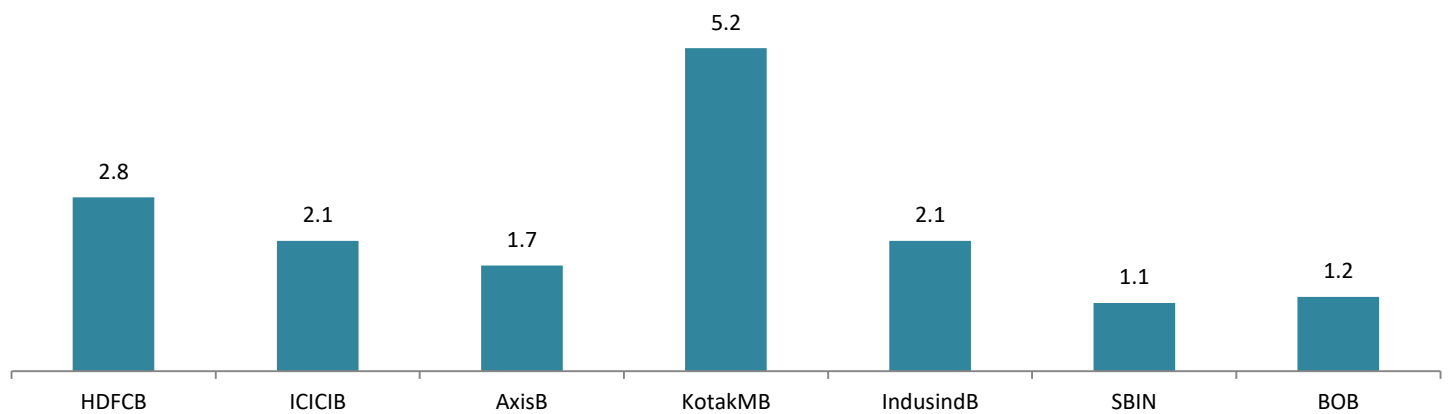
MSME stress was addressed by ECLGS; the real test to begin from 4QFY22 onwards.

In May-20, the Govt. launched ECLGS scheme for MSME sector to provide relief to the sector from COVID induced stress. According to State Bank of India survey, almost 1.4 million MSMEs accounts were saved due to ECLGS (including restructuring). Around 94% of such accounts are Micro and Small units. In absolute terms, MSME loan accounts worth ₹1.8tn (~14% of outstanding MSME credit) were saved from slipping into NPA during periods. Govt. has extended limit of ₹4.5tn for ECLGS, of which ₹2.9tn (~65%) has already been sanctioned by 3QFY22.

- ECLGS 1.0: In May 2020, 100% guarantee was provided for 20% extra credit to MSMEs and business enterprises with outstanding up to ₹0.5bn.
- ECLGS 2.0: In Nov 2020, the scheme was extended through 2.0 for 26 identified sectors by Kamath Committee and Health care sector up to March-21.
- ECLGS 3.0: In Mar 2021, the scheme was extended to business enterprise in Hospitality, Travel, Leisure and civil aviation. It involved extension of credit of up to 40% of total credit outstanding. The tenure of loans granted under ECLGS 3.0 shall be 6 years including moratorium period of 2 years.
- ECLGS 4.0: In ECLGS 4.0, some modification was done from previous scheme. Few credit lines were extended and caps were removed in aviation sector.

The ECLGS book will be fully tested by 4QFY22 onwards. KotakB ECLGS portfolio has been relatively stable sequentially at 5.2% which is highest among large private banks.

ECLGS loans as (% of loan)



Source: RBI, LKP Research

Lower credit cost to translate in return ratios' improvement.

Factoring, improving economic environment, upward trend in credit cycle and lower stress formation, we estimate the credit cost of banks under our coverage (especially large PVBs and PSBs) to go down meaningfully. Furthermore provision write-backs from contingent provision is likely to boost the bottom line growth. We estimate the large banks to post PAT growth of above 20% for FY23E. However, ICICIB may report comparatively lower PAT growth in FY23E owing to a substantially higher base in FY22. Credit cost of large banks are likely to be a range of 1.1% - 1.3% for FY23E because of high contingent buffer and probable write-backs. KotakB's credit cost (0.5%) is estimated to be lowest factoring lowest restructuring book (54bps v/s 260bps system level). We estimate FY23E ROA of ~2% for HDFCB, ICICIB and KotakB; where, AxisB and IndusindB are likely to report FY23E ROA of around 1.5%. Among PSBs' SBIs, BOB's, CanaraB's and IndianB's ROA to be above 1% (above historical levels).

Exhibit 20: Credit cost (as % of Op. AUM)

Banks	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
HDFC Bank	0.6	0.7	0.6	0.6	0.7	0.9	1.0	1.2	1.2	1.0	1.1	1.1
ICICI Bank	0.7	0.9	1.1	3.0	3.4	3.3	3.8	1.7	2.5	1.3	1.3	1.3
Axis Bank	0.7	0.7	0.8	1.4	3.3	4.4	2.3	2.6	2.1	1.2	1.1	0.9
Kotak Mahindra Bank	0.5	0.3	0.6	1.2	0.6	0.5	0.6	1.0	1.1	0.5	0.5	0.5
Indusind Bank	0.6	0.7	0.6	0.7	0.8	0.8	1.9	2.0	3.5	2.9	2.7	2.4
State Bank of India	1.3	1.4	1.5	2.1	2.4	4.3	2.8	2.0	1.8	0.9	0.9	0.9
Bank of Baroda	1.2	0.9	1.0	3.2	2.0	3.7	2.9	3.5	2.1	1.5	1.4	1.3
Indian Bank	-0.0	0.0	0.0	1.9	1.6	2.9	2.3	2.6	3.8	2.2	1.9	1.7

Source: RBI, LKP Research

Exhibit 21: PAT (YoY, %)

Banks	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
HDFC Bank	30	26	20	20	18	20	21	25	19	22	24	27
ICICI Bank	29	18	14	-13	1	-31	-50	136	104	56	16	19
Axis Bank	22	20	18	12	-55	-93	1,596	-65	305	117	22	23
Kotak Mahindra Bank	25	10	24	12	63	20	19	22	17	17	24	25
Indusind Bank	32	33	27	27	25	26	-8	34	-36	67	25	23
State Bank of India	20	-23	20	-24	5	-162	-113	1,580	41	92	28	24
Bank of Baroda	-11	1	-25	-259	-126	-276	-118	26	52	1,138	40	34
Indian Bank	-9	-27	-13	-29	98	-10	-74	134	299	18	75	46

Source: RBI, LKP Research

AXIS BANK

LKP

Axis Bank was little conservative, on growth front, compared to peers since the pandemic started. However, the previous quarter marks the manifestation of growth revival where the incremental credit growth (QoQ) was five times the previous quarter. Sequential deposit growth was highest among peers. The NIMs improvement has resulted in double digit sequential growth in NII (peer best in 3QFY22). The return ratios are coming on track and we believe the bank to post FY23E ROE of 14%. Additionally the restructuring (63bps of net loans) is significantly lower. Hence, the credit cost pressure is likely to moderate. We expect ROA/ROE of 1.4%/14% for FY23E. We value the standalone bank with PBV of 2.1x FY23E Adj. BVPS of ₹421 to arrive at a price target of ₹884. We recommend BUY rating with potential upside of 28% from current level.

Valuation Summary (%)	MRQ	FY22E	FY23E	FY24E
EPS (INR)	41.1	46.6	56.9	70.0
P/E (x)	16.8	14.8	12.1	9.9
Adj. BVPS (INR)	350.4	364.2	421.1	491.1
P/Adj. BVPS (x)	2.0	1.9	1.6	1.4

Key Financials (₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
NII	2,52,062	2,92,391	3,39,809	4,01,493	4,79,948
Operating Profit	2,34,381	2,57,022	2,68,874	3,11,075	3,64,021
Reported Profits	16,272	65,885	1,43,030	1,74,529	2,14,661
Net Worth	8,49,478	10,16,030	11,59,068	13,33,597	15,48,257
Loan & Advances	57,14,242	62,37,202	71,10,410	81,76,972	94,85,287
Int. Bearing Liabilities	78,80,591	85,01,792	1,01,03,250	1,15,74,465	1,34,00,427

Key Ratios (%)	FY20	FY21	FY22E	FY23E	FY24E
NIM's	3.2	3.4	3.4	3.4	3.6
C/I Ratio	42.5	41.7	46.2	45.7	45.2
Gross NPA Ratio	4.9	3.7	3.1	2.8	2.2
Tier 1 Ratio	14.6	17.1	15.1	15.2	15.3
Adj. RoA Ratio	0.2	0.7	1.3	1.4	1.5
Adj. RoE Ratio	2.1	7.1	13.2	14.0	14.9

Rating	Buy
Current Market Price (₹)	691
12 M Price Target (₹)	884
Potential upside (%)	28

Stock Data

Face Value (₹) :	2
Total Market Cap (₹ bn) :	2,121
Free Float Market Cap (₹ bn) :	1,780
52-Week High / Low (₹) :	867 / 627
2-Year High / Low (₹) :	867 / 286
1 Yr Avg. Dly Traded Volume (in lakh)	115
BSE Code / NSE Symbol	532215 / AXISBANK
Bloomberg :	AXSB: IN

Shareholding Pattern (%)

	Dec-21	Sep-21	Jun-21	Mar-21
Promoter	9.71	11.64	11.69	13.58
FPIs	47.44	51.38	52.49	51.43
MFs	22.59	19.61	18.67	17.73
Insurance	1.82	1.82	1.75	1.90
Others	18.44	15.55	15.40	15.36

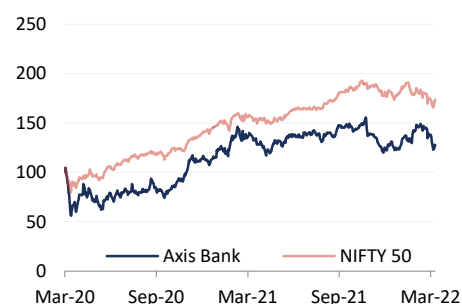
Source: BSE

Price Performance (%)

(%)	1M	3M	6M	1YR
Axis Bank	-14.0%	0.4%	-12.6%	-9.2%
Nifty 50	-4.3%	-5.0%	-4.3%	9.6%

* To date / current date : March 11, 2022

Axis Bank vs Nifty 50



First Cut Table

	2Q FY21	3Q FY21	4Q FY21	1Q FY22	2Q FY22	3Q FY22	QoQ % / bps	YoY % / bps
Gross Advances	64,14,746	63,94,738	68,41,849	67,40,200	68,40,966	73,50,533	7.4	14.9
Gross NPA	2,68,136	2,19,979	2,53,148	2,59,498	2,41,486	2,33,012	(3.5)	5.9
Gross NPA Ratio (%)	4.18	3.44	3.70	3.85	3.53	3.17	(36)	(27)
PCR - Calculated (%)	77.2	79.0	72.4	69.8	70.2	72.0	186	(700)
PCR - Inc. Tech w/o (%)	88.00	87.00	88.00	87.00	88.00	89.00	100	200
Net Advances	62,32,531	62,29,500	66,60,495	65,38,733	66,66,639	71,57,198	7.4	14.9
Net NPA	61,079	46,098	69,935	78,465	72,000	65,131	(9.5)	41.3
Net NPAs Ratio (%)	0.98	0.74	1.05	1.20	1.08	0.91	(17)	17
Reported Profits	16,827	11,166	26,771	21,602	31,333	36,142	15.3	223.7
RoA (%)	0.73	0.48	1.11	0.86	1.19	1.30	11	82

Source: LKP Research

Profit & Loss Statement

(₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
Int. Income	6,26,352	6,36,453	6,79,803	8,03,343	9,39,205
Interest Expenses	3,74,290	3,44,062	3,39,994	4,01,850	4,59,257
Net Interest Income	2,52,062	2,92,391	3,39,809	4,01,493	4,79,948
<i>NIM (%)</i>	3.23	3.37	3.39	3.45	3.61
Other Income - Total	1,55,366	1,48,382	1,59,543	1,71,556	1,84,485
Net Operating Revenue	4,07,428	4,40,773	4,99,353	5,73,049	6,64,434
Employee Exp.	53,210	61,640	76,619	88,111	1,02,209
Other Opex	1,19,836	1,22,111	1,53,860	1,73,862	1,98,203
Total Opex	1,73,046	1,83,751	2,30,479	2,61,974	3,00,412
<i>C/I Ratio</i>	42.47	41.69	46.16	45.72	45.21
Pre Provision Profits	2,34,381	2,57,022	2,68,874	3,11,075	3,64,021
<i>PPP Growth (yoy %)</i>	23.3	9.7	4.6	15.7	17.0
Provisions & Contingencies - Total	1,85,339	1,68,963	77,657	77,748	77,042
<i>Credit Cost (As % of Op. AUM)</i>	2.57	2.14	1.20	1.05	0.90
Profit Before Tax	49,042	88,059	1,91,217	2,33,327	2,86,979
Tax	32,770	22,174	48,187	58,798	72,319
<i>Effective Tax Rate</i>	66.8	25.2	25.2	25.2	25.2
Reported Profits	16,272	65,885	1,43,030	1,74,529	2,14,661
<i>PAT Growth (yoy %)</i>	(65.2)	304.9	117.1	22.0	23.0

Source: Company, LKP Research

Balance Sheet

(₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
Equity Share Capital	5,643	6,127	6,135	6,135	6,135
Reserves (ex Revel. Reserve)	8,43,835	10,09,903	11,52,933	13,27,461	15,42,122
Net Worth - Ex Revaluation	8,49,478	10,16,030	11,59,068	13,33,597	15,48,257
Deposits	64,01,049	70,73,061	81,83,633	95,48,934	1,13,90,363
Borrowings	14,79,541	14,28,732	19,19,618	20,25,531	20,10,064
Interest Bearing Liabilities	78,80,591	85,01,792	1,01,03,250	1,15,74,465	1,34,00,427
Other Lia. & Prov.	4,21,579	4,43,362	7,36,418	6,82,930	3,98,919
Total Liabilities	91,51,648	99,61,184	1,19,98,737	1,35,90,991	1,53,47,603
Assets					
Cash & Cash Equivalent	9,72,683	6,17,298	10,81,675	12,27,471	14,08,423
Investments	15,67,343	22,61,196	27,23,002	29,81,859	33,18,554
Loan & Advances	57,14,242	62,37,202	71,10,410	81,76,972	94,85,287
<i>Growth (yoy %)</i>	<i>15.5</i>	<i>9.2</i>	<i>14.0</i>	<i>15.0</i>	<i>16.0</i>
Fixed Assets	43,129	42,450	2,00,308	2,33,014	66,496
Other Assets	8,54,252	8,03,038	8,83,341	9,71,676	10,68,843
Total Assets	91,51,648	99,61,184	1,19,98,737	1,35,90,991	1,53,47,603

