ICICI direct Research

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Better FY22; pick-up in growth to drive valuation…

The banking sector has outperformed against the overall market (the Bank Nifty registered a fall of 1.6% whereas the Nifty fell 3.7% in the past three months) as the earnings outlook has improved due to expected lower credit cost, improved asset quality and better topline growth.

Challenges pertaining to the pandemic are behind us. Thus, we expect normalisation of business activities to be seen in credit offtake as well as collection efficiency ahead.

Taking over the baton from the previous quarter, bank credit growth has picked up pace, further led by the retail and MSME segments. The corporate segment is showing green shoots of revival as working capital limits are getting utilised. Bank credit growth is expected to pick up further as the impact of pandemic led disruptions recede, demand improves further, ECLGS scheme gets extended, etc. We believe NPAs have largely bottomed out with lower credit cost expected to aid earnings trajectory ahead.

Banking sector outlook:

- Overall non-food credit has grown 11.3% in April 2022, which is meaningfully up when compared to a trajectory of ~5.5% level seen during the beginning of FY22. As per latest sectoral deployment data, pick up in credit growth is largely driven by retail and MSME segment as they were up 14.7% and 35.1%, respectively, on a yearly basis. MSME segment has seen robust growth of over 30% in the past few months. This can be attributed to a pick-up in overall business activity and extension of ECLGS till March 2023. We believe bank credit growth will increase further as pandemic issues take a back seat
- GNPA ratio for banks in our coverage declined in the range of 10-70 bps with average drop being at ~40 bps. PCR has inched up 150 bps QoQ to ~72%. Restructured book also declined by an average of 25 bps QoQ, thus indicating overall reduction in stress. We believe NPAs have largely bottomed out for banks with the trend expected to continue to remain positive ahead. Existing provision buffers, decline in stress and other resolutions are expected to keep credit cost benign
- Overall, this quarter saw healthy business momentum continuing with improvement in asset quality. HDFC Bank outperformed its comparable peers on the growth front while Kotak and IDFC First Bank also recorded a strong loan trajectory. Private banks have clearly outperformed their PSU counterparts, growing 15% YoY and 6% QoQ
- In an off-cycle policy meet, RBI increased its repo rate to 4.4%, with reverse repo rate unchanged at 3.35% and MSF at 4.65%. Also, in a recent media interview the RBI governor had hinted that there would be a rate hike in the coming months, thus indicating continuance in further hardening of rates

We prefer lenders with healthy CASA base, higher floating rate asset, adequate PCR and capital. Thus, we have a positive stance on Axis Bank, Bajaj Finance among large lenders and SBI Life, Star Health in the insurance coverage universe. We prefer SBI among PSU banks as bottoming of NPA and business growth would aid earnings trajectory and, thus, return ratios ahead. Continued competition from new age fintech players is expected to keep the performance of mid-sized banks volatile. Collaborative structure of neo banks could assist traditional banks to showcase and widen their offerings mostly towards untapped segment.

Sector View

Banks / HFCs – Overweight

Insurance– Neutral

NBFC / Brokerage / AMC - Neutral

Sector Update

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Q4FY22 quarterly highlights

- GNPA ratio for banks in our coverage declined in the range of 10-70 bps with the average drop being ~40 bps. PCR has inched up 150 bps QoQ to ~72%. Restructured book also declined by an average of 25 bps QoQ, thus indicating an overall reduction in stress. Kotak Mahindra Bank saw highest reduction in GNPA at 37 bps QoQ among private peers in our coverage
- In the PSU space, SBI continued to maintain its healthy run on the asset quality front as GNPA was down 42 bps while restructuring also declined 10 bps QoQ
- Despite a few weeks of hiccups due to the pandemic, rest of the quarter saw an upsurge in business activities and loan growth, which were at 8.7% YoY & 4.6% QoQ to ₹ 111 lakh crore. Private banks have clearly outperformed their PSU counterparts, growing 15% YoY and 6% QoQ
- NII grew at a healthy 17% YoY but only 1% QoQ due to the relatively higher pace of deposit accretion and increasing competitive intensity in secured lending segment. Other income was down 19% YoY as treasury income was impacted due to hardening of yield (especially for PSU banks). However, sequentially, due to better loan growth, fee income saw some spike
- C/I ratio declined 60 bps QoQ from 49.6% to 49% QoQ, mainly on account of better growth in topline and control over opex
- Credit cost (provisions) for the quarter declined YoY due to better asset quality performance. However, sequentially it was slightly up by ~8% as a few large banks took additional provisions to strengthen balance sheet while some opted to write off bad loans
- Overall, this quarter saw healthy business momentum continuing from the last quarter as also improvement in asset quality. HDFC Bank outperformed its comparable peers on the growth front while Kotak and IDFC First also posted a strong loan trajectory

Valuations in range; sustainable growth to drive price performance

The banking sector has underperformed against the overall market (the Bank Nifty registered growth of ~11% whereas the Nifty grew ~36% in the last three years) largely due to concerns like subdued bank credit growth and asset quality pressure. Subdued bank credit growth observed in the last few years was mainly on account of weak demand, balance sheet deleveraging, shift to other funding sources and risk aversion by lenders. The underperformance was further compounded by the outbreak of Covid-19 given heightened uncertainty on growth and asset quality.

