ICICI direct Research

Sector Update

ICICI Securities – Retail Equity Research

December 21, 2021

Changing landscape for banks, NPA issues behind

With delinquencies largely having materialised and restructuring done, we believe the impact of the second wave of the pandemic is largely behind us and the banking sector is on the cusp of sustained recovery path. Credit growth has seen a gradual pick-up and reached 7.3% YoY as on December 3, 2021, with retail and MSME leading the way while the corporate segment is showing green shoots of revival.

As markets have been focusing on fintechs as the future of the Indian financial industry, new age IPOs throwing newer opportunities. Digital currency has remained the talk of the town. Digital currency (encrypted form) has been garnering attention of the investor community with global crypto market reaching over $2.6 trillion; in India it is ~$15 billion. RBI also has vouched for its own central bank digital currency (CBDC), which comes with various benefits while the government also plans to take up a bill related to the same in the winter session of Parliament.

Talking about recent quarterly performance, it was largely in line with expectations as banks witnessed increased business with unlocking activity, which resulted in a better operating performance and profitability. NII grew 6.3% YoY led by advance growth, though margins remained flat to negative. C/I ratio increased meaningfully to 52.7% from 45.6% due to higher collections and loan origination expense. Credit cost declined sharply by 36.7% QoQ to ₹ 34530 crore, ~1.4% of loans, from ~2.2% in Q1FY22 as fresh slippages declined, resulting in 62.9% YoY uptick in earnings.

Banking sector outlook:

- Bank credit has shown a continuous improvement from June 2021 onwards as unlocking began and reached the 7.3% YoY mark in December 2021 from ~5.9% levels. Non-food credit growth has shown a steady 20-30 bps improvement MoM since June 2021. Category wise retail and MSME loans have been key drivers with 11.7% and 21.1% YoY growth, respectively, according to the latest RBI sectoral data for October 2021. **For FY22E, we continue to expect credit growth at 6-8% YoY with retail & MSME continuing to drive disbursements**
- Collection efficiency for large private bank has reached above 98% while PSBs have also seen sequential 2-3% improvement and reached ~95-96% range. Recent business data from Mahindra Finance (key rural player) and another key MFI player, suggests further improvement in asset quality
- Among various recent developments, RBI's announcement on Prompt Corrective Action (PCA) Framework and harmonisation of NPA classification norms remain a highlight. These norms are expected to create some turbulence in the interim phase but will bring NBFCs almost at par with banks in terms of regulation, supervision and is structurally positive in the long run

We remain positive on large banks and HFCs from investment perspective, recommend Axis Bank and HDFC Ltd among large lenders, IDFC First Bank in the midcap domain and HDFC Life & SBI Life among non-lenders. Among PSU banks, SBI continues to remain our preferred pick as legacy asset quality issues are behind and retail NPAs, if any, are not expected to be lumpy, keeping provisions under check and earnings to improve. Competition from new age fintech players are expected to keep mid-sized banks and NBFCs under pressure.

Sector View

Banks / HFCs – Overweight

NBFC / Brokerage - Neutral

Insurance / AMC – Overweight

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Digital currency offers advantage, thus gaining interest across the globe

The government is likely to introduce the crypto-currency bill in the Parliament this winter session. The bill likely seeks private crypto-currency avoidance and wishes to facilitate a framework for India's own digital currency to be issued by the RBI. Digital currency (encrypted form) has been garnering attention of the investor community and global crypto market has reached over $2.6 trillion, with India at ~$15 billion. Bitcoin, Ether are top two crypto-currencies with market cap of $900 billion, $470 billion respectively.

RBI had earlier vouched for central bank digital currency but maintained caution against private cryptos. Central bank digital currency (CBDC) is the legal tender issued by a central bank in a digital form. It is the same as a fiat currency and is exchangeable one-to-one with the fiat currency. Only its form is different. It is liability in one book and asset for another. A 2021 BIS survey of central banks found that 86% were actively researching the potential for CBDCs, 60% were experimenting with the technology and 14% were deploying pilot projects.

CBDC represent a unique opportunity to design a technologically advanced representation of central bank money. It is expected to promote financial inclusion as it does not necessarily require a bank account.

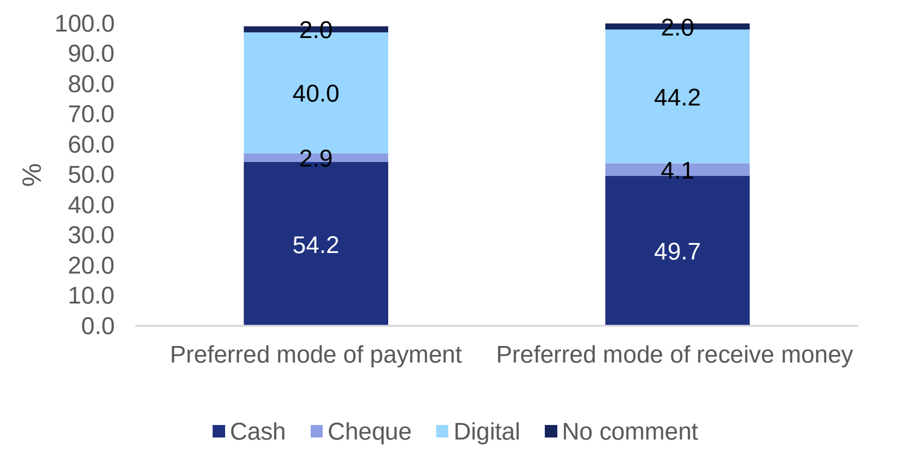
Key advantages of digital currency:

- CBDC can provide a government-authorised solution for storing value and making high volume low value payments
- It benefits the government by reducing cash management cost, which is ~1-1.5% of GDP
- Reduces settlement risk, thus lowering liquidity requirements
- Currency conversion would be faster in case of CBDCs. In turn, this should help faster international payments
- Since CBDC would be backed by the sovereign, risk of volatility as compared to other crypto currencies would be much lower

Along with benefits, digital currency also comes with its own demerits, which primarily include risk of cyber-attacks and may lower spreads for banks due to its impact on CASA.