Source: Company, LKP Research

Per share data

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
Face Value	2	2	2	2	2
Adjusted Share O/S (mn)	2,822	3,064	3,068	3,068	3,068
Earnings Per Share	5.8	21.5	46.6	56.9	70.0
<i>EPS (% YoY)</i>	<i>(68.3)</i>	<i>272.9</i>	<i>116.8</i>	<i>22.0</i>	<i>23.0</i>
<i>P/E (x)</i>	<i>119.8</i>	<i>32.1</i>	<i>14.8</i>	<i>12.1</i>	<i>9.9</i>
Book Value	301.1	331.6	377.8	434.7	504.7
<i>BVPS (% YoY)</i>	<i>16.1</i>	<i>10.2</i>	<i>13.9</i>	<i>15.1</i>	<i>16.1</i>
<i>P/BV (x)</i>	<i>2.3</i>	<i>2.1</i>	<i>1.8</i>	<i>1.6</i>	<i>1.4</i>
Adj. BV	301.1	331.6	364.2	421.1	491.1
<i>Adj. BV (% YoY)</i>	<i>16.1</i>	<i>10.2</i>	<i>9.8</i>	<i>15.6</i>	<i>16.6</i>
<i>P/ABV (x)</i>	<i>2.3</i>	<i>2.1</i>	<i>1.9</i>	<i>1.6</i>	<i>1.4</i>

Source: Company, LKP Research

Detail RoA Tree Analysis (%)

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
Yields / Margins					
Yield on Advance	9.1	8.0	7.4	7.6	7.8
Yield on Funds	8.0	7.3	6.8	6.9	7.1
Cost of Funds (CoF)	5.0	4.2	3.7	3.7	3.7
Interest Spread	3.0	3.1	3.1	3.2	3.4
NIM's	3.2	3.4	3.4	3.4	3.6
Interest Income / Assets	7.3	6.7	6.2	6.3	6.5
Interest Exp. / Assets	4.4	3.6	3.1	3.1	3.2
NII / Assets	2.9	3.1	3.1	3.1	3.3
Fee Income / Assets	1.1	1.0	0.9	0.8	0.8
Other Non Core Income / Assets	-	-	-	-	-
Other Income / Assets	1.8	1.6	1.5	1.3	1.3
Net Operating Income / Assets	4.7	4.6	4.5	4.5	4.6
Operating Ratios					
NII to Net Operative Income	61.9	66.3	68.0	70.1	72.2
Other Income to Net Operative Income	38.1	33.7	32.0	29.9	27.8
Empl. Cost/Oper. Exps.	30.7	33.5	33.2	33.6	34.0
Other Op. Exps./Oper. Exps.	69.3	66.5	66.8	66.4	66.0
C/I Ratio	42.5	41.7	46.2	45.7	45.2
Provisions as % PPP	45.5	38.3	15.6	13.6	11.6
Credit Cost (As % of Op. AUM)	2.6	2.1	1.2	1.1	0.9
Effective Tax Rate	66.8	25.2	25.2	25.2	25.2
Employee Exp. / Assets	0.6	0.6	0.7	0.7	0.7
Other Opex/ Assets	1.4	1.3	1.4	1.4	1.4
Total Opex / Assets	2.0	1.9	2.1	2.0	2.1
Operating Profits / Assets	2.7	2.7	2.4	2.4	2.5
Exceptional Items / Assets	-	-	-	-	-
Op Profit ex Except Items / Assets	2.7	2.7	2.4	2.4	2.5
Provisions / Assets	2.2	1.8	0.7	0.6	0.5
Profit Before Tax / Assets	0.6	0.9	1.7	1.8	2.0
Tax Expenses / Assets	0.4	0.2	0.4	0.5	0.5
RoA	0.2	0.7	1.3	1.4	1.5
Leverage (x)	10.8	9.8	10.4	10.2	9.9
RoE	2.1	7.1	13.2	14.0	14.9

Source: Company, LKP Research

Balance Sheet Ratios

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
<i>Credit / Deposit Ratio</i>	89.3	88.2	86.9	85.6	83.3
<i>Incremental C/D Ratio</i>	83.6	77.8	78.6	78.1	71.0
<i>Investment Deposit Ratio</i>	24.5	32.0	33.3	31.2	29.1
<i>Dom. SLR Investment / Deposits</i>	19.2	25.6	27.7	26.3	24.9
<i>CASA Ratio</i>	41.5	45.1	46.0	46.0	46.0

Source: Company, LKP Research

Credit Quality

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
<i>Slippage Ratio</i>	4.0	3.0	3.2	2.8	2.3
Gross NPA (Cl Bal)	3,02,338	2,53,148	2,23,060	2,26,941	2,06,803
<i>Gross NPAs Ratio (%)</i>	4.9	3.7	3.1	2.8	2.2
<i>PCR (%)</i>	69.0	72.4	71.0	68.1	61.6
Net NPA (Cl. Bal.)	93,604	69,935	64,644	72,291	79,401
<i>Net NPAs Ratio (%)</i>	1.6	1.1	0.9	0.9	0.8
Total Impaired Loans	3,02,338	2,53,148	2,23,060	2,26,941	2,06,803
<i>Impaired Loan as % of Loan / AUM</i>	5.1	3.8	3.0	2.6	2.1
Total Risk Reserves	2,08,767	1,83,246	1,58,416	1,54,650	1,27,402
<i>Total Risk As % of Loan Book</i>	3.5	2.8	2.1	1.8	1.3

Source: Company, LKP Research

HDFC BANK

LKP

HDFC Bank has been showing strong trend on asset quality metrics with superior business growth. However, there is further scope in margin improvement. The bank is maintaining the credit share against system but facing tough competition from likes of ICICI Bank. The banks' GNPA/NNPA ratio are lowest at 1.26%/0.37%. The lower restructuring (139bps of loan) and satisfactory additional provision buffer (126bps of loan) makes the bank resilient. The bank is expected to outperform the sector led by 1) healthy growth in operating income, 2) much higher provision than regulatory requirement in the balance sheet, 3) strong capital cushion of 17.4% at CET1 level and d) best in class underwriting and risk management practices. Given these strengths we expect HDFC Bank to remain one of the best among all the lending business. Thus, we continue to maintain BUY rating on the bank with target price of ₹2039 (based on 4x FY23E Price to Adjusted Book Value).

Valuation Summary (%)	MRQ	FY22E	FY23E	FY24E
EPS (INR)	63.9	68.5	85.3	108.1
P/E (x)	21.8	20.4	16.4	12.9
Adj. BVPS (INR)	410.1	424.5	509.7	617.8
P/Adj. BVPS (x)	3.4	3.3	2.7	2.3

Key Financials (₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
NII	5,61,863	6,48,796	7,26,256	8,76,996	10,60,475
Operating Profit	4,87,495	5,73,618	6,55,060	8,15,152	10,15,384
Reported Profits	2,62,573	3,11,165	3,79,809	4,72,704	5,99,048
Net Worth	17,09,860	20,37,208	24,17,047	28,89,751	34,88,799
Loan & Advances	99,37,029	1,13,28,366	1,33,10,830	1,59,72,996	1,93,27,326
Int. Bearing Liabilities	1,29,21,308	1,47,05,475	1,71,26,143	2,00,73,554	2,38,12,464

Key Ratios (%)	FY20	FY21	FY22E	FY23E	FY24E
NIM's	4.2	4.1	4.0	4.1	4.2
C/I Ratio	38.6	36.3	36.3	34.3	32.3
Gross NPA Ratio	1.3	1.3	1.3	1.1	1.1
Tier 1 Ratio	18.1	18.4	14.6	14.7	14.8
Adj. RoA Ratio	1.9	1.9	2.0	2.1	2.3
Adj. RoE Ratio	16.4	16.6	17.1	17.8	18.8

Rating	Buy
Current Market Price (₹)	1,397
12 M Price Target (₹)	2,039
Potential upside (%)	46

Stock Data

Face Value (₹) :	1
Total Market Cap (₹ bn) :	7,739
Free Float Market Cap (₹ bn) :	6,115
52-Week High / Low (₹) :	1,725 / 1,292
2-Year High / Low (₹) :	1725 / 739
1 Yr Avg. Dly Traded Volume (in lakh)	75
BSE Code / NSE Symbol	500180 / HDFCBANK
Bloomberg :	HDFCB:IN

Shareholding Pattern (%)

	Dec-21	Sep-21	Jun-21	Mar-21
Promoter	25.80	25.83	25.89	25.97
FPIs	37.47	38.23	39.39	39.79
MFs	14.98	14.54	13.70	12.98
Insurance	2.89	2.94	3.48	3.62
Others	18.86	18.46	17.54	17.64

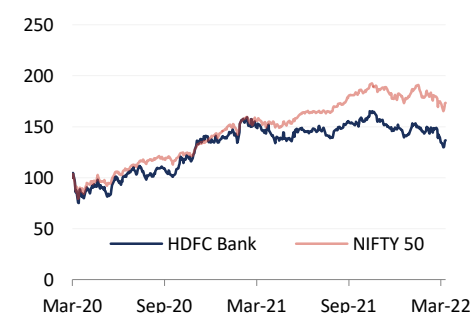
Source: BSE

Price Performance (%)

	1M	3M	6M	1YR
HDFC Bank	-8.0%	-8.3%	-11.0%	-10.2%
Nifty 50	-4.3%	-5.0%	-4.3%	9.6%

* To date / current date : March 11, 2022

HDFC Bank vs Nifty 50



First Cut Table

	2Q FY21	3Q FY21	4Q FY21	1Q FY22	2Q FY22	3Q FY22	QoQ % / bps	YoY % / bps
Gross Advances	1,04,67,222	1,08,95,753	1,14,28,788	1,16,31,639	1,21,08,200	1,27,09,167	5.0	16.6
Gross NPA	1,13,046	88,256	1,50,860	1,70,985	1,63,461	1,60,136	(2.0)	81.4
Gross NPA Ratio (%)	1.08	0.81	1.32	1.47	1.35	1.26	(9)	45
PCR - Calculated (%)	84.5	88.5	69.8	67.9	70.9	70.8	(11)	(1,769)
PCR - Inc. Tech w/o (%)	84.47	88.49	69.81	67.92	70.91	70.79	(11)	(1,769)
Net Advances	1,03,29,882	1,12,88,778	1,13,87,050	1,14,28,750	1,18,87,725	1,26,39,919	6.3	12.0
Net NPA	17,561	10,160	45,548	54,858	47,551	46,768	(1.6)	360.3
Net NPAs Ratio (%)	0.17	0.09	0.40	0.48	0.40	0.37	(3)	28
Reported Profits	75,131	87,583	81,865	77,296	88,343	1,03,422	17.1	18.1
RoA (%)	1.92	2.20	2.00	1.80	2.00	2.24	24	4

Source: LKP Research

Profit & Loss Statement

(₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
Int. Income	11,48,127	12,08,582	12,85,134	15,26,561	18,25,558
Interest Expenses	5,86,264	5,59,787	5,58,878	6,49,564	7,65,083
Net Interest Income	5,61,863	6,48,796	7,26,256	8,76,996	10,60,475
<i>NIM (%)</i>	4.22	4.10	3.98	4.12	4.21
Other Income - Total	2,32,608	2,52,049	3,01,887	3,63,593	4,40,131
Net Operating Revenue	7,94,471	9,00,845	10,28,143	12,40,590	15,00,606
Employee Exp.	95,257	1,03,648	1,20,439	1,39,950	1,62,622
Other Opex	2,11,719	2,23,578	2,52,644	2,85,487	3,22,601
Total Opex	3,06,975	3,27,226	3,73,082	4,25,437	4,85,222
<i>C/I Ratio</i>	38.64	36.32	36.29	34.29	32.34
Pre Provision Profits	4,87,495	5,73,618	6,55,060	8,15,152	10,15,384
<i>PPP Growth (yoy %)</i>	22.6	17.7	14.2	24.4	24.6
Provisions & Contingencies - Total	1,21,424	1,57,029	1,47,972	1,84,038	2,15,587
<i>Credit Cost (As % of Op. AUM)</i>	1.21	1.24	0.99	1.10	1.10
Profit Before Tax	3,66,072	4,16,590	5,07,088	6,31,114	7,99,797
Tax	1,03,498	1,05,425	1,27,279	1,58,410	2,00,749
<i>Effective Tax Rate</i>	28.3	25.3	25.1	25.1	25.1
Reported Profits	2,62,573	3,11,165	3,79,809	4,72,704	5,99,048
<i>PAT Growth (yoy %)</i>	24.6	18.5	22.1	24.5	26.7

Source: Company, LKP Research

Balance Sheet

(₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
Equity Share Capital	5,483	5,513	5,542	5,542	5,542
Reserves (ex Revel. Reserve)	17,04,377	20,31,696	24,11,504	28,84,209	34,83,256
Net Worth - Ex Revaluation	17,09,860	20,37,208	24,17,047	28,89,751	34,88,799
Deposits	1,14,75,023	1,33,50,602	1,54,13,529	1,82,66,934	2,19,07,467
Borrowings	14,46,285	13,54,873	17,12,614	18,06,620	19,04,997
Interest Bearing Liabilities	1,29,21,308	1,47,05,475	1,71,26,143	2,00,73,554	2,38,12,464
Other Lia. & Prov.	6,73,944	7,26,022	8,36,473	9,43,000	10,24,622
Total Liabilities	1,53,05,113	1,74,68,705	2,03,79,663	2,39,06,305	2,83,25,885
Assets					
Cash & Cash Equivalent	8,66,187	11,94,704	16,10,787	19,00,507	22,63,703
Investments	39,18,267	44,37,283	45,86,807	51,43,744	58,24,935
Loan & Advances	99,37,029	1,13,28,366	1,33,10,830	1,59,72,996	1,93,27,326
Growth (yoy %)	21.3	14.0	17.5	20.0	21.0
Fixed Assets	44,319	49,093	58,350	68,041	80,693
Other Assets	5,39,311	4,59,259	8,12,888	8,21,017	8,29,227
Total Assets	1,53,05,113	1,74,68,705	2,03,79,663	2,39,06,305	2,83,25,885

Source: Company, LKP Research

Per share data

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
Face Value	1	1	1	1	1
Adjusted Share O/S - For Calculation	5,483	5,513	5,542	5,542	5,542
Earnings Per Share	47.9	56.4	68.5	85.3	108.1
EPS (% YoY)	23.7	17.9	21.4	24.5	26.7
P/E (x)	29.2	24.7	20.4	16.4	12.9
Book Value	311.8	369.5	436.1	521.4	629.5
BVPS (% YoY)	13.8	18.5	18.0	19.6	20.7
P/BV (x)	4.5	3.8	3.2	2.7	2.2
Adj. BV	308.6	365.4	424.5	509.7	617.8
Adj. BV (% YoY)	13.9	18.4	16.2	20.1	21.2
P/ABV (x)	4.5	3.8	3.3	2.7	2.3

Source: Company, LKP Research

Detail RoA Tree Analysis (%)