In the last three years, asset quality of SCBs (largely supported by PSBs) improved after a long period of stress, driven by lower fresh slippages, resolution, write-offs, recapitalisation and sale of doubtful/loss assets to ARCs by taking haircuts. Asset quality of banks seems to have bottomed out as GNPA ratio of all SCBs moderated to their lowest level in the last six years. We remain watchful on slippages arising out of restructured loans and loans under various dispensation schemes during the pandemic.

Restructured book continued to decline further in Q4FY22. Among PSU banks, Indian Bank, Canara Bank, BoB and SBI witnessed a decline of 65 bps, 50 bps, 25 bps and 10 bps, respectively, in their restructured book. Among private banks, IndusInd bank recorded the highest decline of 70 bps in the restructured book.

Most banks had frontloaded provisions in the last few years in anticipation of rising stress post end of various regulatory dispensations (like ECLGS, moratorium, etc). Lower incremental provision requirement aided by lower slippages resulted in increasing provision coverage ratio (PCR) for SCBs.

As the impact of the pandemic recedes and economic activities gathered pace, bank credit growth started picking up gradually (since August 2021) led by retail and MSME segment. For FY22, bank credit growth increased to 9.7% YoY. Retail credit growth was primarily driven by lower interest rates, credit push by banks by offering discounts, cashback offers and revival in the overall economy. Interestingly, bank credit growth in the agriculture segment was healthy even during the pandemic period, led by continued government support of interest subvention scheme. Bank credit growth to industry picked up to 7.1% YoY in FY22 compared to contraction of 0.4% in FY21, primarily led by MSME segment owing to government support.

Considering these factors, we believe the worst for the banking sector is behind, in terms of lower growth and NPA issues. Going ahead, it is likely to witness expansion from here on led by economic revival, rise in capex, retail credit push. Sustainable and improving credit growth is seen driving valuations, though rising rates cycle may act as a near term deterrent.

Credit growth trajectory improving, retail & MSME catalyst

Ever since unlocking 2.0 began, bank credit offtake has shown continuous improvement aided by pent up demand, higher business activity and festive season. Overall non-food credit has witnessed a continuous improvement at 11.3% in April 2022, meaningfully up compared to a trajectory of ~5.5% level seen during the beginning of FY22.

As per RBI's latest sectoral deployment data, pick-up in credit growth is largely driven by retail and MSME (medium + micro & small) segment as they were up 14.7% and 35.1%, respectively, on a yearly basis. Within the retail segment, credit cards saw strong growth of 20% YoY. Healthy pick-up in credit card segment can also be substantiated by the fact that card spends have crossed the ₹ 1 lakh crore mark in March, April 2022. This landmark was only achieved since October 2021 when spends had surged on the back of festive demand. Vehicle and housing segment (ex-priority) also reported decent growth of 11.5% and 13.7% YoY, respectively.

Large industry segment, which forms ~20% of the total bank credit, had remained a drag on overall credit-offtake by posting de-growth in the initial period of the fiscal. However, in the past six months, growth in this segment has moved into the positive zone and is at 1.6% for April 2022. As heard from various management commentary, utilisation of working capital limits has increased and could be gradually followed by borrowing for capex requirement.

The MSME segment has seen robust growth of over 30% in the past few months. This can be attributed to a pick-up in overall business activity and extension of ECLGS till March 2023. We believe bank credit growth should increase with multiple between GDP and advances estimated at ~1.5x in FY23-24E.

Exhibit 1: Industry wise credit deployment data

₹ crores	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22
Non-Food Credit	1,10,79,831	1,15,94,733	1,15,00,052	1,15,58,783	1,18,35,628	1,19,12,088
Agriculture & Allied Activities	13,44,129	14,17,969	14,32,743	14,48,928	14,61,350	14,78,559
Industry	28,64,911	29,85,278	30,46,833	31,35,271	31,52,449	31,52,414
Large	22,71,089	23,13,458	23,59,037	24,15,757	24,06,372	23,89,232
Services	26,26,577	28,48,108	29,04,619	29,66,593	30,17,116	30,18,767
NBFCs	9,20,630	10,02,081	10,14,179	10,27,183	10,78,447	10,91,216
Personal Loans	29,85,430	30,87,845	31,80,477	33,06,650	33,85,827	34,42,993
Housing (Including Priority Se	14,90,157	15,21,439	15,52,989	15,78,125	16,84,424	17,06,286
Credit Card Outstanding	1,22,111	1,24,743	1,41,254	1,44,004	1,47,782	1,53,681
Vehicle Loans	2,75,249	2,79,485	2,81,518	3,29,636	4,02,667	4,13,536