Countries with strong digital capabilities and network will be able to adopt the new technology faster than others. The dollar gets an edge, being widely accepted in all crypto currencies trading across various platforms.

Exhibit 1: Digital mode of transaction gaining dominance



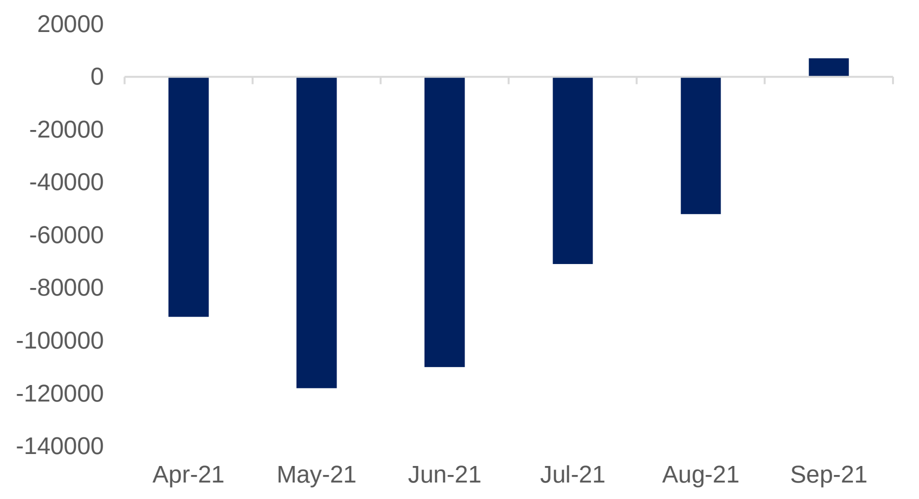
Source: ICRA Report, ICICI Direct Research

Retail, MSME drive credit growth; pick-up signs seen in corporate

Bank credit has shown a continuous improvement since June 2021 as unlocking began and has reached 7.3% YoY mark in December (fortnightly data) from around 5.9%. Non-food credit growth has shown a steady 20-30 bps improvement MoM since June 2021 onwards. This was primarily on account of pent up demand, festive season and good monsoons boosting rural demand as well. Category wise retail, MSME loans have been key drivers with 11.7%, 21.1% YoY growth, respectively, as per latest RBI sectoral data for October 2021. Within the MSME space, medium industries saw strong 48% YoY growth partially benefitted by extension of ECLGS scheme. Within the retail segment, consumer durable segment saw healthy 44.4% YoY growth (due to festive season boost) while housing and auto loans saw 8.4% YoY growth each. Housing loans (ex-priority sector) saw an even better growth of 14.5% YoY. Agriculture loan growth remained steady at 9% YoY.

Corporate (large industries) credit growth was in the negative territory due to corporate deleveraging and caution on the part of lenders. However, in the past few months, the deceleration of growth has slowed down while for October 2021, it showed positive 0.5% YoY growth. Though absolute growth does not seem substantial, it is the first positive growth since August 2020, indicating some green shoots.

Exhibit 2: Incremental corporate borrowing from banks from March 2021



Source: Bloomberg, ICICI Direct Research

Exhibit 6: Industry wise credit deployment data

₹ crores	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21
Non-Food Credit	1,07,54,953	1,08,32,938	1,08,28,662	1,08,94,450	1,09,82,596
Agriculture & Allied Activities	12,84,399	13,18,024	13,04,270	13,21,325	13,44,042
Industry	28,67,304	28,24,855	28,26,181	28,29,547	28,54,571
Large	23,44,313	22,75,362	22,65,896	22,59,034	22,70,350
Services	26,00,627	25,97,736	25,94,741	25,71,563	26,03,938
NBFCs	8,83,851	8,92,226	8,70,541	8,76,825	8,83,614
Personal Loans	27,86,519	28,58,741	28,93,913	29,18,538	29,55,599
Housing (Including Priority Se	14,64,645	14,66,762	14,69,744	14,78,451	14,85,235
Credit Card Outstanding	1,02,757	1,11,323	1,15,612	1,15,641	1,23,312
Vehicle Loans	2,38,214	2,65,951	2,68,643	2,70,378	2,72,610