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
Yields / Margins					
Yield on Advance	10.1	8.9	8.8	8.9	8.9
Yield on Funds	8.6	7.6	7.0	7.2	7.2
Cost of Funds (CoF)	5.0	4.1	3.5	3.5	3.5
Interest Spread	3.6	3.6	3.5	3.7	3.8
NIM's	4.2	4.1	4.0	4.1	4.2
Interest Income / Assets	8.3	7.4	6.8	6.9	7.0
Interest Exp. / Assets	4.2	3.4	3.0	2.9	2.9
NII / Assets	4.0	4.0	3.8	4.0	4.1
Fee Income / Assets	1.2	1.0	1.1	1.2	1.2
Other Non Core Income / Assets	0.1	0.2	0.2	0.2	0.2
Other Income / Assets	1.7	1.5	1.6	1.6	1.7
Net Operating Income / Assets	5.7	5.5	5.4	5.6	5.7
Operating Ratios					
NII to Net Operative Income	70.7	72.0	70.6	70.7	70.7
Other Income to Net Operative Income	29.3	28.0	29.4	29.3	29.3
Empl. Cost/Oper. Exps.	31.0	31.7	32.3	32.9	33.5
Other Op. Exps./Oper. Exps.	69.0	68.3	67.7	67.1	66.5
C/I Ratio	38.6	36.3	36.3	34.3	32.3
Provisions as % PPP	15.3	17.4	14.4	14.8	14.4
Credit Cost (As % of Op. AUM)	1.2	1.2	1.0	1.1	1.1
Effective Tax Rate	28.3	25.3	25.1	25.1	25.1
Employee Exp. / Assets	0.7	0.6	0.6	0.6	0.6
Other Opex/ Assets	1.5	1.4	1.3	1.3	1.2
Total Opex / Assets	2.2	2.0	2.0	1.9	1.9
Operating Profits / Assets	3.5	3.5	3.5	3.7	3.9
Exceptional Items / Assets	-	-	-	-	-
Op Profit ex Except Items / Assets	3.5	3.5	3.5	3.7	3.9
Provisions / Assets	0.9	1.0	0.8	0.8	0.8
Profit Before Tax / Assets	2.6	2.5	2.7	2.9	3.1
Tax Expenses / Assets	0.7	0.6	0.7	0.7	0.8
RoA	1.9	1.9	2.0	2.1	2.3
Leverage (x)	9.0	8.6	8.4	8.3	8.1
RoE	16.4	16.6	17.1	17.8	18.8

Source: Company, LKP Research

Balance Sheet Ratios

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
<i>Credit / Deposit Ratio</i>	86.6	84.9	86.4	87.4	88.2
<i>Incremental C/D Ratio</i>	77.7	74.2	96.1	93.3	92.1
<i>Investment Deposit Ratio</i>	34.1	33.2	29.8	28.2	26.6
<i>Dom. SLR Investment / Deposits</i>	28.3	26.4	23.8	23.1	22.3
<i>CASA Ratio</i>	42.5	46.3	47.0	47.0	47.0

Source: Company, LKP Research

Credit Quality

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
<i>Slippage Ratio</i>	2.1	1.6	1.9	1.6	1.3
Gross NPA (Cl Bal)	1,26,500	1,50,860	1,66,416	1,82,711	2,15,461
<i>Gross NPAs Ratio (%)</i>	1.3	1.3	1.3	1.1	1.1
<i>PCR (%)</i>	72.0	69.8	72.0	71.7	72.7
Net NPA (Cl. Bal.)	35,424	45,548	46,521	51,707	58,818
<i>Net NPAs Ratio (%)</i>	0.4	0.4	0.3	0.3	0.3
Total Impaired Loans	1,26,500	1,50,860	1,66,416	1,82,711	2,15,461
<i>Impaired Loan as % of Loan / AUM</i>	1.2	1.2	1.2	1.1	1.1
Total Risk Reserves	91,076	1,05,312	1,19,896	1,31,004	1,56,643
<i>Total Risk As % of Loan Book</i>	0.9	0.9	0.8	0.8	0.8

Source: Company, LKP Research

ICICI Bank is preparing for sustainable and prudent growth led by tech-driven initiatives and normalization in credit cost. The bank's credit growth is consistently higher than peers. We expect the loan book to grow at a CAGR of ~20% for next three years. Credit quality is improving with lower slippages and recoveries from legacy loans. We expect the bank's GNPA/PCR of 3.5%/81% by FY23E. An ample covid buffer (1.97% of loan) to safeguard the balance sheet with significantly lower credit cost in FY22E and consequent fiscal years. We expect its loan book to grow at CAGR of 20% over FY21-23E, led by technology initiatives. The credit cost normalization is underway. We estimate return ratio ROA/ROE of 1.9% and 15.8% in FY22E. We value the standalone entity with 3.3x FY23E BVPS (₹278) and investment in subsidiaries and JVs (₹127 per share); we arrive at a target price of ₹1045. We recommend BUY rating with a potential upside of 54%.

Valuation Summary (%)	MRQ	FY22E	FY23E	FY24E
EPS (INR)	32.0	36.3	42.1	49.9
P/E (x)	21.2	18.7	16.1	13.6
Adj. BVPS (INR)	229.2	236.2	278.3	328.2
P/Adj. BVPS (x)	3.0	2.9	2.4	2.1

Key Financials (₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
NII	3,32,671	3,89,894	4,75,191	5,64,501	6,83,706
Operating Profit	2,81,013	3,63,971	4,25,366	4,94,381	5,87,755
Reported Profits	79,308	1,61,927	2,52,340	2,92,150	3,46,588
Net Worth	11,33,861	14,44,125	16,96,519	19,88,670	23,35,257
Loan & Advances	64,52,900	73,37,291	86,58,003	1,03,89,604	1,25,71,421
Int. Bearing Liabilities	93,38,658	1,02,41,531	1,20,38,714	1,40,90,145	1,65,01,693

Key Ratios (%)	FY20	FY21	FY22E	FY23E	FY24E
NIM's	3.5	3.6	3.8	3.8	4.0
C/I Ratio	43.5	37.2	38.6	39.3	39.5
Gross NPA Ratio	5.5	5.0	4.1	3.5	2.8
Tier 1 Ratio	16.0	19.5	14.1	14.1	13.8
Adj. RoA Ratio	0.8	1.4	1.9	1.9	1.9
Adj. RoE Ratio	7.1	12.3	15.8	15.6	15.8

Rating	Buy
Current Market Price (₹)	678
12 M Price Target (₹)	1,045
Potential upside (%)	54

Stock Data

Face Value (₹) :	2
Total Market Cap (₹ bn) :	4,710
Free Float Market Cap (₹ bn) :	4,710
52-Week High / Low (₹) :	867 / 531
2-Year High / Low (₹) :	867 / 268
1 Yr Avg. Dly Traded Volume (in lakh)	166
BSE Code / NSE Symbol	532174 / ICICIBANK
Bloomberg :	ICICIB:IN

Shareholding Pattern (%)

	Dec-21	Sep-21	Jun-21	Mar-21
FPIs	45.28	47.29	48.01	47.78
MFs	28.20	27.21	26.26	26.07
Insurance	12.66	12.38	12.56	12.85
Others	13.86	13.12	13.17	13.30

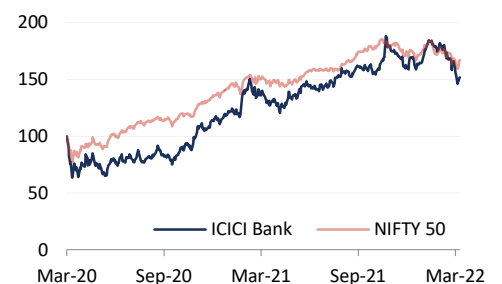
Source: BSE

Price Performance (%)

	1M	3M	6M	1YR
ICICI Bank	-14.3%	-10.6%	-5.9%	8.4%
Nifty 50	-4.3%	-5.0%	-4.3%	9.6%

* To date / current date : March 11, 2022

ICICI Bank vs Nifty 50



First Cut Table

	2Q FY21	3Q FY21	4Q FY21	1Q FY22	2Q FY22	3Q FY22	QoQ % / bps	YoY % / bps
Gross Advances	75,41,429	79,59,002	83,41,415	83,78,307	85,96,973	89,71,608	4.4	12.7
Gross NPA	3,89,892	3,48,604	4,13,734	4,31,483	4,14,374	3,70,527	(10.6)	6.3
Gross NPA Ratio (%)	5.17	4.38	4.96	5.15	4.82	4.13	(69)	(25)
PCR - Calculated (%)	81.6	86.1	77.8	78.4	80.3	80.2	(13)	(588)
PCR - Inc. Tech w/o (%)	81.50	86.00	77.70	78.20	80.10	79.90	(20)	(610)
Net Advances	71,87,510	77,15,159	80,52,825	80,22,267	82,43,475	86,39,859	4.8	12.0
Net NPA	71,875	48,606	91,802	93,058	81,610	73,439	(10.0)	51.1
Net NPAs Ratio (%)	1.00	0.63	1.14	1.16	0.99	0.85	(14)	22
Reported Profits	42,513	49,396	44,026	46,160	55,109	61,938	12.4	25.4
RoA (%)	1.50	1.70	1.51	1.54	1.79	1.90	11	20

Source: LKP Research

Profit & Loss Statement

(₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
Int. Income / Opr. Revenue	7,47,983	7,91,183	8,62,207	10,27,315	12,25,571
Interest Expenses	4,15,313	4,01,288	3,87,016	4,62,814	5,41,866
Net Interest Income	3,32,671	3,89,894	4,75,191	5,64,501	6,83,706
<i>NIM (%)</i>	3.52	3.61	3.78	3.83	3.98
Other Income - Total	1,64,486	1,89,685	2,17,768	2,50,018	2,87,057
Net Operating Revenue	4,97,157	5,79,580	6,92,959	8,14,519	9,70,762
Employee Exp.	82,712	80,918	97,344	1,15,839	1,37,849
Other Opex	1,33,432	1,34,691	1,70,249	2,04,299	2,45,158
Total Opex	2,16,144	2,15,608	2,67,593	3,20,138	3,83,007
<i>C/I Ratio (%)</i>	43.48	37.20	38.62	39.30	39.45
Pre Provision Profits	2,81,013	3,63,971	4,25,366	4,94,381	5,87,755
<i>PPP Growth (yoy %)</i>	19.9	29.5	16.9	16.2	18.9
Provisions & Contingencies - Total	1,40,532	1,62,144	94,646	1,11,484	1,33,511
<i>Credit Cost (As % of Op. AUM)</i>	1.71	2.54	1.25	1.25	1.25
Profit Before Tax	1,40,480	2,01,827	3,30,720	3,82,897	4,54,244
Tax	61,172	39,900	78,381	90,747	1,07,656
<i>Effective Tax Rate (%)</i>	43.5	19.8	23.7	23.7	23.7
Reported Profits	79,308	1,61,927	2,52,340	2,92,150	3,46,588
<i>PAT Growth (yoy %)</i>	135.8	104.2	55.8	15.8	18.6

Source: Company, LKP Research

Balance Sheet

(₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
Equity Share Capital	12,948	13,834	13,889	13,889	13,889
Reserves (ex Revel. Reserve)	11,20,913	14,30,291	16,82,630	19,74,781	23,21,369
Net Worth - Ex Revaluation	11,33,861	14,44,125	16,96,519	19,88,670	23,35,257
Deposits	77,09,690	93,25,222	1,07,14,455	1,25,40,229	1,46,86,507
Borrowings	16,28,968	9,16,310	13,24,259	15,49,916	18,15,186
Interest Bearing Liabilities (₹ mn)	93,38,658	1,02,41,531	1,20,38,714	1,40,90,145	1,65,01,693
Other Lia. & Prov.	4,79,950	5,87,704	8,10,547	7,14,258	7,03,184
Total Liabilities	1,09,83,651	1,23,04,327	1,45,73,720	1,68,24,072	1,95,74,638
Assets					
Cash & Cash Equivalent	11,91,557	13,31,283	20,85,731	21,83,797	22,69,790
Investments	24,95,315	28,12,865	29,29,391	32,59,126	36,41,368
Loan & Advances (₹ mn)	64,52,900	73,37,291	86,58,003	1,03,89,604	1,25,71,421
Growth (yoy %)	10.0	13.7	18.0	20.0	21.0
Fixed Assets	84,103	88,776	93,072	1,03,270	1,14,956
Other Assets	7,59,777	7,34,112	8,07,523	8,88,276	9,77,103
Total Assets	1,09,83,652	1,23,04,327	1,45,73,720	1,68,24,072	1,95,74,638

Source: Company, LKP Research

Per share data

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
Face Value (₹)	2	2	2	2	2
Adjusted Share O/S (mn)	6,474	6,917	6,944	6,944	6,944
Earnings Per Share (₹)	12.3	23.4	36.3	42.1	49.9
EPS (% YoY)	134.9	91.1	55.2	15.8	18.6
P/E (x)	55.3	29.0	18.7	16.1	13.6
Book Value (₹)	175.1	208.8	244.3	286.4	336.3
BVPS (% YoY)	7.2	19.2	17.0	17.2	17.4
P/BV (x)	3.9	3.2	2.8	2.4	2.0
Adj. BV (₹)	167.5	202.2	236.2	278.3	328.2
Adj. BV (% YoY)	9.5	20.7	16.8	17.8	17.9
P/ABV (x)	4.0	3.4	2.9	2.4	2.1

Source: Company, LKP Research

Detail RoA Tree Analysis (%)

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
Yields / Margins					
Yield on Advance	9.3	8.3	8.0	8.1	8.2
Yield on Funds	7.9	7.3	6.9	7.0	7.1
Cost of Funds (CoF)	4.7	4.1	3.5	3.5	3.5
Interest Spread	3.2	3.2	3.4	3.4	3.6
NIM's	3.5	3.6	3.8	3.8	4.0
Interest Income / Assets	7.3	6.8	6.4	6.5	6.7
Interest Exp. / Assets	4.0	3.4	2.9	2.9	3.0
NII / Assets	3.2	3.3	3.5	3.6	3.8
Fee Income / Assets	1.1	0.9	0.9	0.9	0.9
Other Non Core Income / Assets	0.3	0.6	0.6	0.6	0.6
Other Income / Assets	1.6	1.6	1.6	1.6	1.6
Net Operating Income / Assets	4.8	5.0	5.2	5.2	5.3
Operating Ratios					
NII to Net Operative Income	66.9	67.3	68.6	69.3	70.4
Other Income to Net Operative Income	33.1	32.7	31.4	30.7	29.6
Empl. Cost/Oper. Exps.	38.3	37.5	36.4	36.2	36.0
Other Op. Exps./Oper. Exps.	61.7	62.5	63.6	63.8	64.0
C/I Ratio (%)	43.5	37.2	38.6	39.3	39.5
Provisions as % PPP	28.3	28.0	13.7	13.7	13.8
Credit Cost (As % of Op. AUM)	1.7	2.5	1.3	1.3	1.3
Effective Tax Rate (%)	43.5	19.8	23.7	23.7	23.7
Employee Exp. / Assets	0.8	0.7	0.7	0.7	0.8
Other Opex/ Assets	1.3	1.2	1.3	1.3	1.3
Total Opex / Assets	2.1	1.9	2.0	2.0	2.1
Operating Profits / Assets	2.7	3.1	3.2	3.1	3.2
Exceptional Items / Assets	-	-	-	-	-
Op Profit ex Except Items / Assets	2.7	3.1	3.2	3.1	3.2
Provisions / Assets	1.4	1.4	0.7	0.7	0.7
Profit Before Tax / Assets	1.4	1.7	2.5	2.4	2.5
Tax Expenses / Assets	0.6	0.3	0.6	0.6	0.6
RoA	0.8	1.4	1.9	1.9	1.9
Leverage (x)	9.7	8.5	8.6	8.5	8.4
RoE	7.1	12.3	15.8	15.6	15.8

Source: Company, LKP Research

Balance Sheet Ratios

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
<i>Credit / Deposit Ratio</i>	83.7	78.7	80.8	82.9	85.6
<i>Incremental C/D Ratio</i>	49.7	54.7	95.1	94.8	101.7
<i>Investment Deposit Ratio</i>	32.4	30.2	27.3	26.0	24.8
<i>Dom. SLR Investment / Deposits</i>	24.7	23.1	21.3	20.9	20.5
<i>CASA Ratio</i>	45.5	46.7	47.0	47.0	47.0

Source: Company, LKP Research

Credit Quality

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
<i>Slippage Ratio (%)</i>	2.4	2.5	2.8	2.3	1.9
Gross NPA	4,08,291	4,08,414	3,56,626	3,68,500	3,55,303
<i>Gross NPAs Ratio (%)</i>	5.5	5.0	4.1	3.5	2.8
<i>PCR (%)</i>	75.7	77.7	79.7	80.8	78.0
Net NPA	99,232	91,177	72,548	70,758	78,307
<i>Net NPAs Ratio (%)</i>	1.5	1.2	0.8	0.7	0.6
Total Impaired Loans	4,08,291	4,08,414	3,56,626	3,68,500	3,55,303
<i>Impaired Loan as % of Loan / AUM</i>	5.9	5.3	4.0	3.4	2.8
Total Risk Reserves	3,09,058	3,17,238	2,84,078	2,97,742	2,76,996
<i>Total Risk As % of Loan Book</i>	4.5	4.1	3.1	2.8	2.1

Source: Company, LKP Research

INDUSIND BANK

LKP

Indusind Bank's transition from Romesh Sobti to Sumit Kathpalia boded well. During pandemic the business growth was stable. Margins were better owing to fixed rate auto loan book. However, the bank has witnessed some asset quality hiccups. The restructured book (~3.3% of net loans) stood marginally higher. Nonetheless, the lower SMA1/SMA2 (25bps/59bps) showing lower stress formation. The contingent buffer (1.9% of loans) seems adequate factoring 10-20% relapse from CV/2W loans and 30%-40% from micro loans. Furthermore, the bank has 95% coverage of micro NPAs. We are expecting a loan growth of ~14% in FY23E and credit cost of 150bps (management guidance). Hence, the profit is likely to grow at ~25% for FY23E. Core operating performance of the Indusind bank remains healthy. A higher PCR is likely to safeguard the bank from credit disruption from various restructure scheme. We recommend BUY with price target of ₹1061 (based on 1.6x FY23E Adj. BVPS of ₹663).