YOY growth (%)	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22
Non-Food Credit	7.1%	9.3%	8.3%	8.0%	9.7%	11.3%
Agriculture & Allied Activities	10.4%	14.5%	10.4%	10.4%	9.9%	10.6%
Industry	3.8%	7.6%	6.4%	6.5%	7.5%	8.1%
Large	0.0%	1.3%	0.5%	0.5%	1.9%	1.6%
Services	3.6%	10.8%	7.3%	5.6%	8.7%	11.1%
NBFCs	5.2%	13.4%	10.7%	14.6%	11.2%	17.4%
Retail	11.6%	14.3%	11.6%	12.3%	12.6%	14.7%
Housing (Including Priority Se	8.0%	9.3%	7.6%	6.7%	12.9%	13.7%
Credit Card Outstanding	6.8%	13.0%	9.3%	9.9%	12.6%	20.0%
Vehicle Loans	7.7%	8.3%	2.5%	10.3%	9.3%	11.5%

Proportion (%)						
Agriculture & Allied Activities	13.8%	14.5%	14.7%	14.8%	15.0%	15.1%
Industry	29.3%	30.6%	31.2%	32.1%	32.3%	32.3%
Large	20.5%	20.0%	20.5%	20.9%	20.3%	20.1%
Services	26.9%	29.2%	29.7%	30.4%	30.9%	30.9%
NBFCs	8.3%	8.6%	8.8%	8.9%	9.1%	9.2%
Retail	30.6%	31.6%	32.6%	33.8%	34.7%	35.2%
Housing (Including Priority Se	13.4%	13.1%	13.5%	13.7%	14.2%	14.3%
Credit Card Outstanding	1.1%	1.1%	1.2%	1.2%	1.2%	1.3%
Vehicle Loans	2.5%	2.4%	2.4%	2.9%	3.4%	3.5%

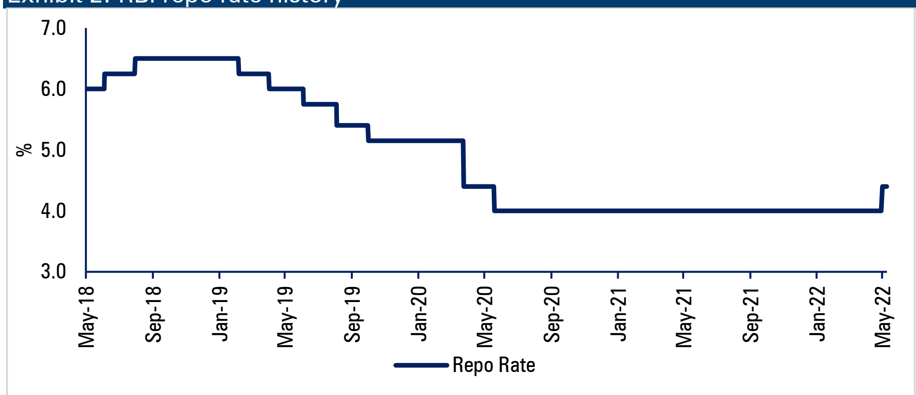
Source: RBI, ICICI Direct Research

RBI hikes repo in off-cycle policy meet; rates to harden further

In an off-cycle policy meet, the Reserve Bank of India (RBI) increased its repo rate to 4.4%, with reverse repo rate unchanged at 3.35% and MSF at 4.65% while all MPC members unanimously voted to increase rates.

According to RBI, global commodity prices are driving food inflation in India. International crude oil prices remain high but volatile, posing considerable upside risks to the inflation trajectory. Core inflation is likely to remain elevated in the coming months, reflecting high domestic prices.

Exhibit 2: RBI repo rate history



Source: Company, ICICI Direct Research;

The market reaction to the surprise rate hike was sharply negative with yields across the curve moving up almost 50 bps. The 10-year benchmark G-Sec yield rose sharply by more than 25 bps to 7.40% immediately after the announcement. The risk of inflation overshooting the upper target band of 6.0% for three consecutive quarters is high. Inflation for Q4FY22 was at 6.3% with RBI's own projection for Q1FY23, Q2FY23 at 6.3%, 5.8%, respectively. CPI for April 2022 has touched near eight year's high of 7.8% wherein food inflation jumped to a 17-month high of 8.38%. Given the risk of breach of inflation mandate being high, MPC may resort to successive rate hikes in its upcoming policy meetings. Further, in a recent media interview, the RBI governor had hinted that there would be a rate hike in the coming months, thus indicating continuance in further hardening of rates.

NBFCs would feel the heat of rising interest rates more than banks. CRR rate hike is going to impact banks blocking liquidity and raising negative carry.