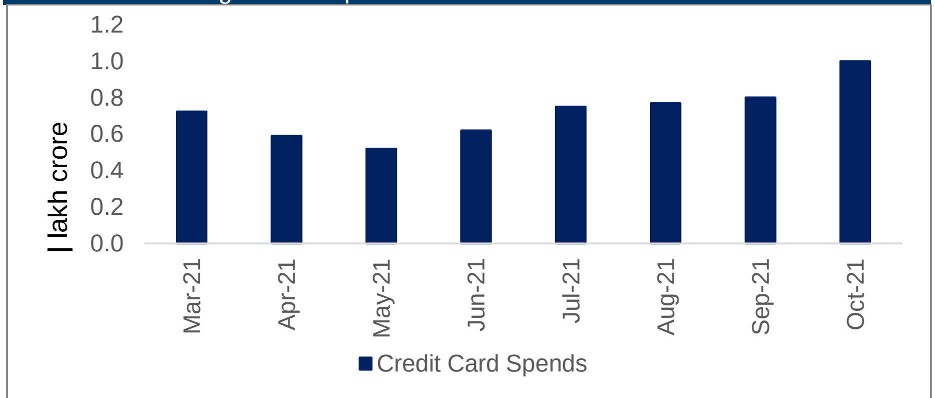
YOY growth (%)	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21
Non-Food Credit	5.9%	6.2%	6.7%	6.8%	6.9%
Agriculture & Allied Activities	11.4%	12.4%	11.3%	9.9%	10.2%
Industry	-0.3%	1.0%	2.5%	2.5%	4.1%
Large	-3.4%	-2.9%	-1.4%	-1.0%	0.5%
Services	2.9%	2.7%	2.3%	0.8%	2.9%
NBFCs	-2.2%	0.5%	-2.5%	-2.5%	1.4%
Retail	11.9%	11.2%	12.1%	12.1%	11.7%
Housing (Including Priority Se	9.7%	8.9%	9.2%	9.0%	8.4%
Credit Card Outstanding	5.3%	9.8%	10.3%	9.5%	11.9%
Vehicle Loans	11.0%	7.3%	8.2%	8.9%	8.4%

Proportion (%)					
Agriculture & Allied Activities	13.1%	13.5%	13.4%	13.5%	13.8%
Industry	29.4%	28.9%	28.9%	29.0%	29.2%
Large	21.8%	21.0%	20.9%	20.7%	20.7%
Services	26.6%	26.6%	26.6%	26.3%	26.7%
NBFCs	8.2%	8.2%	8.0%	8.0%	8.0%
Retail	28.5%	29.3%	29.6%	29.9%	30.3%
Housing (Including Priority Se	13.6%	13.5%	13.6%	13.6%	13.5%
Credit Card Outstanding	1.0%	1.0%	1.1%	1.1%	1.1%
Vehicle Loans	2.2%	2.5%	2.5%	2.5%	2.5%

Source: RBI, ICICI Direct Research

Credit card spends in India have also witnessed an increasing trend in spends. It was further helped by the festive season as the value of credit card transactions rose 26% MoM to reach ₹ 1,00,943 crore in October 2021, data by the Reserve Bank of India showed.

Exhibit 3: Increasing trend of spends



Source: RBI, ICICI Direct Research

Even on an incremental basis, corporate borrowing from banks has reached the positive territory for September 2021, which again indicates some sort of revival. However, we believe capex has to come into play to spur growth in this segment for which capacity utilisation has to reach above the 75% mark at least.

Asset quality likely to have bottomed

According to recent quarter numbers, the asset quality performance was better than the previous quarter with lower slippages and better recoveries. Slippages were mostly at ~1-1.4% vs. 2-2.5% QoQ while GNPA declined ~30-70 bps, barring a few exceptions. With September being the last month to avail restructuring facility, we saw borrowers utilising the same. Thus, the restructured book for most banks has gone up ~30-100 bps QoQ. Collection efficiency for large private bank has reached above 98% while PSBs have also seen sequential 2-3% increase in collections and reached ~95-96% range.

Business data from Mahindra Finance (key rural player) for November 2021 suggests an improvement in collection efficiency to 94% from 91% MoM and 84% YoY. It expects this to reflect positively on its stage 2 and stage 3 assets. In another disclosure by a key MFI player, collection efficiency (excluding arrears) improved to 93.3% in the second quarter of the fiscal and further to 94.3% in October 2021.

We believe these are early indicators of an improvement in underlying stress as region wise, the rural economy being more impacted due to the second wave and MFI being the most hurt - borrower type wise. We opine that NPAs have largely bottomed out while with a further pick-up in economic activity, the trend should remain positive. Improvement in stress and other resolutions could lead to a gradual decline in credit cost.

However, we also not that, under the Emergency Credit Line Guarantee Scheme (ECLGS), total sanctions were at ₹ 2.73 lakh crore (out of revised cap of ₹ 4.5 lakh crore) and disbursement at ₹ 2.14 lakh crore until mid-July 2021. We need to keep a close watch on the fresh slippages, as the one-year moratorium ends (under ECLGS).

Exhibit 4: Asset quality of Indian banking system as of September 2021

	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
GNPA	882639	876824	816786	786344	770186	717790	785467	787771	751588
NNPA	324548	325188	264357	241870	205823	167641	241576	245727	227505
GNPA ratio	9.0	8.4	7.6	7.4	7.3	6.7	7.2	7.3	6.9
NNPA ratio	3.3	3.1	2.5	2.3	1.9	1.6	2.2	2.3	2.1
GNPA of PSU banks	749636	742420	668666	665587	632735	597945	636504	632026	601278
GNPA of Private banks	133003	134403	148121	120757	137451	119845	148962	155745	150310