Valuation Summary (%)	MRQ	FY22E	FY23E	FY24E
EPS (INR)	59.5	61.0	76.4	94.0
P/E (x)	15.2	14.8	11.8	9.6
Adj. BVPS (INR)	591.2	586.7	663.0	757.1
P/Adj. BVPS (x)	1.5	1.5	1.4	1.2

Key Financials (₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
NII	1,20,587	1,35,279	1,51,145	1,71,951	1,95,838
Operating Profit	1,07,727	1,17,267	1,30,339	1,47,915	1,68,072
Reported Profits	44,179	28,364	47,279	59,148	72,845
Net Worth	3,37,036	4,30,464	4,77,754	5,36,903	6,09,748
Loan & Advances	20,67,832	21,25,954	23,70,439	26,66,744	30,26,754
Int. Bearing Liabilities	26,27,934	30,75,278	34,00,692	37,67,743	42,25,356

Key Ratios (%)	FY20	FY21	FY22E	FY23E	FY24E
NIM's	4.4	4.4	4.2	4.3	4.4
C/I Ratio	43.3	41.6	42.1	42.0	41.9
Gross NPA Ratio	2.5	2.7	2.4	1.9	1.4
Tier 1 Ratio	14.6	16.8	16.6	16.8	16.9
Adj. RoA Ratio	1.5	0.8	1.2	1.4	1.5
Adj. RoE Ratio	14.6	7.3	10.3	11.6	12.6

Rating	Buy
Current Market Price (₹)	902
12 M Price Target (₹)	1,061
Potential upside (%)	18

Stock Data

Face Value (₹) :	10
Total Market Cap (₹ bn) :	697
Free Float Market Cap (₹ bn) :	587
52-Week High / Low (₹) :	1,242 / 811
2-Year High / Low (₹) :	1242 / 236
1 Yr Avg. Dly Traded Volume (in lakh)	54
BSE Code / NSE Symbol	532187 / INDUSINDBK
Bloomberg :	IIB:IN

Shareholding Pattern (%)

	Dec-21	Sep-21	Jun-21	Mar-21
Promoter	16.53	16.54	16.54	16.55
FPIs	47.65	51.44	52.05	50.91
MFs	12.05	10.22	9.81	10.40
Insurance	8.02	8.42	7.82	7.59
Others	15.75	13.38	13.78	14.55

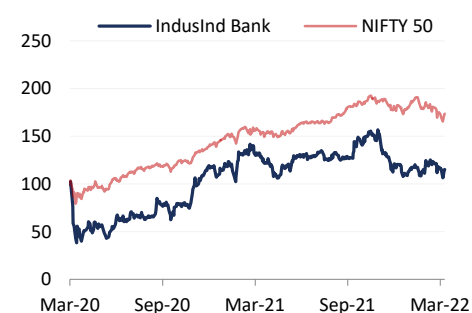
Source: BSE

Price Performance (%)

(%)	1M	3M	6M	1YR
Indusind Bank	-8.2%	-4.6%	-9.8%	-13.3%
Nifty 50	-4.3%	-5.0%	-4.3%	9.6%

* To date / current date : March 11, 2022

Indusind Bank vs Nifty 50



First Cut Table

	2Q FY21	3Q FY21	4Q FY21	1Q FY22	2Q FY22	3Q FY22	QoQ % / bps	YoY % / bps
Gross Advances	20,50,747	20,98,080	21,70,408	21,47,833	22,54,527	23,30,351	3.4	11.1
Gross NPA	45,322	36,507	57,950	61,858	62,450	57,793	(7.5)	58.3
Gross NPA Ratio (%)	2.21	1.74	2.67	2.88	2.77	2.48	(29)	74
PCR - Calculated (%)	76.7	87.3	74.5	71.6	71.6	71.7	10	(1,554)
PCR - Inc. Tech w/o (%)	77.00	87.00	75.00	72.00	72.00	72.00	-	(1,500)
Net Advances	20,30,404	21,10,045	21,39,957	20,94,750	22,14,188	23,00,296	3.9	9.0
Net NPA	10,558	4,642	14,766	17,596	17,714	16,332	(7.8)	251.8
Net NPAs Ratio (%)	0.52	0.22	0.69	0.84	0.80	0.71	(9)	49
Reported Profits	6,470	8,528	8,760	9,750	11,135	11,613	4.3	36.2
RoA (%)	0.83	1.07	1.03	1.12	1.26	1.26	-	19

Source: LKP Research

Profit & Loss Statement

(₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
Interest Income	2,87,828	2,89,998	3,08,849	3,47,874	3,93,993
Interest Expenses	1,67,241	1,54,719	1,57,704	1,75,923	1,98,155
Net Interest Income	1,20,587	1,35,279	1,51,145	1,71,951	1,95,838
<i>NIM (%)</i>	4.44	4.35	4.21	4.31	4.40
Other Income - Total	69,513	65,586	73,831	83,115	93,568
Net Operating Revenue	1,90,101	2,00,865	2,24,977	2,55,066	2,89,405
Employee Exp.	22,085	22,135	24,570	27,273	30,273
Other Opex	60,289	61,463	70,068	79,878	91,060
Total Opex	82,373	83,598	94,638	1,07,150	1,21,333
<i>C/I Ratio</i>	43.33	41.62	42.07	42.01	41.92
Pre Provision Profits	1,07,727	1,17,267	1,30,339	1,47,915	1,68,072
<i>PPP Growth (yoy %)</i>	33.2	8.9	11.1	13.5	13.6
Provisions & Contingencies - Total	46,521	79,425	67,384	69,156	71,075
<i>Credit Cost (As % of Op. AUM)</i>	1.95	3.55	2.90	2.65	2.40
Profit Before Tax	61,206	37,841	62,954	78,759	96,997
Tax	17,027	9,478	15,676	19,611	24,152
<i>Effective Tax Rate</i>	27.8	25.0	24.9	24.9	24.9
Reported Profits	44,179	28,364	47,279	59,148	72,845
<i>PAT Growth (yoy %)</i>	33.8	(35.8)	66.7	25.1	23.2

Source: Company, LKP Research

Balance Sheet

(₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
Equity Share Capital	6,935	7,734	7,746	7,746	7,746
Reserves (ex Revel. Reserve)	3,30,101	4,22,730	4,70,009	5,29,157	6,02,002
Net Worth - Ex Revaluation	3,37,036	4,30,464	4,77,754	5,36,903	6,09,748
Deposits	20,20,398	25,62,050	29,24,595	32,40,259	36,33,806
Borrowings	6,07,535	5,13,228	4,76,097	5,27,484	5,91,550
Interest Bearing Liabilities	26,27,934	30,75,278	34,00,692	37,67,743	42,25,356
Other Lia. & Prov.	95,577	1,20,796	1,59,626	1,24,002	1,42,885
Total Liabilities	30,70,576	36,29,727	40,40,399	44,31,227	49,80,865
Assets					
Cash & Cash Equivalent	1,60,037	5,63,272	6,58,279	6,67,285	7,54,266
Investments	5,99,799	6,96,947	7,64,224	8,45,282	9,43,068
Loan & Advances	20,67,832	21,25,954	23,70,439	26,66,744	30,26,754
Growth (yoy %)	10.9	2.8	11.5	12.5	13.5
Fixed Assets	18,201	18,094	19,743	21,924	24,484
Other Assets	2,24,707	2,25,461	2,27,715	2,29,992	2,32,292
Total Assets	30,70,576	36,29,727	40,40,399	44,31,227	49,80,865

Source: Company, LKP Research

Per share data

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
Face Value	10	10	10	10	10
Adjusted Share O/S - For Calculation	694	773	775	775	775
Earnings Per Share	63.7	36.7	61.0	76.4	94.0
EPS (% YoY)	16.3	(42.4)	66.4	25.1	23.2
P/E (x)	14.2	24.6	14.8	11.8	9.6
Book Value	486.0	556.6	616.8	693.2	787.2
BVPS (% YoY)	11.2	14.5	10.8	12.4	13.6
P/BV (x)	1.9	1.6	1.5	1.3	1.1
Adj. BV	486.0	547.1	586.7	663.0	757.1
Adj. BV (% YoY)	11.2	12.6	7.2	13.0	14.2
P/ABV (x)	1.9	1.6	1.5	1.4	1.2

Source: Company, LKP Research

Detail RoA Tree Analysis (%)

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
Yields / Margins					
Yield on Advance	12.2	11.5	11.0	11.1	11.2
Yield on Funds	10.6	9.3	8.6	8.7	8.9
Cost of Funds (CoF)	6.6	5.4	4.9	4.9	5.0
Interest Spread	4.0	3.9	3.7	3.8	3.9
NIM's	4.4	4.4	4.2	4.3	4.4
Interest Income / Assets	9.8	8.7	8.1	8.2	8.4
Interest Exp. / Assets	5.7	4.6	4.1	4.2	4.2
NII / Assets	4.1	4.0	3.9	4.1	4.2
Fee Income / Assets	2.0	1.1	1.1	1.1	1.1
Other Non Core Income / Assets	-	-	-	-	-
Other Income / Assets	2.4	2.0	1.9	2.0	2.0
Net Operating Income / Assets	6.5	6.0	5.9	6.0	6.1
Operating Ratios					
NII to Net Operative Income	63.4	67.3	67.2	67.4	67.7
Other Income to Net Operative Income	36.6	32.7	32.8	32.6	32.3
Empl. Cost/Oper. Exps.	26.8	26.5	26.0	25.5	25.0
Other Op. Exps./Oper. Exps.	73.2	73.5	74.0	74.5	75.0
C/I Ratio	43.3	41.6	42.1	42.0	41.9
Provisions as % PPP	24.5	39.5	30.0	27.1	24.6
Credit Cost (As % of Op. AUM)	2.0	3.5	2.9	2.7	2.4
Effective Tax Rate	27.8	25.0	24.9	24.9	24.9
Employee Exp. / Assets	0.8	0.7	0.6	0.6	0.6
Other Opex/ Assets	2.1	1.8	1.8	1.9	1.9
Total Opex / Assets	2.8	2.5	2.5	2.5	2.6
Operating Profits / Assets	3.7	3.5	3.4	3.5	3.6
Exceptional Items / Assets	-	-	-	-	-
Op Profit ex Except Items / Assets	3.7	3.5	3.4	3.5	3.6
Provisions / Assets	1.6	2.4	1.8	1.6	1.5
Profit Before Tax / Assets	2.1	1.1	1.6	1.9	2.1
Tax Expenses / Assets	0.6	0.3	0.4	0.5	0.5
RoA	1.5	0.8	1.2	1.4	1.5
Leverage (x)	9.1	8.4	8.5	8.3	8.2
RoE	14.6	7.3	10.3	11.6	12.6

Source: Company, LKP Research

Balance Sheet Ratios

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
<i>Credit / Deposit Ratio</i>	102.3	83.0	81.1	82.3	83.3
<i>Incremental C/D Ratio</i>	284.3	10.7	67.4	93.9	91.5
<i>Investment Deposit Ratio</i>	29.7	27.2	26.1	26.1	26.0
<i>Dom. SLR Investment / Deposits</i>	26.0	25.3	24.4	24.5	24.4
<i>CASA Ratio</i>	40.4	41.8	42.0	42.0	42.0

Source: Company, LKP Research

Credit Quality

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
<i>Slippage Ratio</i>	3.1	3.7	4.8	4.0	3.6
<i>Gross NPA (Cl Bal)</i>	51,467	57,950	57,952	50,495	42,788
<i>Gross NPAs Ratio (%)</i>	2.5	2.7	2.4	1.9	1.4
<i>PCR (%)</i>	63.3	74.5	71.5	73.1	70.1
<i>Net NPA (Cl. Bal.)</i>	18,866	14,766	16,541	13,601	12,807
<i>Net NPAs Ratio (%)</i>	0.9	0.7	0.7	0.5	0.4
<i>Total Impaired Loans</i>	51,467	57,950	57,952	50,495	42,788
<i>Impaired Loan as % of Loan / AUM</i>	2.5	2.7	2.4	1.9	1.4
<i>Total Risk Reserves</i>	32,602	43,184	41,411	36,894	29,980
<i>Total Risk As % of Loan Book</i>	1.6	2.0	1.7	1.4	1.0

Source: Company, LKP Research

KOTAK MAHINDRA BANK

LKP

Historically, Kotak Mahindra Bank has outperformed the peers with growth and superlative credit quality. Since the pandemic started, the bank has witnessed risk – aversion and business growth was lower, nevertheless asset quality was intact. The previous quarters are showing growth restoration and we believe the bank to sustain the growth for FY23E/FY24E. We expect KotakB's loan book to grow at CAGR of ~22% over FY21-23E. At CMP of ₹1763, the stock is available at 4.6(x) standalone FY23E Adj. BVPS of Rs404. Valuing the standalone entity with 5.8x FY23E BVPS and subsidiaries valuation at Rs75; we arrive at a target price of ₹2419. We recommend BUY rating with a potential upside of 37%.