Exhibit 3: Impact of 50 bps hike in CRR on top banks

₹ crore	Deposits + Borrowings	Loss of yields due to 50bps CRR hike
State Bank of India	42,28,581	5%
Bank of Baroda	10,53,468	5%
Punjab National Bank	11,48,996	6%
Canara Bank	11,07,650	6%
Union Bank of India	9,65,886	5%
HDFC Bank	17,44,035	4%
Axis Bank	10,06,855	4%
Kotak Mahindra Bank	3,37,651	3%
IndusInd Bank	3,41,005	5%

Source: Company, ICICI Direct Research; Note: HDFC Bank, ICICI Bank, Axis Bank & IndusInd Bank data as on Mar'22, rest all data is as on Sept'21

Rate trajectory to impact treasury; margin to gain in interim

As we know, inflation has been moving northwards due to various domestic and global developments. RBI, in order to control inflation, has resorted to rate hike and also indicated further rate hike possibilities ahead. The 10-year G-sec yields have moved up by over 80 bps since beginning of this calendar year. Due to inverse relationship with bond prices, we can say that treasury income for banks will get impacted as investments in AFS and HFT category would see MTM loss.

Exhibit 4: Interest rate moving northwards

Source: Company, ICICI Direct Research;

PSU banks generally have higher quantum of investment as proportion to deposits on account of strong deposit profile but credit deployment is lesser. This is very visible from the fact that private banks have a credit-deposit ratio (C/D) in the general range of 80-85% while PSU banks C/D ratio ranges at 65-70%, which means more quantum of money is deployed in investments, mostly in bonds. Hence, we believe PSU banks will bear greatest brunt on treasury income as interest rate rises further. This, in turn, would negatively affect topline. However, as other operating parameters improve the effect could be negated.

Exhibit 5: Treasury income of PSU banks showing declining trend

Rs crore	Treasury income of PSU Banks							
	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22
SBI	4,025	1,084	959	(37)	2,102	429	514	178
BoB	541	1,113	940	873	844	1,167	446	(683)
BoI	914	256	649	66	880	429	210	(111)
Canara Bank	887	464	1,395	178	617	1,133	320	523
PNB	1,324	649	986	(171)	1,419	880	625	12
Indian Bank	632	578	154	291	615	395	245	84

Source: Company, ICICI Direct Research;

As we can see from above table, treasury income for PSU banks has been on a declining trend in the past few quarters as a result of hardening of interest rates. However, we believe now the impact would be slightly lower led by a decline in modified duration for most PSUs.

On the margins front, we believe with 70-80% of bank loans being on a floating rate basis, a general rise in interest rate should aid margins in the near term. Though deposits rate may also rise, we believe this would come with a lag as nearly 45% of total banking deposits are CASA deposits, which have zero to low interest rate. Hence, the cost impact from them would be minimal. Yields on 70-80% of assets would get repriced. Hence, NIMs should see some spike in the short run while lower slippages, better recoveries should also support margins as interest reversals would be less.

Asset quality trend continues to improve; credit cost fear out of sight

According to the recent quarter numbers, the asset quality performance was better than the previous quarter aided by lower slippages and better recoveries. GNPA ratio for banks, in our coverage, declined in the range of ~10-70 bps with an overall decline of ~40 bps QoQ. Bandhan Bank reported a significant improvement in GNPA ratio (from 10.8% in Q3FY22 to 6.5% in Q4FY22). For banks under our coverage universe, restructured book declined in the range of ~10-70 bps QoQ, thus indicating overall reduction in the stress pool.

Among PSU banks, SBI continued to post a healthy asset quality performance with multi quarter low slippages at 0.99% (1.16% in Q3FY22) and multi quarter low credit cost at 0.55% (0.57% in Q3FY22). Overall credit cost for banks was largely stable QoQ at 1.3% in Q4FY22. Whereas for PSU banks, it increased by 21 bps QoQ, for private banks it declined 24 bps QoQ.

Recent management commentary suggests no material slippages from restructured or ECLGS pool. However, RBI has been suggesting caution with respect to the restructured asset. Overall, we remain watchful of the performance of restructured pool. However, given the revival in the economy and performing assets being allowed to be restructured, we believe slippages from the pool should not be significant. Thus, we believe NPAs have largely bottomed out for banks with the trend expected to continue to remain positive ahead. Existing provision buffers, decline in stress and other resolutions are expected to keep credit cost benign, thus supporting earnings growth.