Source: Company, Capitaline, ICICI Direct Research

Exhibit 5: Stressed assets scenario in various banks

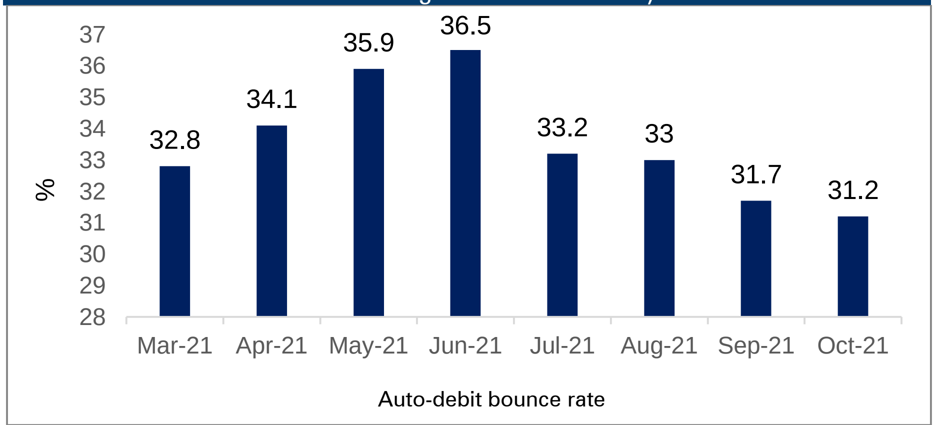
Bank/NBFC	GNPA % Q2FY22	NNPA % Q2FY22	Collection Eff (%) Q2FY22	Restructured % Q2FY22	Total stressed Q2FY22	O/S provisions Q2FY22
PSU Banks						
SBI	4.9%	1.5%	95.0%	1.2%	5.4%	3.6%
Bank of Baroda	8.1%	9.6%	96.0%	3.0%	9.3%	5.3%
Indian Bank	9.6%	3.3%	91.0%	5.5%	11.8%	6.3%
Canara Bank	8.4%	3.2%		2.4%	9.4%	5.2%
Large Private Banks						
HDFC Bank	1.4%	0.4%		1.7%	2.0%	1.7%
Kotak Bank	3.2%	1.1%		0.5%	3.4%	2.7%
Axis Bank	3.5%	1.1%	98.9%	0.6%	3.8%	3.3%
IndusInd Bank	2.8%	0.8%		3.6%	4.2%	3.4%
Mid Size Private Bank						
Federal Bank	3.2%	1.1%	96.0%	2.6%	4.3%	2.5%
DCB Bank	4.7%	2.6%		6.8%	7.4%	2.1%
Bandhan Bank	10.8%	3.0%		10.2%	14.9%	7.8%
IDFC First Bank	4.3%	2.1%		2.9%	5.4%	2.7%
City Union Bank	5.6%	3.5%		0.0%	5.6%	2.1%
CSB Bank	4.1%	2.6%	93.0%	0.8%	4.4%	3.7%

Total Stressed is calculated as GNPA % + 40% of Restructured %

Source: Company, Media Articles, ICICI Direct Research

Check bounce rate in April and May 2021 increased as lockdowns came into force, to around 36.5% compared to ~33% in March 2021. However, there has been a meaningful decline in bounce rates, which was at 31.2% (20-month low) for October 2021, showing an economic revival.

Exhibit 6: Bounce rates show meaningful decline from July 2021 onwards



Source: NCPI, ICICI Direct Research

Introduction of PCA framework for NBFCs

Reserve Bank of India introduced the Prompt Corrective Action (PCA) Framework for NBFCs as they have been growing large in size. This puts restrictions on NBFC whenever their financial metrics drop below the prescribed threshold. This framework will bring NBFCs almost at par with banks in terms of regulation and supervision. This framework will come into effect from October 1, 2022, on the basis of their financial position on or after March 31, 2022. Currently, in listed domain, all large NBFCs (except M&M Financial) adhere to the requirements. Hence, no restriction of any kind is expected. For M&M Financial, NNPA (at 6.4%) is above threshold 1. However, based on management commentary and improvement in asset quality, it is likely to remain out of the ambit of restriction till March 2022.

The objective of the PCA framework is to enable supervisory intervention at appropriate time and require the supervised entity to initiate and implement remedial measures in a timely manner, so as to restore its financial health.

This framework will be applicable to all deposit taking NBFCs as also other large NBFCs that sit in the middle, upper and top players of the central bank's scale based regulation for the sector. Non-deposit taking NBFCs with asset size of less than ₹ 1000 crore, government owned NBFCs, housing finance companies and primary dealers are, however, exempt from the framework.

Exhibit 7: RBI's trigger thresholds for PCA

Indicator	RBI Regulator minimum	Threshold 1	Threshold 2	Threshold 3
CRAR	15%	12% - 15%	9% - 12%	< 9%
Tier 1 Capital Ratio	10%	8% - 10%	6% - 8%	< 6%
Net NPA Ratio	NA	6% - 9%	9% - 12%	>12%

Source: RBI, ICICI Direct Research

PCA Actions:

Risk threshold 1: Restriction on dividend distribution/remittance of profits; promoters/shareholders to infuse equity and reduce leverage

Risk threshold 2: In addition to mandatory actions of threshold 1, restrictions on branch expansion

Risk threshold 3: Besides mandatory actions of threshold 1&2, appropriate restrictions on capital expenditure, other than technological upgrade within board-approved limits; restrictions/reduction in variable operation costs

Once an NBFC is placed under PCA, taking it out of the framework or withdrawal of restrictions imposed under it will be considered if no breaches in risk thresholds in any of the parameters are observed according to four continuous quarterly financial statements, one of which should be the annual audited financial statement. Also, this will be based on the supervisory comfort of the RBI, including an assessment on the sustainability of the NBFC's profitability.