Valuation Summary (%)	MRQ	FY22E	FY23E	FY24E
EPS (INR)	37.8	41.0	51.0	63.4
P/E (x)	46.6	43.0	34.6	27.8
Adj. BVPS (INR)	343.3	353.3	404.3	467.7
P/Adj. BVPS (x)	5.1	5.0	4.4	3.8

Key Financials (₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
NII	1,34,997	1,53,396	1,70,181	2,03,017	2,44,831
Operating Profit	1,00,208	1,22,147	1,20,965	1,48,553	1,84,609
Reported Profits	59,472	69,648	81,429	1,01,097	1,25,869
Net Worth	4,85,153	6,32,270	7,13,709	8,14,806	9,40,675
Loan & Advances	21,97,482	22,36,886	27,11,106	33,07,549	40,68,286
Int. Bearing Liabilities	30,13,138	30,42,507	35,30,661	41,08,812	48,43,068

Key Ratios (%)	FY20	FY21	FY22E	FY23E	FY24E
NIM's	4.2	4.3	4.3	4.4	4.5
C/I Ratio	46.9	41.3	47.9	45.8	43.3
Gross NPA Ratio	2.3	3.3	2.6	2.2	1.7
Tier 1 Ratio	19.2	22.6	16.3	16.0	15.7
Adj. RoA Ratio	1.8	1.9	2.0	2.1	2.3
Adj. RoE Ratio	13.1	12.5	12.1	13.2	14.3

Rating	Buy
Current Market Price (₹)	1,763
12 M Price Target (₹)	2,419
Potential upside (%)	37

Stock Data

Face Value (₹) :	5
Total Market Cap (₹ bn) :	3,494
Free Float Market Cap (₹ bn) :	2,588
52-Week High / Low (₹) :	2,253 / 1,626
2-Year High / Low (₹) :	2,253 / 1,001
1 Yr Avg. Dly Traded Volume (in lakh)	35
BSE Code / NSE Symbol	500247 / KOTAKBANK
Bloomberg :	KMB:IN

Shareholding Pattern (%)

	Dec-21	Sep-21	Jun-21	Mar-21
Promoter	25.99	26.00	26.00	26.02
FPIs	42.06	42.58	42.77	44.23
MFs	8.51	8.27	8.39	8.03
Insurance	6.67	6.71	5.97	5.27
Others	16.77	16.44	16.87	16.45

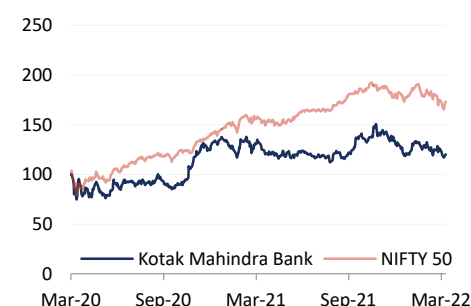
Source: BSE

Price Performance (%)

(%)	1M	3M	6M	1YR
Kotak Bank	-3.6%	-7.1%	-3.0%	-10.2%
Nifty 50	-4.3%	-5.0%	-4.3%	9.6%

* To date / current date : March 11, 2022

Kotak Mahindra Bank vs Nifty 50



First Cut Table

	2Q FY21	3Q FY21	4Q FY21	1Q FY22	2Q FY22	3Q FY22	QoQ % / bps	YoY % / bps
Gross Advances	20,92,529	21,80,549	22,84,772	22,28,025	24,00,614	25,76,679	7.3	18.2
Gross NPA	53,360	49,280	74,255	79,318	76,580	69,828	(8.8)	41.7
Gross NPA Ratio (%)	2.55	2.26	3.25	3.56	3.19	2.71	(48)	45
PCR - Calculated (%)	75.6	78.4	63.6	64.8	67.5	71.3	384	(710)
PCR - Inc. Tech w/o (%)	75.60	78.40	63.60	64.80	67.00	71.00	400	(740)
Net Advances	20,37,156	21,28,040	22,35,678	21,81,477	23,50,415	25,36,114	7.9	19.2
Net NPA	13,038	10,640	27,052	27,923	24,914	20,035	(19.6)	88.3
Net NPAs Ratio (%)	0.64	0.50	1.21	1.28	1.06	0.79	(27)	29
Reported Profits	21,845	18,535	16,824	16,419	20,320	21,314	4.9	15.0
RoA (%)	2.36	1.96	1.72	1.72	2.08	2.04	(4)	8

Source: LKP Research

Profit & Loss Statement

(₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
Int. Income	2,69,296	2,68,403	2,74,394	3,24,318	3,86,911
Interest Expenses	1,34,299	1,15,006	1,04,212	1,21,300	1,42,081
Net Interest Income	1,34,997	1,53,396	1,70,181	2,03,017	2,44,831
<i>NIM (%)</i>	4.16	4.28	4.28	4.40	4.54
Other Income - Total	53,721	54,592	62,008	70,861	81,035
Net Operating Revenue	1,88,718	2,07,988	2,32,189	2,73,878	3,25,866
Employee Exp.	39,111	37,654	46,653	53,651	61,699
Other Opex	49,398	48,187	64,571	71,674	79,558
Total Opex	88,509	85,841	1,11,224	1,25,325	1,41,257
<i>C/I Ratio (%)</i>	46.90	41.27	47.90	45.76	43.35
Pre Provision Profits	1,00,208	1,22,147	1,20,965	1,48,553	1,84,609
<i>PPP Growth (yoy %)</i>	20.0	21.9	(1.0)	22.8	24.3
Provisions & Contingencies - Total	22,162	29,117	12,248	13,577	16,560
<i>Credit Cost (As % of Op. AUM)</i>	1.03	1.14	0.50	0.50	0.50
Profit Before Tax	78,047	93,030	1,08,717	1,34,976	1,68,049
Tax	18,575	23,382	27,288	33,879	42,180
<i>Effective Tax Rate (%)</i>	23.8	25.1	25.1	25.1	25.1
Reported Profits	59,472	69,648	81,429	1,01,097	1,25,869
<i>PAT Growth (yoy %)</i>	22.2	17.1	16.9	24.2	24.5

Source: Company, LKP Research

Balance Sheet

(₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
Equity Share Capital	9,565	9,909	9,920	9,920	9,920
Reserves (ex Revel. Reserve)	4,75,588	6,22,361	7,03,789	8,04,886	9,30,755
Net Worth - Ex Revaluation	4,85,153	6,32,270	7,13,709	8,14,806	9,40,675
Deposits	26,28,205	28,01,000	32,12,901	37,59,563	44,31,408
Borrowings	3,79,933	2,36,506	3,12,759	3,44,249	4,06,661
Interest Bearing Liabilities (₹ mn)	30,13,138	30,42,507	35,30,661	41,08,812	48,43,068
Other Lia. & Prov.	1,04,197	1,60,088	1,85,716	2,12,174	2,45,671
Total Liabilities	36,02,517	38,34,886	44,30,107	51,35,814	60,29,436
Assets					
Cash & Cash Equivalent	5,32,923	3,96,265	4,90,696	5,69,878	6,70,440
Investments	7,50,515	10,50,992	10,63,477	10,76,127	10,88,943
Loan & Advances (₹ mn)	21,97,482	22,36,886	27,11,106	33,07,549	40,68,286
Growth (yoy %)	6.8	1.8	21.2	22.0	23.0
Fixed Assets	16,231	15,353	15,899	18,438	21,562
Other Assets	1,05,365	1,35,390	1,48,929	1,63,822	1,80,204
Total Assets	36,02,517	38,34,886	44,30,107	51,35,814	60,29,436

Source: Company, LKP Research

Per share data

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
Face Value (₹)	5	5	5	5	5
Adjusted Share O/S (mn)	1,913	1,982	1,984	1,984	1,984
Earnings Per Share (₹)	31.1	35.1	41.0	51.0	63.4
EPS (% YoY)	22.0	13.0	16.8	24.2	24.5
P/E (x)	56.7	50.2	43.0	34.6	27.8
Book Value (₹)	253.6	319.0	359.8	410.7	474.2
BVPS (% YoY)	14.2	25.8	12.8	14.2	15.4
P/BV (x)	7.0	5.5	4.9	4.3	3.7
Adj. BV (₹)	249.5	312.2	353.3	404.3	467.7
Adj. BV (% YoY)	14.4	25.1	13.2	14.4	15.7
P/ABV (x)	7.1	5.6	5.0	4.4	3.8

Source: Company, LKP Research

Detail RoA Tree Analysis (%)

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
Yields / Margins					
Yield on Advance	9.9	8.4	7.4	7.6	7.8
Yield on Funds	8.3	7.5	6.9	7.0	7.2
Cost of Funds (CoF)	4.8	3.8	3.2	3.2	3.2
Interest Spread	3.5	3.7	3.7	3.9	4.0
NIM's	4.2	4.3	4.3	4.4	4.5
Interest Income / Assets	8.0	7.2	6.6	6.8	6.9
Interest Exp. / Assets	4.0	3.1	2.5	2.5	2.5
NII / Assets	4.0	4.1	4.1	4.2	4.4
Fee Income / Assets	1.1	0.9	0.9	0.9	0.9
Other Non Core Income / Assets	0.2	0.1	0.1	0.1	0.1
Other Income / Assets	1.6	1.5	1.5	1.5	1.5
Net Operating Income / Assets	5.6	5.6	5.6	5.7	5.8
Operating Ratios					
NII to Net Operative Income	71.5	73.8	73.3	74.1	75.1
Other Income to Net Operative Income	28.5	26.2	26.7	25.9	24.9
Empl. Cost/Oper. Exps.	44.2	43.9	41.9	42.8	43.7
Other Op. Exps./Oper. Exps.	55.8	56.1	58.1	57.2	56.3
C/I Ratio (%)	46.9	41.3	47.9	45.8	43.3
Provisions as % PPP	11.7	14.0	5.3	5.0	5.1
Credit Cost (As % of Op. AUM)	1.0	1.1	0.5	0.5	0.5
Effective Tax Rate (%)	23.8	25.1	25.1	25.1	25.1
Employee Exp. / Assets	1.2	1.0	1.1	1.1	1.1
Other Opex/ Assets	1.5	1.3	1.6	1.5	1.4
Total Opex / Assets	2.6	2.3	2.7	2.6	2.5
Operating Profits / Assets	3.0	3.3	2.9	3.1	3.3
Exceptional Items / Assets	-	-	-	-	-
Op Profit ex Except Items / Assets	3.0	3.3	2.9	3.1	3.3
Provisions / Assets	0.7	0.8	0.3	0.3	0.3
Profit Before Tax / Assets	2.3	2.5	2.6	2.8	3.0
Tax Expenses / Assets	0.6	0.6	0.7	0.7	0.8
RoA	1.8	1.9	2.0	2.1	2.3
Leverage (x)	7.4	6.1	6.2	6.3	6.4
RoE	13.1	12.5	12.1	13.2	14.3

Source: Company, LKP Research

Balance Sheet Ratios

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
<i>Credit / Deposit Ratio</i>	83.6	79.9	84.4	88.0	91.8
<i>Incremental C/D Ratio</i>	38.0	22.8	115.1	109.1	113.2
<i>Investment Deposit Ratio</i>	28.6	37.5	33.1	28.6	24.6
<i>Dom. SLR Investment / Deposits</i>	23.4	30.5	26.9	23.2	19.9
<i>CASA Ratio</i>	56.2	60.5	60.5	60.5	60.5

Source: Company, LKP Research

Credit Quality

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
<i>Slippage Ratio (%)</i>	1.7	2.5	1.9	1.6	1.3
Gross NPA	50,269	74,255	69,668	72,471	68,436
<i>Gross NPAs Ratio (%)</i>	2.3	3.3	2.6	2.2	1.7
<i>PCR (%)</i>	69.0	63.6	71.1	70.5	65.7
Net NPA	15,579	27,052	20,162	21,398	23,468
<i>Net NPAs Ratio (%)</i>	0.7	1.2	0.7	0.6	0.6
Total Impaired Loans	50,269	74,255	69,668	72,471	68,436
<i>Impaired Loan as % of Loan / AUM</i>	2.2	3.1	2.4	2.1	1.6
Total Risk Reserves	34,690	47,203	49,506	51,073	44,968
<i>Total Risk As % of Loan Book</i>	1.5	2.0	1.7	1.5	1.1

Source: Company, LKP Research

BANK OF BARODA

LKP

Bank of Baroda has been growing at a stable pace driven by aggressive marketing and utilizing the digital era. Taking advantage of lower interest rate scenario and higher CASA, the NII growth (17%) was more than credit growth. Factoring lower NNPA (2.3%), we estimate the credit cost to normalize further. Restructuring pool stood ~3% of book with provision coverage (ex. PCR) of ~0.35% of book. It seems adequate factoring 10-20% relapse rate. We believe the negatives are in price and risk rewards remain attractive with an inexpensive valuation (0.6x PBV). We expect the bank to post a ROA/ROE of 1%/15% by FY23E led by strong balance sheet growth along with higher PCR and steady asset quality. We value the standalone bank with PBV of 0.8x FY23E Adj. BVPS of ₹171 to reach a price target of ₹136. We recommend BUY rating with potential upside of 31%.

Valuation Summary (%)	MRQ	FY22E	FY23E	FY24E
EPS (INR)	16.8	19.8	27.8	37.3
P/E (x)	6.2	5.3	3.8	2.8
Adj. BVPS (INR)	144.0	142.7	170.5	207.8
P/Adj. BVPS (x)	0.7	0.7	0.6	0.5

Key Financials (₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
NII	2,74,513	2,88,090	3,37,668	3,99,628	4,74,325
Operating Profit	1,96,914	2,06,298	2,55,465	3,15,237	3,86,381
Reported Profits	5,469	8,290	1,02,643	1,43,938	1,93,016
Net Worth	6,57,767	7,18,686	8,21,329	9,65,267	11,58,283
Loan & Advances	69,01,207	70,63,005	77,12,802	84,84,082	94,17,331
Int. Bearing Liabilities	1,03,90,537	1,03,38,449	1,08,62,356	1,19,48,024	1,32,72,837

Key Ratios (%)	FY20	FY21	FY22E	FY23E	FY24E
NIM's	3.0	2.6	3.0	3.2	3.4
C/I Ratio	47.9	49.9	46.1	42.6	39.5
Gross NPA Ratio	9.4	8.9	7.2	5.4	4.0
Tier 1 Ratio	9.4	13.4	10.8	11.3	12.0
Adj. RoA Ratio	0.1	0.1	0.8	1.1	1.3
Adj. RoE Ratio	0.9	1.1	12.5	15.1	17.2

Rating	Buy
Current Market Price (₹)	104
12 M Price Target (₹)	136
Potential upside (%)	31

Stock Data

Face Value (₹) :	2
Total Market Cap (₹ bn) :	539
Free Float Market Cap (₹ bn) :	194
52-Week High / Low (₹) :	119 / 62
2-Year High / Low (₹) :	119 / 36
1 Yr Avg. Dly Traded Volume (in lakh)	502
BSE Code / NSE Symbol	532134 / BANKBARODA
Bloomberg :	BOB:IN

Shareholding Pattern (%)

	Dec-21	Sep-21	Jun-21	Mar-21
GOI	63.97	63.97	63.97	63.97
FPIs	7.37	7.82	7.87	6.89
MFs	9.52	8.75	9.21	9.20
Insurance	4.92	5.75	5.00	6.32
Others	14.22	13.71	13.95	13.62

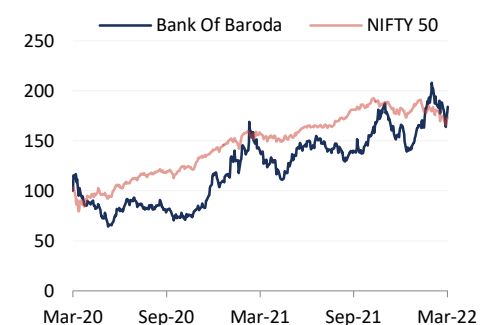
Source: BSE

Price Performance (%)

(%)	1M	3M	6M	1YR
Bank Of Baroda	-8.1%	10.8%	31.8%	30.5%
Nifty 50	-4.3%	-5.0%	-4.3%	9.6%