Exhibit 6: Asset quality of Indian banking system as of March 2022

	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22
GNPA	807912	777496	761338	709300	776133	778716	741765	711406	688913
NNPA	259673	237543	201497	166003	239114	243520	225217	207756	190612
GNPA ratio	7.5	7.3	7.2	6.6	7.1	7.2	6.8	6.1	5.8
NNPA ratio	2.4	2.2	1.9	1.6	2.2	2.2	2.1	1.8	1.6
GNPA of PSU banks	668666	665587	632735	597945	636504	632026	601278	578060	562214
GNPA of Private banks	148121	120757	137451	119845	148962	155745	150310	142983	136334

Source: Company, ICICI Direct Research

Neo banks – Collaborative offering rather than competition with traditional banks

Introduction to new age banking offering

Neo banks are digital banks that have no brick and mortar presence, offering services similar to traditional banks. It works on "Banking as a Service (BAAS)" model. They leverage technology and artificial intelligence to offer personalised services to customers while minimising operating costs. There are mainly three types 1) Digital only banks 2) Over the top neo banks and 3) Digital only brands. Digital only banks require a banking license. Over the top neo banks are a standalone digital platform. Digital only brands are created by traditional banks – YONO (by SBI) and Kotak 811 (by Kotak Mahindra Bank).

Features/benefits

Neo banks offer user-friendly interfaces, lower fee services on consumer and SME banking side and act as digital acquisition engines for traditional banks. In addition, neo banks also offer value added services like online customer support, alerts and notifications, etc, to improve user experience. As the business model is digital, neo banks have lower operational cost and can run operations with minimum manpower. With the help of neo banks, traditional banks can offer specific services to their targeted customers at minimum cost.

Target segments

Neo banks are primarily consumer focused (young population) and SME focused. Consumer focused neo banks focus on targeted services based on transaction history, beyond FDs and debit/credit cards. (e.g. NiYo, Jupiter, Fi, Slice). SME focused neo banks provide software solutions related to payables and receivables, services like tax filing, payrolls, etc (e.g. Open, Razorpay X). Fintech company Niyo, in association with SBM Bank India and Visa, now offers a digital savings account with Niyo Global.

Business model

Neo banks gets commission income from partner banks based on per transaction and distribution fee for financial products sold on their platforms. e.g. Jupiter (Neobank) has a tie-up with Federal Bank. If a customer uses a debit card or takes a loan or buys an insurance policy using Jupiter app/card, they will get a commission.

Collaboration rather than competition

Neo banks are bridging the gap between the services that traditional banks offer and the rising needs of customers in the digital age. The main constraint that neo banks face in India is not having a banking license of their own. They cannot accept deposits and give loans on their own balance sheet. This leads to large dependency on traditional banks for core operations. Expansion of these banks will be driven by their own product offerings. However, capital requirement to grow their business is also a constraint.

Neo banks may pave the way for banking to go digital but a regulatory framework needs to emerge that will determine how the data generated by neo banks should be used and how they can customise their products based on available data.

One of the important parameters from a customer perspective while choosing a banking partner is "customer trust" and "brand image". Thus, in the initial phase, neo banks are to be seen as "collaborative" rather than "competition" which will enable them to broaden the overall market and enhance customer experience through personalised offerings.

Annexure

Exhibit 7: Asset quality scenario

Asset quality trend	GNPA (₹ crore)					NNPA (₹ crore)				
	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22
PSU coverage										
Bank of Baroda	66,671	63,029	59,504	55,997	57,117	21,800	20,260	19,602	16,465	16,564
SBI	1,26,389	1,34,259	1,23,942	1,20,028	1,18,529	36,810	43,153	37,119	34,530	36,130
Indian Bank	38,455	37,759	36,886	36,540	35,214	12,271	12,653	11,749	10,155	8,848
Private coverage										
Axis Bank	25,315	25,950	24,149	23,301	24,000	6,994	7,846	7,200	6,513	6,643
City Union Bank	1,893	2,035	2,119	1,999	1,933	1,075	1,242	1,294	1,296	1,191
DCB Bank	1,083	1,269	1,285	1,340	1,289	594	719	707	697	573
IndusInd Bank	5,795	6,186	6,245	5,779	5,490	1,477	1,760	1,771	1,633	1,552
Federal Bank	4,602	4,649	4,446	4,401	4,357	1,569	1,593	1,502	1,471	1,442
HDFC Bank	15,086	17,099	16,346	16,146	16,141	4,555	5,486	4,755	4,655	4,408

Source: Company, ICICI Direct Research

Exhibit 8: Quarterly margin trend

NIM (%)	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22
PSU coverage						
Bank of Baroda	2.8	2.7	3.0	2.9	3.1	3.1
SBI	3.3	3.3	3.2	3.5	3.4	3.4
Indian Bank	3.1	2.3	2.9	2.9	3.0	3.0
Private coverage						
Axis Bank	3.8	3.8	3.7	3.7	3.8	3.8
City Union Bank	4.2	3.7	3.9	4.0	4.0	4.0
DCB Bank	3.8	3.5	3.3	3.4	3.6	3.6
Federal Bank	3.2	3.2	3.2	3.2	3.3	3.2
HDFC Bank	4.2	4.2	4.1	4.1	4.1	4.1
Kotak Mahindra Bank	4.4	4.4	4.6	4.5	4.6	4.6
IndusInd Bank	4.1	4.1	4.1	4.1	4.1	4.1
Bandhan Bank	8.3	6.8	8.5	7.6	7.8	7.8