Exhibit 8: RBI's trigger thresholds for PCA

NBFCs	CAR Ratio	Tier 1 Ratio	Net NPA Ratio
Bajaj Finance	27.7%	24.9%	1.1%
Muthoot Finance	27.6%	26.7%	0.0%
Mahindra Finance	26.1%	22.3%	6.4%
Manappuram Finance	31.8%	31.5%	1.3%
IIFL Finance	25.9%	18.3%	1.1%
Poonawalla Fincorp	52.2%	50.1%	2.0%
Cholamandalam	19.6%	16.7%	4.0%
L&T Finance	25.2%	20.1%	2.8%
Shriram City Union Finance	29.1%	28.0%	3.5%
Shiram Transport Finance	23.2%	21.1%	4.2%

Source: Company, ICICI Direct Research

Harmonisation in NPA norms; NBFCs to witness uptick in NPA

RBI has harmonised certain regulatory guidelines with respect to classification and upgradation of NPA for NBFCs. These guidelines are expected to result in ~20-80 bps increase in stage 3 asset for NBFCs but excess ECL provisioning will not have any impact on credit cost and, thus, earnings for most non-bank lenders.

Banking sector peers have an automated system for tagging accounts as NPAs on the day the account becomes overdue for more than 90 days. In contrast, there were no uniform rules for NBFCs with some of them recognising NPAs at the end of the reporting period while other NBFCs were upgrading accounts classified as NPAs to standard category upon payment of only interest and partial overdue. Further, upon payment of single or more EMIs leads to upgrade from stage 3 to stage 2 asset pool. Hence, to bring uniformity across lending institutions, RBI has clarified that loan account once classified as NPAs may be upgraded as standard asset only if the entire amount of principal and interest overdue are repaid. This is expected to make stage 3 assets pool relatively stickier as now the movement of asset can only be from stage 3 to stage 1, and not stage 2.

The stricter norms that are made applicable to NBFCs could lead to increase in more loan accounts being classified NPAs as partially paid loans may be classified as slippage, which will further lead to increase in GNPAs.

Further, NBFCs need to shift to daily NPA/SMA recognition wherein borrower accounts shall be flagged as overdue by the lending institutions as part of their day-end process for the due date, irrespective of the time of running such process. E.g. if due date of a loan account is March 31, 2021, and full dues are not received before the lending institution runs the day-end process for this date, the date of overdue shall be March 31, 2021. If it continues to remain overdue, then this account shall get tagged as SMA-1 upon running day-end process on April 30, 2021 i.e. upon completion of 30 days of being continuously overdue. Accordingly, the date of SMA-1 classification for that account shall be April 30, 2021. Similarly, if the account continues to remain overdue, it shall get tagged as SMA2 upon running day-end process on May 30, 2021 and if continues to remain overdue. Further, it shall get classified as NPA upon running day-end process on June 29, 2021. This stated norm will lead to short term rise in stage-3 assets for few quarters. Thereafter, stage-3 assets will normalise.

Exhibit 9: Stage 3 assets of NBFCs

Particulars (in%)	Stage 3 assets	Stage 3 Coverage Ratio
Bajaj Finance	2.5%	55.5%
Muthoot Finance	1.9%	36.3%
Mahindra Finance	12.7%	53.0%
Manappuram Finance	1.6%	21.7%
HDFC	2.5%	54.8%
Poonawalla Fincorp	4.8%	54.0%
L&T Finance	5.7%	52.0%
Cholamadalam	6.2%	36.5%
Shriram City Union Finance	6.9%	51.2%
Shiram Transport Finance	7.8%	48.6%
Home First	1.7%	29.6%
Aavas	1.0%	26.0%
LIC Housing Finance	5.1%	43.3%

Source: Company, ICICI Direct Research

Ownership guidelines & corporate structure to get re-aligned

RBI accepted 21 recommendations of the Internal Working Group (IWG) related to ownership guidelines & corporate structure of Indian private sector banks, with some with partial modifications. The recommendations accepted are as follows:

- The cap on promoters' stake in long run of 15 years may be raised from the current levels of 15% to 26% of the paid-up voting equity share capital of the bank

  View: Promoters like the Hinduja Group, HDFC Ltd and the Aga Khan Fund will be allowed to increase their stake in IndusInd Bank, HDFC Bank and DCB Bank, respectively, to 26%, if they choose to

- Non-promoter shareholding cap shall be increased from 10% to 15% for financial institutions/entities but will remain at 10% for non-financial institutions/entities

  View: Key shareholders such as LIC, which has 8.37% stake in SBI, for example, will be allowed to increase their stake to 15%, if they choose to

- Banks currently under Non-Operative Financial Holding Company (NoFHC) structure may be allowed to exit such a structure if they do not have other group entities in their fold

  View: It may be noted that banks licenced before 2013 and which operate group entities, e.g. SBI, Kotak Mahindra Bank, are not covered by the 21 recommendations accepted

- Whenever a new licensing guideline is issued, if new rules are more relaxed, benefit should be given to existing banks, immediately. If new rules are tougher, earlier licensees should transition to new guidelines but the transition path should be finalised in consultation with earlier licensees to ensure compliance in a non-disruptive manner

  View: This means if the NoFHC structure attains tax neutral status, any adherence to the NoFHC norm from earlier licensees such as SBI, and Kotak Mahindra Bank would be non-disruptive in nature.