* To date / current date : March 11, 2022

Bank of Baroda vs Nifty 50



First Cut Table

	2Q FY21	3Q FY21	4Q FY21	1Q FY22	2Q FY22	3Q FY22	QoQ % / bps	YoY % / bps
Gross Advances	71,87,966	74,50,654	75,16,459	71,13,858	73,37,092	77,23,692	5.3	3.7
Gross NPA	6,56,980	6,31,816	6,66,710	6,30,288	5,95,038	5,59,968	(5.9)	(11.4)
Gross NPA Ratio (%)	9.14	8.48	8.87	8.86	8.11	7.25	(86)	(123)
PCR - Calculated (%)	74.4	73.6	67.3	67.9	67.1	70.6	354	(302)
PCR - Inc. Tech w/o (%)	85.35	85.46	81.80	83.14	83.42	85.95	253	49
Net Advances	66,91,207	69,73,937	70,54,977	66,86,459	69,26,378	73,17,747	5.7	4.9
Net NPA	1,67,949	1,66,677	2,17,999	2,02,600	1,96,017	1,64,649	(16.0)	(1.2)
Net NPAs Ratio (%)	2.51	2.39	3.09	3.03	2.83	2.25	(58)	(14)
Reported Profits	16,786	10,611	(10,465)	12,086	20,879	21,970	5.2	107.1
RoA (%)	0.59	0.37	(0.36)	0.42	0.73	0.74	1	37

Source: LKP Research

Profit & Loss Statement

(₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
Int. Income / Opr. Revenue	7,59,837	7,04,951	7,16,001	8,11,344	9,22,280
Interest Expenses	4,85,324	4,16,860	3,78,333	4,11,716	4,47,955
Net Interest Income	2,74,513	2,88,090	3,37,668	3,99,628	4,74,325
NIM (%)	3.01	2.65	2.96	3.19	3.42
Other Income - Total	1,03,173	1,23,644	1,36,009	1,49,610	1,64,571
Net Operating Revenue	3,77,686	4,11,735	4,73,676	5,49,238	6,38,895
Employee Exp.	87,695	1,14,455	1,23,955	1,36,351	1,51,349
Other Opex	93,077	90,981	94,257	97,650	1,01,165
Total Opex	1,80,772	2,05,437	2,18,212	2,34,000	2,52,514
C/I Ratio (%)	47.86	49.90	46.07	42.60	39.52
Pre Provision Profits	1,96,914	2,06,298	2,55,465	3,15,237	3,86,381
PPP Growth (yoy %)	46.0	4.8	23.8	23.4	22.6
Provisions & Contingencies - Total	2,14,928	1,50,738	1,15,815	1,19,403	1,23,774
Credit Cost (As % of Op. AUM)	3.52	2.14	1.50	1.40	1.30
Profit Before Tax	(18,014)	55,560	1,39,650	1,95,834	2,62,607
Tax	(23,483)	47,271	37,007	51,896	69,591
Effective Tax Rate (%)	130.4	85.1	26.5	26.5	26.5
Reported Profits	5,469	8,290	1,02,643	1,43,938	1,93,016
PAT Growth (yoy %)	26.2	51.6	1,138.2	40.2	34.1

Source: Company, LKP Research

Balance Sheet

(₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
Equity Share Capital	9,254	10,355	10,355	10,355	10,355
Reserves (ex Revel. Reserve)	6,48,513	7,08,331	8,10,974	9,54,912	11,47,928
Net Worth - Ex Revaluation	6,57,767	7,18,686	8,21,329	9,65,267	11,58,283
Deposits	94,59,844	96,69,969	1,01,60,001	1,11,95,298	1,24,49,921
Borrowings	9,30,693	6,68,479	7,02,355	7,52,726	8,22,916
Interest Bearing Liabilities (₹ mn)	1,03,90,537	1,03,38,449	1,08,62,356	1,19,48,024	1,32,72,837
Other Lia. & Prov.	4,70,056	4,44,742	9,03,041	9,26,762	9,38,354
Total Liabilities	1,15,79,155	1,15,53,648	1,26,41,022	1,38,99,715	1,54,35,513
Assets					
Cash & Cash Equivalent	12,19,011	12,04,128	13,72,150	15,21,204	16,91,703
Investments	27,46,146	26,12,203	28,42,199	31,28,163	34,96,429
Loan & Advances (₹ mn)	69,01,207	70,63,005	77,12,802	84,84,082	94,17,331
Growth (yoy %)	47.2	2.3	9.2	10.0	11.0
Fixed Assets	88,893	80,162	84,073	92,382	1,02,256
Other Assets	6,23,898	5,94,149	6,29,798	6,73,884	7,27,795
Total Assets	1,15,79,155	1,15,53,648	1,26,41,022	1,38,99,715	1,54,35,513

Source: Company, LKP Research

Per share data

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
Face Value (₹)	2	2	2	2	2
Adjusted Share O/S (mn)	4,627	5,178	5,178	5,178	5,178
Earnings Per Share (₹)	1.2	1.6	19.8	27.8	37.3
EPS (% YoY)	44.6	35.5	1,138.2	40.2	34.1
P/E (x)	88.3	65.2	5.3	3.8	2.8
Book Value (₹)	142.2	138.8	158.6	186.4	223.7
BVPS (% YoY)	82.0	(2.4)	14.3	17.5	20.0
P/BV (x)	0.7	0.8	0.7	0.6	0.5
Adj. BV (₹)	118.8	117.8	142.7	170.5	207.8
Adj. BV (% YoY)	87.5	(0.9)	21.2	19.5	21.9
P/ABV (x)	0.9	0.9	0.7	0.6	0.5

Source: Company, LKP Research

Detail RoA Tree Analysis (%)

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
Yields / Margins					
Yield on Advance	9.3	7.2	6.9	7.2	7.4
Yield on Funds	8.3	6.5	6.3	6.5	6.6
Cost of Funds (CoF)	5.6	4.0	3.6	3.6	3.6
Interest Spread	2.8	2.5	2.7	2.9	3.1
NIM's	3.0	2.6	3.0	3.2	3.4
Interest Income / Assets	7.8	6.1	5.9	6.1	6.3
Interest Exp. / Assets	5.0	3.6	3.1	3.1	3.1
NII / Assets	2.8	2.5	2.8	3.0	3.2
Fee Income / Assets	0.7	0.7	0.7	0.7	0.7
Other Non Core Income / Assets	0.3	0.3	0.3	0.3	0.3
Other Income / Assets	1.1	1.1	1.1	1.1	1.1
Net Operating Income / Assets	3.9	3.6	3.9	4.1	4.4
Operating Ratios					
NII to Net Operative Income	72.7	70.0	71.3	72.8	74.2
Other Income to Net Operative Income	27.3	30.0	28.7	27.2	25.8
Empl. Cost/Oper. Exps.	48.5	55.7	56.8	58.3	59.9
Other Op. Exps./Oper. Exps.	51.5	44.3	43.2	41.7	40.1
C/I Ratio (%)	47.9	49.9	46.1	42.6	39.5
Provisions as % PPP	56.9	36.6	24.5	21.7	19.4
Credit Cost (As % of Op. AUM)	3.5	2.1	1.5	1.4	1.3
Effective Tax Rate (%)	130.4	85.1	26.5	26.5	26.5
Employee Exp. / Assets	0.9	1.0	1.0	1.0	1.0
Other Opex/ Assets	1.0	0.8	0.8	0.7	0.7
Total Opex / Assets	1.9	1.8	1.8	1.8	1.7
Operating Profits / Assets	2.0	1.8	2.1	2.4	2.6
Exceptional Items / Assets	-	-	-	-	-
Op Profit ex Except Items / Assets	2.0	1.8	2.1	2.4	2.6
Provisions / Assets	2.2	1.3	1.0	0.9	0.8
Profit Before Tax / Assets	(0.2)	0.5	1.2	1.5	1.8
Tax Expenses / Assets	(0.2)	0.4	0.3	0.4	0.5
RoA	0.1	0.1	0.8	1.1	1.3
Leverage (x)	17.6	16.1	15.4	14.4	13.3
RoE	0.9	1.1	12.5	15.1	17.2

Source: Company, LKP Research

Balance Sheet Ratios

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
<i>Credit / Deposit Ratio</i>	73.0	73.0	75.9	75.8	75.6
<i>Incremental C/D Ratio</i>	72.0	77.0	132.6	74.5	74.4
<i>Investment Deposit Ratio</i>	29.0	27.0	28.0	27.9	28.1
<i>Dom. SLR Investment / Deposits</i>	30.2	26.4	26.7	25.6	24.4
<i>CASA Ratio</i>	41.3	45.2	46.0	46.0	46.0

Source: Company, LKP Research

Credit Quality

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
<i>Slippage Ratio (%)</i>	9.6	2.9	2.7	2.4	2.2
Gross NPA	6,93,814	6,66,710	5,56,395	4,61,733	3,76,539
<i>Gross NPAs Ratio (%)</i>	9.4	8.9	7.2	5.4	4.0
<i>PCR (%)</i>	68.9	67.3	69.6	69.7	67.0
Net NPA	2,15,766	2,17,999	1,69,054	1,39,975	1,24,083
<i>Net NPAs Ratio (%)</i>	3.1	3.1	2.2	1.6	1.3
Total Impaired Loans	6,93,814	6,66,710	5,56,395	4,61,733	3,76,539
<i>Impaired Loan as % of Loan / AUM</i>	9.9	9.2	7.0	5.2	3.8
Total Risk Reserves	4,78,048	4,48,711	3,87,341	3,21,757	2,52,456
<i>Total Risk As % of Loan Book</i>	6.8	6.2	4.9	3.6	2.5

Source: Company, LKP Research

CANARA BANK

LKP

The bank has been reporting consistent growth in net profit since last seven quarters. A bulky provision (₹54bn) made in 4QFY20, continued to safeguard the balance sheet with PCR (calculated) of 65% and PCR (including TWO) of 83%. The bank's margin (2.8% in the 3QFY22) is in upward trajectory with continuous improvement in CD ratio. On the business front, the bank has been reporting stable credit growth (7% sequential jump seen in previous quarter) across segment. The bank's recoveries are in line with the guidance and expect the credit cost to be below 2% for FY22 and FY23. Moreover, the bank has raised capital in FY21 which resulted in the CET -1 of 10.1% (at par); thus we believe the bank may raise capital from stake sales of AMC, HFC and insurance company. We believe the hurdles from merger (with Syndicate Bank) are behind us and the bank to witness gradual improvement in profitability with FY23E ROA/ROE of 1%/17%. We value the standalone entity with 0.6x FY23E BVPS (₹460) and arrive at a target price of ₹276. We recommend BUY with a potential upside of 27%.

Key Financials (₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
NII	1,31,239	2,40,622	2,81,533	3,17,587	3,58,717
PPOP	93,598	2,00,093	2,27,116	2,52,166	2,80,335
PAT	-22,357	25,576	98,283	1,45,050	1,90,126
Networth	3,92,930	5,88,849	6,88,806	8,33,856	10,23,982
Loans	72,38,747	1,15,36,750	1,23,96,274	1,34,10,477	1,45,71,105
Deposits	62,53,512	1,01,08,746	1,08,16,358	1,16,27,585	1,25,34,537

Key Ratios (%)	FY20	FY21	FY22E	FY23E	FY24E
EPS	-22	16	54	80	105
BVPS	381	358	380	460	564
GNPA Ratio	8.2	8.9	7.6	7.3	6.9
NNPA Ratio	4.2	3.8	2.8	2.6	2.4
ROA	-0.3	0.2	0.8	1.1	1.3
ROE	-5.7	4.3	14.3	17.4	18.6

Rating	Buy
Current Market Price (₹)	218
12 M Price Target (₹)	276
Potential upside (%)	27

Stock Data

Face Value (₹) :	10
Total Market Cap (₹ bn) :	395
Free Float Market Cap (₹ bn) :	146
52-Week High / Low (₹) :	273 / 124
2-Year High / Low (₹) :	273 / 74
1 Yr Avg. Dly Traded Volume (in lakh)	180
BSE Code / NSE Symbol	532483 / CANBK
Bloomberg :	CBK:IN

Shareholding Pattern (%)

	Dec-21	Sep-21	Jun-21	Mar-21
GOI	62.93	62.93	62.93	69.33
FPIs	7.62	5.57	3.92	4.59
MFs	3.44	3.70	3.10	3.36
Insurance	9.04	9.04	8.34	8.34
Others	16.97	18.76	21.71	14.38

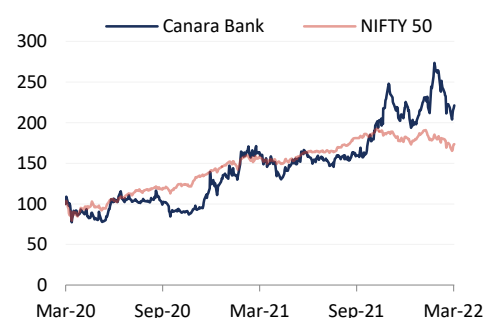
Source: BSE

Price Performance (%)

(%)	1M	3M	6M	1YR
Canara Bank	-13.3%	-1.9%	38.4%	35.2%
Nifty 50	-4.3%	-5.0%	-4.3%	9.6%

* To date / current date : March 11, 2022

Canara Bank vs Nifty 50



Income Statement

(₹ mn)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Interest Earned	4,12,521	4,68,103	4,89,350	6,92,398	7,46,932	8,17,890	8,98,044
Interest Expended	2,90,888	3,23,322	3,58,111	4,51,776	4,65,398	5,00,303	5,39,327
Net Interest Income	1,21,633	1,44,781	1,31,239	2,40,622	2,81,533	3,17,587	3,58,717
YoY (%)	23	19	-9	83	17	13	13
Other Income	69,429	65,750	78,132	1,52,853	1,65,081	1,78,288	1,92,551
Net Operating Income	1,91,062	2,10,531	2,09,371	3,93,475	4,46,615	4,95,875	5,51,267
Operating Expenses	95,579	1,04,622	1,15,772	1,93,382	2,19,499	2,43,709	2,70,933
Employee Cost	54,441	60,398	71,342	1,26,900	1,44,038	1,59,925	1,77,789
Other Operating expenses	41,138	44,224	44,431	66,482	75,461	83,784	93,143
Pre - Provision Profit	95,482	1,05,909	93,598	2,00,093	2,27,116	2,52,166	2,80,335
Provisions and Contingencies	1,61,091	1,29,183	1,11,154	1,63,020	1,15,784	92,627	74,102
Profit Before Tax	-65,609	-23,274	-17,556	37,072	1,11,332	1,59,539	2,06,233
Taxes	-23,386	-26,744	4,802	11,497	13,049	14,488	16,107
Profit After Tax	-42,222	3,470	-22,357	25,576	98,283	1,45,050	1,90,126
EPS (₹)	-58	5	-22	16	54	80	105