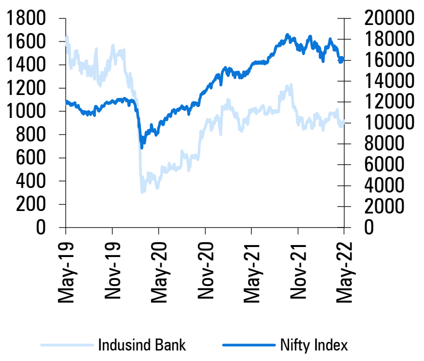
Source: Company, ICICI Direct Research

Exhibit 9: Key financials of industry as of Q4FY22

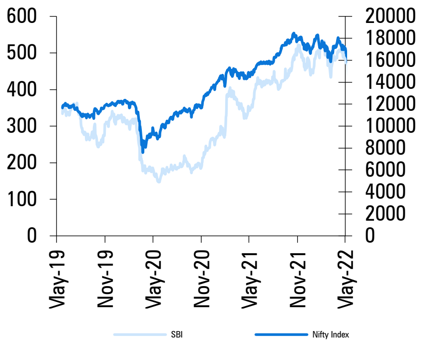
(₹ crore)	Q4FY22	Q3FY22	Q2FY22	Q1FY22	Q4FY21
NII	135379	134454	127332	122258	116098
Growth YoY	**16.6**	**9.6**	**6.3**	**0.6**	**3.7**
Other income	54439	50257	52771	55737	67232
Growth YoY	-19.0	-4.4	16.2	26.2	16.0
Total operating exp.	93068	91564	94774	81071	88022
Staff cost	41972	44064	43802	42665	41919
Operating profit	96750	93147	85328	96924	95309
Growth YoY	1.5	-0.6	-3.5	4.6	15.1
Provision	36158	33553	34379	54543	61559
PBT	60593	59595	50949	42422	33751
PAT	45837	43698	43462	31155	24748
Growth YoY	85.2	52.4	61.4	44.2	**NM**
GNPA	688913	711406	741765	778716	776133
Growth YoY	**-11.2**	**0.3**	**-2.6**	**0.2**	**-3.9**
NNPA	190612	207756	225217	243520	239114
Growth YoY	**-20.3**	**25.2**	**11.8**	**2.5**	**-7.9**
Advances (Lakh crore)	111.4	106.6	99.9	98.6	102.5
Deposits (Lakh crore)	155.1	147.5	144.3	141.2	141.0

Source: Company, ICICI Direct Research

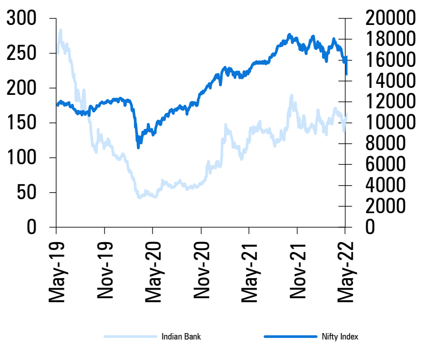
IndusInd Price Performance



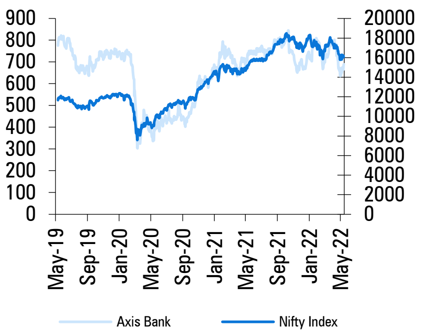
State Bank of India Price Performance



Indian Bank Price Performance



Axis Bank Price Performance



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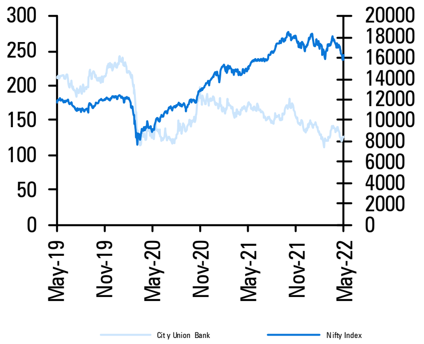

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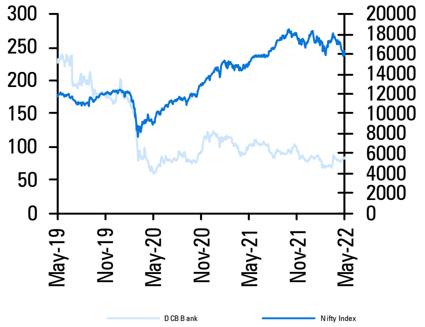