Other key points accepted by RBI:

- No change to existing initial lock-in requirement for promoter, which will remain at 40% of paid-up voting equity share capital for five years
- There will be no need to fix cap on promoter holding for first five years
- No intermediate sub-targets for promoter holding of 5-15 years but submission of a dilution schedule will be mandatory
- Monitoring mechanism to be devised to ensure that the control of promoting entity / major shareholder does not fall into the hands of someone not fit and proper
- If invoking of a pledge leads to transfer of shares greater than 5% stake, the voting rights of the acquirer will be restricted to 5% till the latter applies to the RBI for regularisation
- Minimum requirement in terms of number of years of track record for an NBFC converting to a universal bank, for SFB converting to a universal bank and for a payments bank converting to an SFB will continue as is at 10 years, five years and five years, respectively
- Minimum net worth requirement for licencing of new banks would be raised from ₹ 500 crore to ₹ 1000 crore for universal banks, from ₹ 200 crore to ₹ 300 crore for SFBs and from ₹ 100 crore to ₹ 150 crore for UCBs converting to SFBs but will rise to ₹ 300 crore in five years
- SFBs to be set up in the future should be listed within six years of reaching net worth equal to that prescribed as entry level capital for universal banks or eight years from commencement of operations
- Universal banks should continue to be listed within six years of commencement of operations

Annexure

Exhibit 10: Asset quality scenario

Asset quality trend	GNPA (₹ crore)					NNPA (₹ crore)				
	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
PSU coverage										
Bank of Baroda	65,698	63,182	66,671	63,029	62,398	16,795	16,668	21,800	20,260	19,968
SBI	125,863	117,244	126,389	134,259	133,756	36,451	29,032	36,810	43,153	44,753
Private coverage										
Axis Bank	26,832	21,998	25,315	25,950	25,690	26,832	21,998	25,315	25,950	25,690
City Union Bank	1,221	1,072	1,026	1,026	1,026	631	527	621	621	1,294
Development Credit Bank	574	502	1,083	1,269	1,285	206	150	594	719	707
IndusInd Bank	4,532	3,651	5,795	6,186	6,062	1,056	466	1,477	1,760	1,724
Federal Bank	3,552	3,470	4,602	4,649	4,556	3,552	3,470	4,602	4,649	4,556
HDFC Bank	11,305	8,826	15,086	17,099	17,399	1,756	1,016	4,555	5,486	5,586

Source: Company, ICICI Direct Research

Exhibit 11: Quarterly margin trend

NIM (%)	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
PSU coverage					
Bank of Baroda	2.8	2.8	2.7	3.0	2.9
SBI	3.3	3.3	3.3	3.2	3.5
Syndicate Bank	0.0	0.0	0.0	0.0	0.0
Indian Bank	3.1	3.1	2.3	2.9	2.9
Private coverage					
Axis Bank	3.9	3.8	3.7	3.7	3.7
City Union Bank	4.1	4.2	3.7	3.9	4.0
Development Credit Bank	3.7	3.8	3.5	3.3	3.4
Federal Bank	3.5	3.6	3.4	3.4	3.5
HDFC Bank	4.1	4.2	4.2	4.1	4.1
Kotak Mahindra Bank	4.5	4.6	4.4	4.6	4.5
IndusInd Bank	4.2	4.1	4.1	4.1	4.1
Bandhan Bank	8.0	8.3	6.8	8.5	7.6

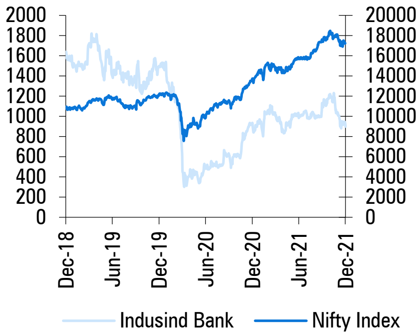
Source: Company, ICICI Direct Research

Exhibit 12: Key financials of industry as of Q2FY22

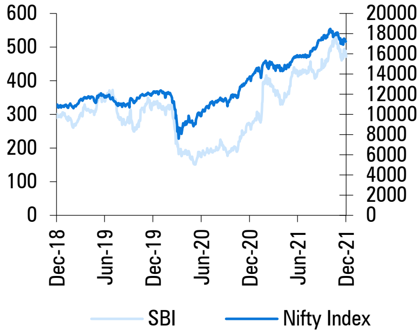
(₹ crore)	Q2FY22	Q1FY22	Q4FY21	Q3FY21	Q2FY21
NII	127949	122837	116593	123255	120370
Growth YoY	**6.3**	**0.7**	**3.6**	**12.4**	**18.3**
Other income	52975	56086	67562	52808	45551
Growth YoY	16.3	26.5	15.8	2.6	-7.1
Total operating exp.	95347	81588	88673	82233	77238
Staff cost	44168	43003	42350	42477	40206
Operating profit	85577	97335	95482	93830	88683
Growth YoY	-3.5	4.8	14.7	10.3	10.6
Provision	34530	54621	61563	58073	51721
PBT	51047	42756	33920	35757	37010
PAT	43681	31329	24909	26296	26810
Growth YoY	62.9	45.8	**NM**	**NM**	**191.0**
GNPA	751588	787771	785467	717790	770186
Growth YoY	**-2.4**	**0.2**	**-3.8**	**-18.1**	**-12.7**
NNPA	227505	245727	241576	167641	205823
Growth YoY	**10.5**	**1.6**	**-8.6**	**-48.4**	**-36.6**