Source: Company, LKP Research

Balance Sheet

(₹ mn)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Share Capital	7,332	7,532	10,302	16,467	18,141	18,141	18,141
Face Value	10	10	10	10	10	10	10
Total Reserves	3,48,716	3,54,240	3,82,627	5,72,382	6,70,665	8,15,715	10,05,841
Networth	3,56,048	3,61,772	3,92,930	5,88,849	6,88,806	8,33,856	10,23,982
Deposits	52,47,719	59,90,333	62,53,512	1,01,08,746	1,08,16,358	1,16,27,585	1,25,34,537
YoY (%)	6	14	4	62	7	8	8
Borrowings	3,88,085	4,09,923	4,27,618	4,99,836	5,34,824	5,74,936	6,19,781
Other Liabilities & Provisions	1,77,009	1,85,639	1,64,688	3,39,320	3,56,286	3,74,100	3,92,805
Total Liabilities	61,68,861	69,47,667	72,38,747	1,15,36,750	1,23,96,274	1,34,10,477	1,45,71,105
Cash and balance with Reserve Bank of India	2,21,000	2,99,190	2,25,701	4,31,116	4,69,917	5,14,559	5,64,986
Balances with banks and money at call	2,78,123	3,62,337	4,57,013	13,52,964	14,74,731	16,14,830	17,73,084
Investments	14,40,537	15,29,853	17,62,449	26,16,904	28,52,425	31,23,406	34,29,499
Advances	38,17,030	42,77,273	43,21,752	63,90,490	69,65,634	76,27,369	83,74,851
YoY (%)	12	12	1	48	9	10	10
Fixed Assets	83,186	84,102	82,763	1,12,065	1,14,307	1,16,593	1,18,925
Other Assets	3,28,985	3,94,912	3,89,068	6,33,211	5,19,260	4,13,720	3,09,760
Total Assets	61,68,861	69,47,667	72,38,747	1,15,36,750	1,23,96,274	1,34,10,477	1,45,71,105
BVPS (₹)	486	480	381	358	380	460	564

Source: Company, LKP Research

Asset Quality

(₹ mn)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
GNPA (%)	11.8	8.8	8.2	8.9	7.6	7.3	6.9
NNPA (%)	7.5	5.4	4.2	3.8	2.8	2.6	2.4
GNPA Amount	4,74,685	3,92,241	3,70,418	6,02,880	5,59,034	5,87,979	6,10,225
NNPA Amount	2,85,424	2,29,551	1,82,510	2,44,420	1,95,038	1,98,312	2,00,996
PCR (% calculated)	39.9	41.5	50.7	59.5	65.1	66.3	67.1
Movement of GNPA							
Opening Balance	3,42,020	4,74,685	3,92,241	3,70,412	6,02,880	5,59,034	5,87,979
Additions during the year	2,47,608	1,54,802	1,50,448	4,19,709	3,14,781	2,36,086	1,77,065
Reductions during the year	1,14,943	2,37,245	1,72,271	1,87,240	3,58,627	2,07,141	1,54,818
Closing balance	4,74,685	3,92,241	3,70,418	6,02,880	5,59,034	5,87,979	6,10,225
Movement of NNPA							
Opening Balance	2,16,490	2,85,424	2,29,551	1,82,510	2,44,420	1,95,038	1,98,312
Additions during the year	1,83,878	18,535	17,882	1,55,211	1,16,408	87,306	65,479
Reductions during the year	1,14,943	74,408	64,923	93,300	1,65,790	84,032	62,795
Closing balance	2,85,424	2,29,551	1,82,510	2,44,420	1,95,038	1,98,312	2,00,996

Source: Company, LKP Research

Ratios

(₹ mn)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Financial Ratios							
EPS (₹)	-58	5	-22	16	54	80	105
BVPS (₹, Calculated)	486	480	381	358	380	460	564
Performance Ratios							
ROA(% , Calculated)	-0.7	0.0	-0.3	0.2	0.8	1.1	1.3
ROE(% , Calculated)	-11.9	1.0	-5.7	4.3	14.3	17.4	18.6
Efficiency Ratios							
Cost Income Ratio	50	50	55	49	49	49	49
CASA (%)	32	29	31	33	34	34	34

Source: Company, LKP Research

INDIAN BANK

LKP

Indian Bank is one of our preferred stock in PSU space given healthy liability franchise, lower cost of fund, stable return ratios and equity raise. The bounce back after covid 2nd will be quicker than the earlier one. 3QFY22 earning showed early signs of recovery. We believe, the bank to emerge stronger by the end of FY22. The credit quality recovery in 3QFY22 was meaningful as absolute GNPA inched down (1% sequentially) driven by healthy recoveries and lower slippages. A healthy capital position (CET-1 of 11.4%), post capital infusion, may keep the momentum going. Factoring double digit advance growth, stable NIMs and lower credit cost; the bank may post 18% PAT growth in FY22E. An inexpensive valuation (0.7x FY23 Adj. BVPS) makes the stock rewarding factoring FY22/23 ROE of 0.8%/15.8%. Having completed the merger, the bank is well equipped to overcome the next challenge of covid induced asset quality headwinds, akin to other banks. The guidance suggests credit cost of ~2% and slippage of ~3% in FY22E. We expect re-bounce in earnings growth for FY22E driven by non-interest income and in FY23E due to decline in credit cost, translating into ROA of 0.5%/0.8% respectively. The stock trades at 0.7x FY23E Adj. BVPS of ₹272. We value the bank with 0.7x FY23E Adj. BVPS and reach a revised price target of ₹190 a potential upside of 28%.

Valuation Summary (%)	MRQ	FY22E	FY23E	FY24E
EPS (INR)	29.0	28.5	50.0	73.2
P/E (x)	5.1	5.2	3.0	2.0
Adj. BVPS (INR)	304.7	221.8	271.8	345.0
P/Adj. BVPS (x)	0.5	0.7	0.5	0.4

Key Financials (₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
NII	76,064	1,56,659	1,64,891	1,94,479	2,28,775
Operating Profit	64,980	1,13,956	1,30,306	1,66,054	2,03,489
Reported Profits	7,534	30,047	35,491	62,237	91,130
Net Worth	1,91,014	3,26,570	3,63,222	4,25,459	5,16,589
Loan & Advances	19,78,870	36,40,102	40,76,915	46,06,914	52,51,882
Int. Bearing Liabilities	28,10,562	56,42,457	61,60,326	68,14,746	75,92,718

Key Ratios (%)	FY20	FY21	FY22E	FY23E	FY24E
NIM's	2.7	3.5	2.6	2.8	2.9
C/I Ratio	40.5	47.6	44.5	39.8	37.2
Gross NPA Ratio	6.9	9.9	9.0	7.4	5.9
Tier 1 Ratio	12.1	12.3	10.5	10.9	11.6
Adj. RoA Ratio	0.3	0.6	0.5	0.8	1.1
Adj. RoE Ratio	3.6	9.9	9.5	15.8	19.3

Rating	Buy
Current Market Price (₹)	148
12 M Price Target (₹)	190
Potential upside (%)	28

Stock Data

Face Value (₹) :	10
Total Market Cap (₹ bn) :	184
Free Float Market Cap (₹ bn) :	37
52-Week High / Low (₹) :	195 / 95
2-Year High / Low (₹) :	195 / 42
1 Yr Avg. Dly Traded Volume (in lakh)	43
BSE Code / NSE Symbol	532814 / INDIANB
Bloomberg :	INBK:IN

Shareholding Pattern (%)

	Dec-21	Sep-21	Jun-21	Mar-21
GOI	79.86	79.86	79.86	88.06
FPIs	1.84	2.37	2.92	1.01
MFs	6.22	5.58	4.18	2.57
Insurance	4.07	3.89	4.73	1.80
Others	8.01	8.30	8.31	6.56

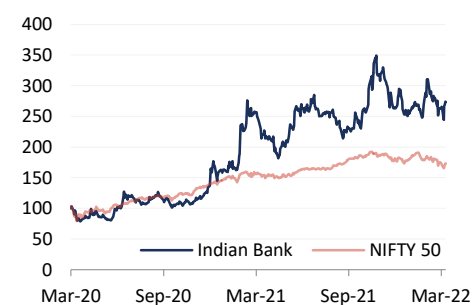
Source: BSE

Price Performance (%)

(%)	1M	3M	6M	1YR
Indian Bank	-5.9%	-7.3%	18.9%	10.2%
Nifty 50	-5.5%	-5.0%	-4.3%	9.6%

* To date / current date : March 11, 2022

Indian Bank vs Nifty 50



First Cut Table

	2Q FY21	3Q FY21	4Q FY21	1Q FY22	2Q FY22	3Q FY22	QoQ % / bps	YoY % / bps
Gross Advances	36,56,362	39,15,249	38,84,379	38,92,699	38,58,376	40,02,143	3.7	2.2
Gross NPA	3,61,980	3,52,372	3,84,554	3,77,592	3,68,861	3,65,396	(0.9)	3.7
Gross NPA Ratio (%)	9.90	9.00	9.90	9.70	9.56	9.13	(43)	13
PCR - Calculated (%)	72.2	75.8	68.1	66.5	68.1	72.2	406	(356)
PCR - Inc. Tech w/o (%)	84.40	86.50	82.10	82.00	83.32	85.49	217	(101)
Net Advances	33,50,740	35,57,283	36,09,156	36,15,106	36,04,038	37,33,419	3.6	5.0
Net NPA	1,00,522	85,375	1,22,711	1,26,529	1,17,492	1,01,549	(13.6)	18.9
Net NPAs Ratio (%)	3.00	2.40	3.40	3.50	3.26	2.72	(54)	32
Reported Profits	4,123	5,143	17,089	11,817	10,892	6,897	(36.7)	34.1
RoA (%)	0.28	0.35	1.09	0.75	0.69	0.43	(26)	8

Source: LKP Research

Profit & Loss Statement

(₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
Int. Income	2,14,050	3,91,058	4,06,074	4,59,102	5,22,403
Interest Expenses	1,37,986	2,34,398	2,41,183	2,64,623	2,93,628
Net Interest Income	76,064	1,56,659	1,64,891	1,94,479	2,28,775
<i>NIM (%)</i>	2.72	3.53	2.62	2.76	2.88
Other Income - Total	33,125	60,793	69,946	81,333	95,446
Net Operating Revenue	1,09,189	2,17,452	2,34,837	2,75,811	3,24,222
Employee Exp.	24,730	63,782	64,420	67,641	74,405
Other Opex	19,479	39,713	40,110	42,116	46,327
Total Opex	44,208	1,03,496	1,04,530	1,09,757	1,20,733
<i>C/I Ratio</i>	40.49	47.59	44.51	39.79	37.24
Pre Provision Profits	64,980	1,13,956	1,30,306	1,66,054	2,03,489
<i>PPP Growth (yoy %)</i>	33.1	75.4	14.3	27.4	22.5
Provisions & Contingencies - Total	51,253	84,901	90,872	88,258	89,577
<i>Credit Cost (As % of Op. AUM)</i>	2.56	3.84	2.20	1.90	1.70
Profit Before Tax	13,727	29,056	39,435	77,796	1,13,912
Tax	6,194	(991)	3,943	15,559	22,782
<i>Effective Tax Rate</i>	45.1	(3.4)	10.0	20.0	20.0
Reported Profits	7,534	30,047	35,491	62,237	91,130
<i>PAT Growth (yoy %)</i>	134.0	298.8	18.1	75.4	46.4

Source: Company, LKP Research

Balance Sheet

(₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
Equity Share Capital	6,088	11,294	12,454	12,454	12,454
Reserves (ex Revel. Reserve)	1,84,926	3,15,276	3,50,767	4,13,005	5,04,134
Net Worth - Ex Revaluation	1,91,014	3,26,570	3,63,222	4,25,459	5,16,589
Deposits	26,02,259	53,80,711	58,95,432	65,42,156	73,04,194
Borrowings	2,08,303	2,61,746	2,64,894	2,72,590	2,88,523
Interest Bearing Liabilities	28,10,562	56,42,457	61,60,326	68,14,746	75,92,718
Other Lia. & Prov.	63,227	2,33,474	4,31,129	5,43,974	6,60,531
Total Liabilities	30,94,682	62,60,050	69,54,676	77,84,180	87,69,837
Assets					
Cash & Cash Equivalent	1,39,247	5,40,599	6,03,324	6,77,690	7,66,096
Investments	8,12,417	17,65,370	19,56,324	21,69,985	24,09,075
Loan & Advances	19,78,870	36,40,102	40,76,915	46,06,914	52,51,882
Growth (yoy %)	9.2	83.9	12.0	13.0	14.0
Fixed Assets	38,957	73,763	75,496	84,547	95,290
Other Assets	1,25,190	2,40,216	2,42,618	2,45,045	2,47,495
Total Assets	30,94,682	62,60,050	69,54,676	77,84,180	87,69,837

Source: Company, LKP Research

Per share data

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
Face Value	10	10	10	10	10
Adjusted Share O/S - For Calculation	609	1,129	1,245	1,245	1,245
Earnings Per Share	12.4	26.6	28.5	50.0	73.2
EPS (% YoY)	84.6	115.0	7.1	75.4	46.4
P/E (x)	12.0	5.6	5.2	3.0	2.0
Book Value	313.8	289.2	291.6	341.6	414.8
BVPS (% YoY)	(7.5)	(7.8)	0.9	17.1	21.4
P/BV (x)	0.5	0.5	0.5	0.4	0.4
Adj. BV	263.0	234.8	221.8	271.8	345.0
Adj. BV (% YoY)	(2.1)	(10.7)	(5.5)	22.5	26.9
P/ABV (x)	0.6	0.6	0.7	0.5	0.4

Source: Company, LKP Research

Detail RoA Tree Analysis (%)

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
Yields / Margins					
Yield on Advance	8.4	9.8	7.0	7.1	7.2
Yield on Funds	7.7	8.8	6.5	6.5	6.6
Cost of Funds (CoF)	5.2	5.5	4.1	4.1	4.1
Interest Spread	2.5	3.3	2.4	2.4	2.5
NIM's	2.7	3.5	2.6	2.8	2.9
Interest Income / Assets	7.3	8.4	6.1	6.2	6.3
Interest Exp. / Assets	4.7	5.0	3.7	3.6	3.5
NII / Assets	2.6	3.3	2.5	2.6	2.8
Fee Income / Assets	0.1	0.2	0.1	0.1	0.1
Other Non Core Income / Assets	0.3	0.5	0.3	0.3	0.3
Other Income / Assets	1.1	1.3	1.1	1.1	1.2
Net Operating Income / Assets	3.7	4.6	3.6	3.7	3.9
Operating Ratios					
NII to Net Operative Income	69.7	72.0	70.2	70.5	70.6
Other Income to Net Operative Income	30.3	28.0	29.8	29.5	29.4
Empl. Cost/Oper. Exps.	55.9	61.6	61.6	61.6	61.6
Other Op. Exps./Oper. Exps.	44.1	38.4	38.4	38.4	38.4
C/I Ratio	40.5	47.6	44.5	39.8	37.2
Provisions as % PPP	46.9	39.0	38.7	32.0	27.6
Credit Cost (As % of Op. AUM)	2.6	3.8	2.2	1.9	1.7
Effective Tax Rate	45.1	(3.4)	10.0	20.0	20.0
Employee Exp. / Assets	0.8	1.4	1.0	0.9	0.9
Other Opex/ Assets	0.7	0.8	0.6	0.6	0.6
Total Opex / Assets	1.5	2.2	1.6	1.5	1.5
Operating Profits / Assets	2.2	2.4	2.0	2.3	2.5
Exceptional Items / Assets	-	-	-	-	-
Op Profit ex Except Items / Assets	2.2	2.4	2.0	2.3	2.5
Provisions / Assets	1.7	1.8	1.4	1.2	1.1
Profit Before Tax / Assets	0.5	0.6	0.6	1.1	1.4
Tax Expenses / Assets	0.2	(0.0)	0.1	0.2	0.3
RoA	0.3	0.6	0.5	0.8	1.1
Leverage (x)	16.2	19.2	19.1	18.3	17.0
RoE	3.6	9.9	9.5	15.8	19.3