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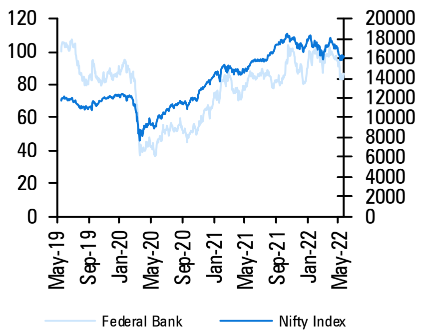

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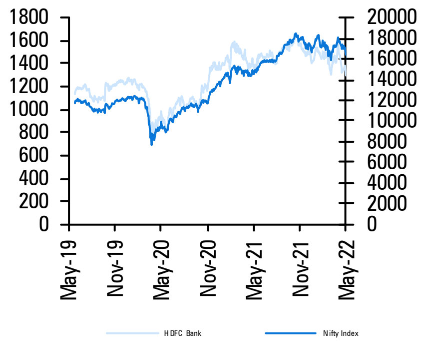

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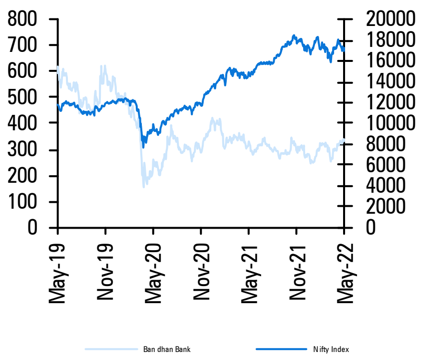
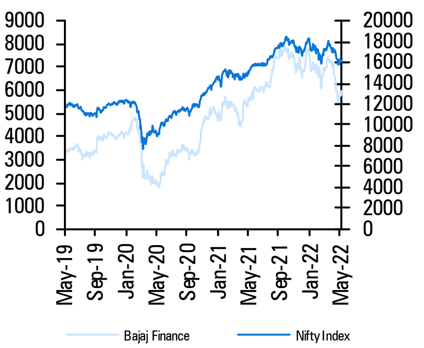
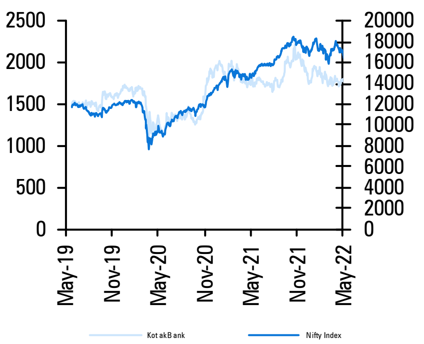


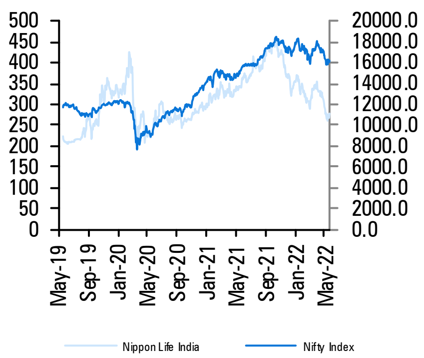
Bajaj Finance Price Performance



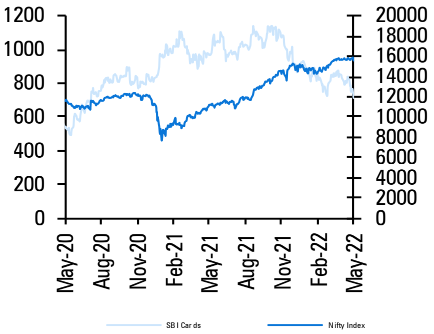
Kotak Mahindra Bank Price Performance



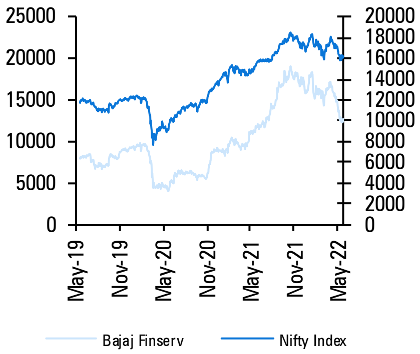
Nippon Life Price Performance



SBI Cards Price Performance



Bajaj Finserv Price Performance



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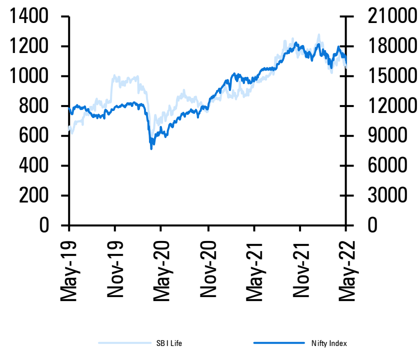