Source: Capital-line, Company, ICICI Direct Research

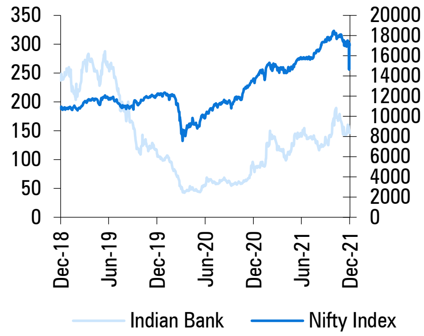
IndusInd Price Performance



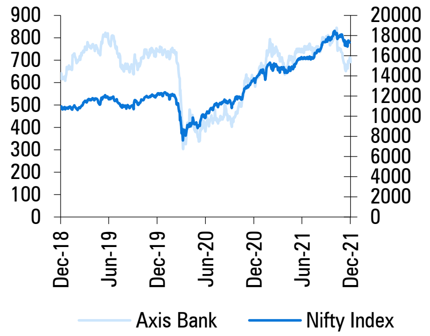
State Bank of India Price Performance



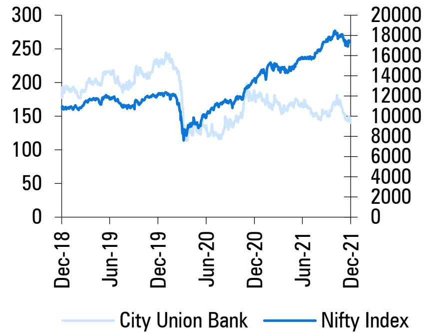
Indian Bank Price Performance



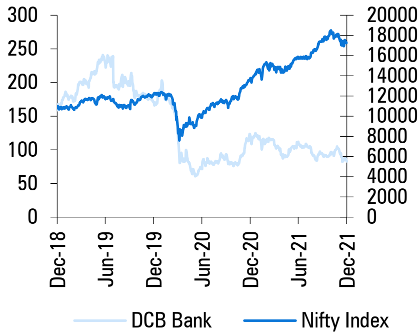
Axis Bank Price Performance



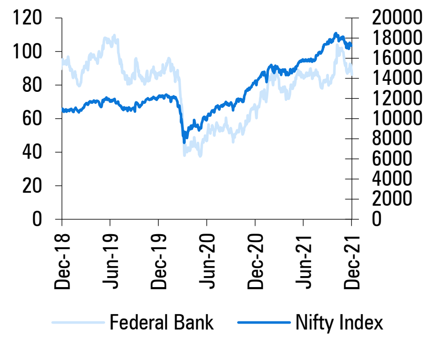
City Union Price Performance



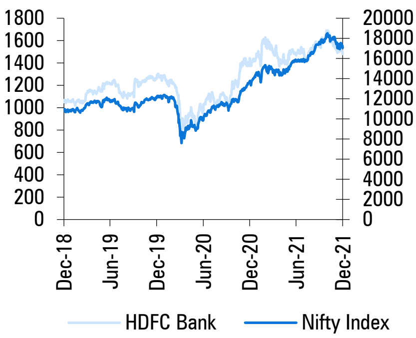
DCB Bank Price Performance



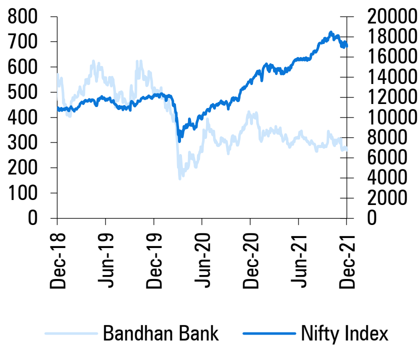
Federal Bank Price Performance



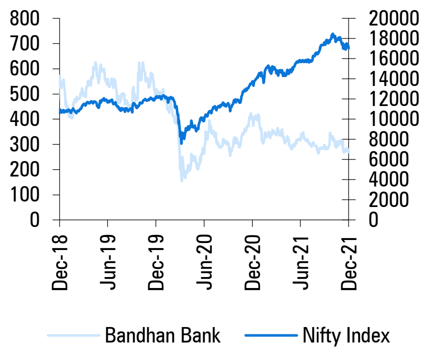
HDFC Bank Price Performance



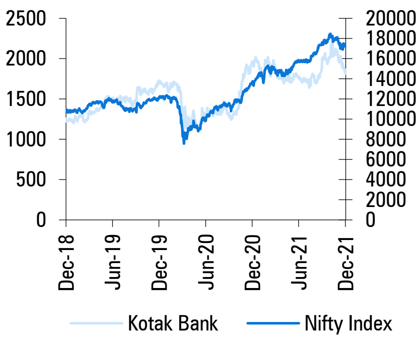
Bandhan Bank Price Performance



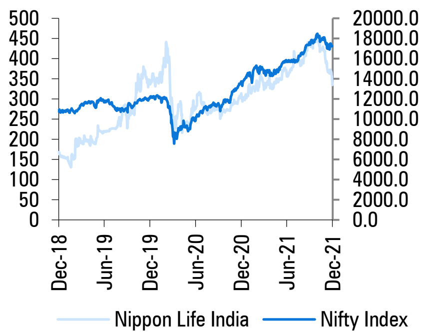
Jammu & Kashmir Bank Price Performance



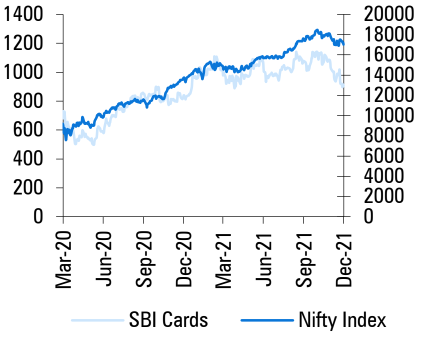
Kotak Mahindra Bank Price Performance



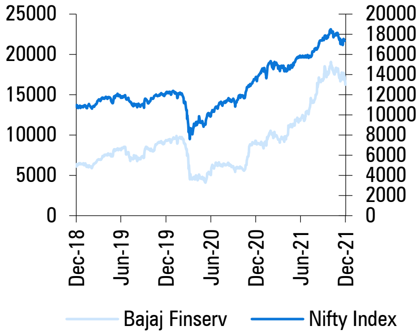
Nippon Life Price Performance



SBI Cards Price Performance



Bajaj Finserv Price Performance



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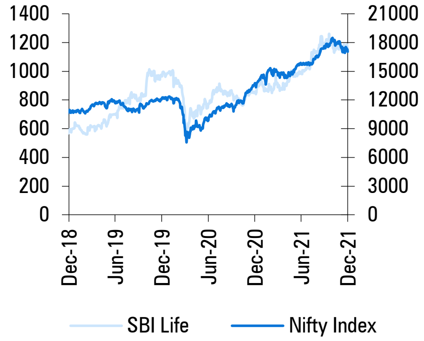
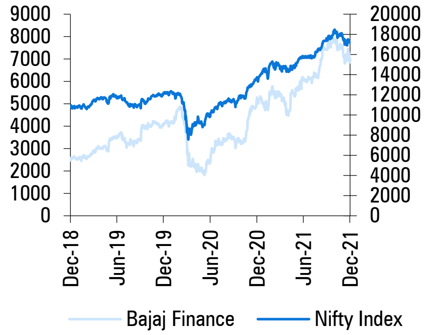


Bajaj Finance Price Performance



HDFC AMC Price Performance

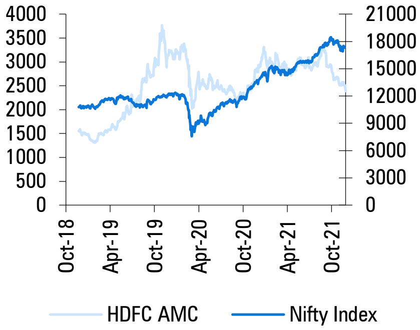


Exhibit 13: ICICI Direct coverage universe (BFSI)

Sector / Company	CMP (₹)	TP(₹)	Rating	M Cap (₹ Bn)	EPS (₹) FY21	EPS (₹) FY22E	EPS (₹) FY23E	P/E (x) FY21	P/E (x) FY22E	P/E (x) FY23E	P/ABV (x) FY21	P/ABV (x) FY22E	P/ABV (x) FY23E	RoA (%) FY21	RoA (%) FY22E	RoA (%) FY23E	RoE (%) FY21	RoE (%) FY22E	RoE (%) FY23E