Source: Company, LKP Research

Balance Sheet Ratios

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
<i>Credit / Deposit Ratio</i>	76.0	67.7	69.2	70.4	71.9
<i>Incremental C/D Ratio</i>	91.6	59.8	84.9	82.0	84.6
<i>Investment Deposit Ratio</i>	31.2	32.8	33.2	33.2	33.0
<i>Dom. SLR Investment / Deposits</i>	26.0	29.3	29.9	30.2	30.3
<i>CASA Ratio</i>	34.6	42.3	42.5	42.5	42.5

Source: Company, LKP Research

Credit Quality

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
<i>Slippage Ratio</i>	2.9	4.8	3.8	3.4	2.9
Gross NPA (Cl Bal)	1,41,508	3,84,554	3,65,302	3,41,613	3,11,896
<i>Gross NPAs Ratio (%)</i>	6.9	9.9	9.0	7.4	5.9
<i>PCR (%)</i>	56.3	68.1	69.7	69.4	65.3
Net NPA (Cl. Bal.)	61,842	1,22,711	1,10,728	1,04,649	1,08,260
<i>Net NPAs Ratio (%)</i>	3.1	3.4	2.7	2.3	2.1
Total Impaired Loans	1,41,508	3,84,554	3,65,302	3,41,613	3,11,896
<i>Impaired Loan as % of Loan / AUM</i>	6.9	10.2	8.7	7.2	5.8
Total Risk Reserves	79,666	2,61,842	2,54,574	2,36,964	2,03,636
<i>Total Risk As % of Loan Book</i>	3.9	6.9	6.0	5.0	3.8

Source: Company, LKP Research

STATE BANK OF INDIA

LKP

The mammoth SBIN, continuously showing strong performance on operating and asset quality front. Slippages are in downward trajectory with an exception of 4QFY21 when the asset classification resumed. The collection efficacy was best among PSBs. Recoveries from legacy loans and higher write-offs are keeping the GNPA (4.5%) on check. The PCR (71%) stands satisfactory. On business front, profitability is witnessing stable growth with lower credit cost. We estimate credit growth to be at ~12% for FY21-23. With a consistent NIMs and stable non-interest income, we see profitability growth of ~2x for FY22E and 28% for FY23. Under base case scenario, we expect the bank to post a ROA/ROE of 0.9%/15% by FY23E led by healthy balance sheet growth along with higher PCR and stable asset quality. We recommend the stock with BUY and target price of ₹657 (potential upside of 40%). We value the standalone bank with PBV of 1.5x FY23E Adj. BVPS of ₹339 and value of subsidiaries per share of ₹149.

Valuation Summary (%)	MRQ	FY22E	FY23E	FY24E
EPS (INR)	32.5	44.0	56.1	69.4
P/E (x)	14.5	10.7	8.4	6.8
Adj. BVPS (INR)	290.8	282.7	338.8	408.2
P/Adj. BVPS (x)	1.6	1.7	1.4	1.2

Key Financials (₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
NII	9,80,848	11,07,100	12,09,389	14,36,307	17,37,943
Operating Profit	6,81,326	7,15,542	7,80,277	9,37,327	11,30,395
Reported Profits	1,44,881	2,04,105	3,92,303	5,01,024	6,19,784
Net Worth	20,82,448	23,02,978	26,95,281	31,96,305	38,16,089
Loan & Advances	2,32,52,896	2,44,94,978	2,71,89,425	3,04,52,157	3,44,10,937
Int. Bearing Liabilities	3,55,62,764	4,09,85,748	4,48,17,906	5,02,53,788	5,63,46,701

Key Ratios (%)	FY20	FY21	FY22E	FY23E	FY24E
NIM's	2.8	2.9	2.8	3.0	3.2
C/I	52.5	53.6	52.7	51.1	50.1
Gross NPA	6.2	5.0	4.5	4.2	3.7
Tier 1	11.2	11.7	11.4	11.9	12.4
Adj. RoA	0.4	0.5	0.8	0.9	1.0
Adj. RoE	6.4	8.4	14.4	15.7	16.4

Rating	Buy
Current Market Price (₹)	470
12 M Price Target (₹)	657
Potential upside (%)	40

Stock Data

Face Value (₹) :	1
Total Market Cap (₹ bn) :	4,202
Free Float Market Cap (₹ bn) :	1,805
52-Week High / Low (₹) :	549 / 321
2-Year High / Low (₹) :	549 / 150
1 Yr Avg. Dly Traded Volume (in lakh)	304
BSE Code / NSE Symbol	500112 / SBIN
Bloomberg :	SBIN:IN

Shareholding Pattern (%)

	Dec-21	Sep-21	Jun-21	Mar-21
GOI	57.60	57.62	57.62	57.63
FPIs	10.37	10.55	10.34	9.94
MFs	12.91	13.04	12.75	12.57
Insurance	9.94	9.92	10.27	10.71
Others	9.18	8.87	9.02	9.15

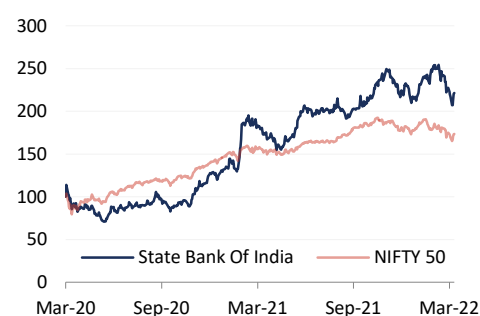
Source: BSE

Price Performance (%)

(%)	1M	3M	6M	1YR
SBI	-11.2%	-4.9%	8.8%	21.3%
Nifty 50	-4.3%	-5.0%	-4.3%	9.6%

* To date / current date : March 11, 2022

SBI vs Nifty 50



First Cut Table

	2Q FY21	3Q FY21	4Q FY21	1Q FY22	2Q FY22	3Q FY22	QoQ % / bps	YoY % / bps
Gross Advances	2,38,37,688	2,45,79,503	2,53,79,321	2,52,36,744	2,52,94,239	2,66,73,060	5.5	8.5
Gross NPA	12,58,630	11,72,442	12,63,890	13,42,595	12,39,418	12,00,288	(3.2)	2.4
Gross NPA Ratio (%)	5.28	4.77	4.98	5.32	4.90	4.50	(40)	(27)
PCR - Calculated (%)	71.0	75.2	70.9	67.9	70.1	71.2	117	(401)
PCR - Inc. Tech w/o (%)	88.19	90.21	87.75	85.93	87.68	88.32	64	(189)
Net Advances	2,29,24,962	2,36,03,024	2,45,39,813	2,43,79,955	2,44,20,138	2,57,75,881	5.6	9.2
Net NPA	3,64,507	2,90,317	3,68,097	4,31,525	3,71,186	3,45,397	(6.9)	19.0
Net NPAs Ratio (%)	1.59	1.23	1.50	1.77	1.52	1.34	(18)	11
Reported Profits	45,742	51,962	64,507	65,040	76,266	84,319	10.6	62.3
RoA (%)	0.44	0.49	0.58	0.57	0.66	0.71	5	22

Source: LKP Research

Profit & Loss Statement

(₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
Int. Income / Opr. Revenue	25,73,236	26,51,506	27,99,987	31,67,660	36,54,268
Interest Expenses	15,92,388	15,44,406	15,90,598	17,31,353	19,16,324
Net Interest Income	9,80,848	11,07,100	12,09,389	14,36,307	17,37,943
<i>NIM (%)</i>	2.80	2.85	2.77	2.95	3.18
Other Income - Total	4,52,215	4,34,964	4,39,313	4,78,852	5,26,737
Net Operating Revenue	14,33,063	15,42,064	16,48,702	19,15,159	22,64,680
Employee Exp.	4,57,150	5,09,360	5,19,547	5,87,088	6,81,022
Other Opex	2,94,587	3,17,162	3,48,878	3,90,744	4,53,263
Total Opex	7,51,737	8,26,522	8,68,426	9,77,832	11,34,285
<i>C/I Ratio (%)</i>	52.46	53.60	52.67	51.06	50.09
Pre Provision Profits	6,81,326	7,15,542	7,80,277	9,37,327	11,30,395
<i>PPP Growth (yoy %)</i>	22.9	5.0	9.0	20.1	20.6
Provisions & Contingencies - Total	4,33,304	4,40,130	2,41,399	2,49,107	2,79,044
<i>Credit Cost (As % of Op. AUM)</i>	1.96	1.76	0.92	0.85	0.85
Profit Before Tax	2,48,022	2,75,411	5,38,878	6,88,220	8,51,351
Tax	1,03,141	71,307	1,46,575	1,87,196	2,31,567
<i>Effective Tax Rate (%)</i>	41.6	25.9	27.2	27.2	27.2
Reported Profits	1,44,881	2,04,105	3,92,303	5,01,024	6,19,784
<i>PAT Growth (yoy %)</i>	1,580.3	40.9	92.2	27.7	23.7

Source: Company, LKP Research

Balance Sheet

(₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
Equity Share Capital	8,925	8,925	8,925	8,925	8,925
Reserves (ex Revel. Reserve)	20,73,523	22,94,054	26,86,357	31,87,381	38,07,164
Net Worth - Ex Revaluation	20,82,448	23,02,978	26,95,281	31,96,305	38,16,089
Deposits	3,24,16,207	3,68,12,771	4,03,36,116	4,57,30,947	5,18,38,965
Borrowings	31,46,557	41,72,977	44,81,791	45,22,841	45,07,736
Interest Bearing Liabilities (₹ mn)	3,55,62,764	4,09,85,748	4,48,17,906	5,02,53,788	5,63,46,701
Other Lia. & Prov.	16,31,101	18,19,797	21,37,376	20,08,350	21,19,973
Total Liabilities	3,95,13,939	4,53,44,296	4,98,83,863	5,57,18,289	6,25,74,242
Assets					
Cash & Cash Equivalent	25,10,970	34,30,387	37,94,106	42,42,940	47,72,503
Investments	1,04,69,545	1,35,17,052	1,49,67,308	1,66,91,624	1,86,16,873
Loan & Advances (₹ mn)	2,32,52,896	2,44,94,978	2,71,89,425	3,04,52,157	3,44,10,937
Growth (yoy %)	6.4	5.3	11.0	12.0	13.0
Fixed Assets	3,84,393	3,84,192	3,80,161	4,23,418	4,74,964
Other Assets	28,96,136	35,17,687	35,52,864	39,08,150	42,98,965
Total Assets	3,95,13,939	4,53,44,296	4,98,83,863	5,57,18,289	6,25,74,242

Source: Company, LKP Research

Per share data

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
Face Value (₹)	1	1	1	1	1
Adjusted Share O/S (mn)	8,925	8,925	8,925	8,925	8,925
Earnings Per Share (₹)	16.2	22.9	44.0	56.1	69.4
EPS (% YoY)	1,580.3	40.9	92.2	27.7	23.7
P/E (x)	29.0	20.6	10.7	8.4	6.8
Book Value (₹)	233.3	258.0	302.0	358.1	427.6
BVPS (% YoY)	6.1	10.6	17.0	18.6	19.4
P/BV (x)	2.0	1.8	1.6	1.3	1.1
Adj. BV (₹)	204.3	237.4	282.7	338.8	408.2
Adj. BV (% YoY)	11.6	16.2	19.0	19.9	20.5
P/ABV (x)	2.3	2.0	1.7	1.4	1.2

Source: Company, LKP Research

Detail RoA Tree Analysis (%)

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
Yields / Margins					
Yield on Advance	8.0	7.2	6.9	7.0	7.2
Yield on Funds	7.4	6.8	6.4	6.5	6.7
Cost of Funds (CoF)	4.6	4.0	3.7	3.6	3.6
Interest Spread	2.7	2.8	2.7	2.9	3.1
NIM's	2.8	2.9	2.8	3.0	3.2
Interest Income / Assets	6.7	6.2	5.9	6.0	6.2
Interest Exp. / Assets	4.2	3.6	3.3	3.3	3.2
NII / Assets	2.6	2.6	2.5	2.7	2.9
Fee Income / Assets	0.6	0.6	0.5	0.5	0.5
Other Non Core Income / Assets	0.2	0.1	0.1	0.1	0.1
Other Income / Assets	1.2	1.0	0.9	0.9	0.9
Net Operating Income / Assets	3.8	3.6	3.5	3.6	3.8
Operating Ratios					
NII to Net Operative Income	68.4	71.8	73.4	75.0	76.7
Other Income to Net Operative Income	31.6	28.2	26.6	25.0	23.3
Empl. Cost/Oper. Exps.	60.8	61.6	59.8	60.0	60.0
Other Op. Exps./Oper. Exps.	39.2	38.4	40.2	40.0	40.0
C/I Ratio (%)	52.5	53.6	52.7	51.1	50.1
Provisions as % PPP	30.2	28.5	14.6	13.0	12.3
Credit Cost (As % of Op. AUM)	2.0	1.8	0.9	0.9	0.9
Effective Tax Rate (%)	41.6	25.9	27.2	27.2	27.2
Employee Exp. / Assets	1.2	1.2	1.1	1.1	1.2
Other Opex/ Assets	0.8	0.7	0.7	0.7	0.8
Total Opex / Assets	2.0	1.9	1.8	1.9	1.9
Operating Profits / Assets	1.8	1.7	1.6	1.8	1.9
Exceptional Items / Assets	-	-	-	-	-
Op Profit ex Except Items / Assets	1.8	1.7	1.6	1.8	1.9
Provisions / Assets	1.1	1.0	0.5	0.5	0.5
Profit Before Tax / Assets	0.6	0.6	1.1	1.3	1.4
Tax Expenses / Assets	0.3	0.2	0.3	0.4	0.4
RoA	0.4	0.5	0.8	0.9	1.0
Leverage (x)	19.0	19.7	18.5	17.4	16.4
RoE	6.4	8.4	14.4	15.7	16.4

Source: Company, LKP Research

Balance Sheet Ratios

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
<i>Credit / Deposit Ratio</i>	71.7	66.5	67.4	66.6	66.4
<i>Incremental C/D Ratio</i>	42.2	28.3	76.5	60.5	64.8
<i>Investment Deposit Ratio</i>	32.3	36.7	37.1	36.5	35.9
<i>Dom. SLR Investment / Deposits</i>	25.7	29.6	30.1	29.7	29.4
<i>CASA Ratio</i>	45.9	46.8	46.5	46.5	46.5

Source: Company, LKP Research

Credit Quality

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
<i>Slippage Ratio (%)</i>	2.5	1.2	1.1	1.0	0.9
Gross NPA	14,89,125	12,63,890	12,20,388	12,65,522	12,71,437
<i>Gross NPAs Ratio (%)</i>	6.2	5.0	4.5	4.2	3.7
<i>PCR (%)</i>	65.2	70.9	70.5	73.0	74.6
Net NPA	5,18,713	3,68,097	3,60,485	3,41,973	3,22,943
<i>Net NPAs Ratio (%)</i>	2.2	1.5	1.3	1.1	0.9
Total Impaired Loans	14,89,125	12,63,890	12,20,388	12,65,522	12,71,437
<i>Impaired Loan as % of Loan / AUM</i>	6.0	4.7	4.1	3.8	3.4
Total Risk Reserves	9,70,412	8,95,793	8,59,903	9,23,549	9,48,494
<i>Total Risk As % of Loan Book</i>	3.9	3.3	2.9	2.8	2.5

Source: Company, LKP Research

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