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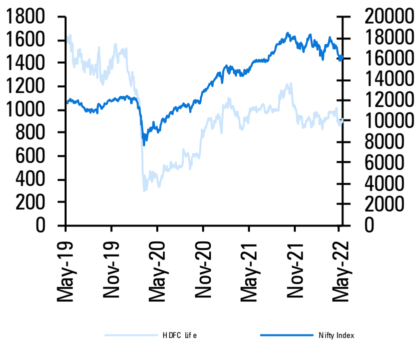

Exhibit 10: ICICI Direct coverage universe (Banks)

Sector / Company	CMP			M Cap	EPS (₹)			P/E (x)			P/ABV (x)			RoE (%)		
	(₹)	TP(₹)	Rating	(₹ Bn)	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E
BoB (BANBAR)	99	115	Buy	510	14.9	19.5	21.6	6.4	4.9	4.4	0.7	0.6	0.5	9.6	11.3	11.3
SBI (STABAN)	469	605	Buy	4,185	35.5	44.4	52.8	13.6	10.9	9.2	1.7	1.5	1.3	11.9	13.2	13.7
Axis Bank (AXIBAN)	688	970	Buy	2114	42.4	52.7	63.7	15.8	12.7	10.5	1.9	1.7	1.6	12.0	13.3	14.8
City Union (CITUNI)	127	200	Buy	91	9.3	11.7	13.5	13.3	10.6	9.2	1.7	1.4	1.2	11.3	12.4	12.6
Federal Bank (FEDBAN)	87	100	Hold	183	9.0	10.5	12.9	10.5	8.9	7.3	1.2	1.1	1.0	10.8	11.6	13.1
HDFC Bank (HDFBAN)	1,391	1,650	Buy	7,725	66.7	77.9	92.3	19.4	16.6	14.0	3.0	2.7	2.5	16.7	16.8	17.8
IndusInd Bank (INDBA)	926	1150	Buy	717	59.5	82.4	101.0	14.9	10.8	8.8	1.5	1.5	1.3	10.1	13.1	15.1
Kotak Bank (KOTMAH)	1,946	2,150	Buy	3,863	43.0	49.6	57.8	41.0	35.5	30.5	5.1	4.4	3.8	12.6	12.9	13.1
CSB Bank (CSBBAN)	190	270	Buy	36	28.2	29.4	34.8	7.4	7.1	6.0	1.6	1.3	1.1	20.2	17.6	17.6
Bandhan (BANBAN)	324	365	Buy	522	0.8	19.7	22.3	402.2	15.9	14.1	3.2	2.7	2.2	0.7	16.9	16.5
IDFC First (IDFBAN)	36	56	Buy	221	0.2	2.4	3.6	163.3	16.1	10.6	1.2	1.0	1.0	0.7	6.4	8.7
HDFC (HDFC)	2330	2840	Buy	4226	72.5	84.8	100.6	29.8	25.5	21.5	3.3	3.2	3.1	11.4	12.7	14.7
Bajaj Finserv (BAFINS)	12766	18900	Buy	2031	708.4	416.3	531.0	18.0	30.6	24.0	4.4	3.8	3.3	27.7	13.4	14.8
Bajaj Finance (BAJFI)	5,993	9,500	Buy	3,628	116.5	158.7	201.4	51.7	37.9	29.9	8.6	7.1	5.3	17.4	19.9	20.0
SBI Cards (SBICARD)	765	1000	Buy	721	14.9	21.1	29.1	51.2	36.3	26.3	10.0	8.2	6.1	23.0	23.6	24.9
Muthoot Finance (MUTFIN)	1096	1300	Buy	440	9.5	12.0	13.0	112.3	88.9	82.1	2.5	2.1	1.8	23.5	22.9	23.1
HDFC AMC (HDFAMC)	1,807	2,400	Buy	385	65.4	75.8	87.4	29.6	25.5	22.1	7.4	6.6	5.8	25.2	25.8	26.2
Nippon AMC (RELNIP)	280	400	Buy	174	12.0	15.1	17.8	24.2	19.2	16.2	5.2	4.8	4.5	0.2	0.2	0.2
SBI Life Insurance	1119	1400	Buy	1119	15.1	16.6	18.9	70.8	64.3	56.4	2.7	2.4	2.1	8.5	11.1	12.0
HDFC Life	598	670	Buy	1264	9.0	8.9	9.5	62.6	63.0	59.0	3.6	3.0	2.4	18.0	18.1	18.2
Star Health	663	825	Buy	381	-20.5	10.7	15.1	-33.5	64.1	45.6	9.3	7.8	6.4	-27.8	12.2	13.9
ICICI Lombard	1260	1550	Buy	618	-20.0	22.9	21.9	-63.5	55.5	58.1	6.8	5.9	5.1	14.5	14.8	15.7

Source: Company, ICICI Direct Research

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

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