BoB (BANBAR)	81	120	Buy	419	2.5	12.6	15.3	32.6	6.4	5.3	0.8	0.7	0.6	0.1	0.5	0.6	1.7	8.1	9.1
SBI (STABAN)	448	640	Buy	3998	22.9	45.6	44.2	20	9.8	10.1	1.8	1.6	1.4	0.5	0.9	0.8	8.4	14.9	12.7
Indian Bank (INDIBA)	136	180	Buy	169	26.6	32.9	46.7	5.1	4.1	2.9	0.6	0.7	0.6	0.6	0.6	0.8	9.9	10.4	13.5
Axis Bank (AXIBAN)	663	970	Buy	2033	21.5	41.0	52.7	30.8	16.2	12.6	2.1	1.9	1.7	0.7	1.2	1.4	7.1	11.7	13.4
City Union (CITUNI)	132	200	Buy	98	8.8	9.3	11.7	15.0	14.2	11.3	2.1	1.8	1.5	1.3	1.2	1.4	11.9	11.3	12.4
Federal Bank (FEDBAN)	81	120	Buy	170	8.0	8.8	11.3	10.2	9.2	7.2	1.1	1.1	1.0	0.8	0.9	1.0	10.4	10.9	12.7
HDFC Bank (HDFBAN)	1,420	2,000	Buy	7871	47.9	56.4	66.1	29.7	25.2	21.5	4.7	3.9	3.4	1.9	1.9	1.9	16.4	16.6	16.7
IndusInd Bank (INDBA)	848	1,400	Buy	657	36.7	57.4	72.9	23.1	14.8	11.6	1.6	1.4	1.4	0.8	1.2	1.3	7.3	10.0	12.3
Kotak Bank (KOTMAH)	1,727	2,550	Buy	3426	35.1	38.9	48.9	49.1	44.4	35.3	5.6	5.0	4.4	1.9	1.9	2.1	12.4	11.4	12.7
CSB Bank (CSBBAN)	247	380	Buy	43	12.6	19.7	24.7	19.6	12.5	10.0	2.3	2.0	1.7	0.1	1.0	1.4	10.5	14.6	15.8
Bandhan (BANBAN)	249	270	Hold	400	13.7	-7.0	24.7	18.2	-35.6	10.1	2.8	3.0	2.3	2.1	-0.9	2.8	13.5	-6.7	22.2
IDFC First (IDFBAN)	46	60	Buy	284	0.8	0.5	2.3	57.7	95.5	20.1	1.5	1.2	1.1	0.3	0.2	0.7	2.7	1.4	5.8

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;
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Sell: <-15%

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