ICICI direct Research

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Large private banks to retain flavour…

The past few months have been eventful from a banking sector perspective as many important announcements and developments have taken place with the view of enabling a faster recovery in the sector. Key events include budgetary announcement of formation of bad bank in order to reduce NPA burden of large banks, formation of Development Financial Institution (DFI) to help infra lending, privatisation of PSU banks and the Supreme Court's order to quash standstill asset classification norms, pleas seeking complete interest waiver and extension of moratorium. Extension of ECLGS till June 30, with further increase in scope, is also positive for the MSME segment and, thereby, growth and asset quality.

In terms of loan growth, a gradual rise has been observed from ~5.6% level in October 2020 to 6.5% in February 2021. Credit pick-up can be observed in segments like agri, home loans and MSME. Large industry segment is still a drag on the overall sector credit growth but we opine that by next fiscal (FY22E) this segment should contribute and aid credit offtake.

Our outlook on the banking sector considering recent developments is:

• With the Supreme Court (SC) ruling out further extension in moratorium, complete interest waiver and standstill asset classification norms, we believe a truer and clearer picture of stress on books will be seen from now onwards and reported GNPAs in Q4FY21 will show sharp increment though it may not have any substantial impact on profitability as proactively lenders have made provisions for the same

The SC also has asked to waive compound interest for loans above ₹ 2 crore wherein earlier only loans up to ₹ 2 crore were eligible. The overall impact is estimated at ~₹ 7000-7500 crore. The government may not reimburse this penal interest amount as the SC order does not ask the government specifically to compensate for the same. However, clarity on this is awaited

• Credit cost could remain slightly elevated but below the previous quarter's levels as banks may opt to deal with Covid related stress and required provisioning by the last quarter of FY21 and start FY22E with a focus on business growth and profitability

• Extension of guarantee scheme by the government, ECLGS 3.0, with its widened scope to support MSME sector could add ~75-100 bps to credit growth in FY22E while overall industry growth could be at ~8-10% for the next few years

• Government's infra push in its budgetary announcement along with formation of DFI to finance infra projects is likely to aid credit growth in large industries. In turn, this, should boost overall loan growth for banking sector

Optimism stems from a faster-than-expected revival in the economy and various positive developments in the banking sector. However, a resurgence of the pandemic may put the brakes on growth momentum and delay a recovery. Hence, some caution on this front is warranted. Improving repayment rates, collection efficiencies and credit offtake seem promising. We prefer large private banks given adequate capital and liquidity, which makes them well paced to garner incremental market share. Contingency buffer enables safeguarding against hiccups in asset quality. We recommend **Axis Bank, HDFC Bank** among banks and **SBI Life** among non-lenders.

Sector View

Banks / Insurance / Exchanges - Overweight

NBFCs / AMC – Neutral

Sector Update

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ICICI Securities – Retail Equity Research

Gradual offtake in advance; capex revival to boost FY22 growth

As unlocking of the economy has unfolded, the banking industry has seen a gradual pick-up in loan growth from a credit growth of ~5.6% in October 2020 to ~6.5% in February 2021. Though a 90-100 bps rise in growth momentum is not a sharp jump, it signals a gradual revival in certain segments like retail. Good monsoons and faster unlocking have led to a pick-up in the rural economy while credit in the agri and allied segments has jumped from ~5.9% growth in September 2020 to over 10% in February 2021, indicating a strong revival. The retail segment has also been a key contributor as it has shown growth of 9.6% in February 2021, driven by housing, auto and gold loans led by a surge in sales volumes.

Exhibit 1: Gradual credit offtake led by retail, agri segment

₹ crores	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21
Non-Food Credit	91,46,631	91,98,240	92,48,528	94,10,333	94,94,225
Agriculture & Allied	12,18,717	12,30,526	12,45,685	12,67,714	12,74,075
Industry	27,39,841	27,53,281	27,60,220	27,81,575	27,86,202
Large	22,55,128	22,64,738	22,66,707	22,78,051	22,79,177
Services	25,76,581	25,69,834	25,79,184	26,36,628	26,60,022
NBFCs	7,78,739	7,88,222	7,89,981	8,85,852	8,96,459
Personal Loans	26,11,492	26,44,599	26,63,439	27,24,415	27,73,926
Housing (Including Priorit	13,73,277	13,83,427	13,93,500	14,17,538	14,40,095
Credit Card Outstanding	1,10,207	1,14,307	1,10,350	1,16,361	1,16,290
Vehicle Loans	2,24,022	2,28,758	2,30,232	2,35,882	2,39,406
YOY growth (%)	**Oct-20**	**Nov-20**	**Dec-20**	**Jan-21**	**Feb-21**
Non-Food Credit	5.6%	6.0%	5.9%	5.7%	6.5%
Agriculture & Allied	7.4%	8.5%	9.4%	9.9%	10.2%
Industry	-1.7%	-0.7%	-1.2%	-1.3%	-0.2%
Large	-2.9%	-1.8%	-2.4%	-2.5%	-1.5%
Services	9.5%	8.8%	8.8%	8.4%	9.3%
NBFCs	9.2%	7.8%	8.4%	6.6%	9.2%
Retail	9.3%	10.0%	9.5%	9.1%	9.6%
Housing (Including Priorit	8.2%	8.5%	8.1%	7.7%	8.4%
Credit Card Outstanding	4.9%	8.0%	4.2%	5.0%	4.8%
Vehicle Loans	8.4%	10.0%	7.8%	7.1%	8.3%
Proportion (%)					
Agriculture & Allied	14.1%	14.2%	14.4%	14.6%	14.7%
Industry	31.6%	31.8%	31.9%	32.1%	32.2%
Large	24.7%	24.6%	24.5%	24.2%	24.0%
Services	29.7%	29.7%	29.8%	30.4%	30.7%
NBFCs	8.5%	8.6%	8.5%	9.4%	9.4%
Retail	30.1%	30.5%	30.7%	31.4%	32.0%
Housing (Including Priorit	15.0%	15.0%	15.1%	15.1%	15.2%
Credit Card Outstanding	1.2%	1.2%	1.2%	1.2%	1.2%
Vehicle Loans	2.4%	2.5%	2.5%	2.5%	2.5%

Source: RBI, ICICI Direct Research

MSME segment (medium + micro & small) grew 5.8% YoY, in which credit in medium industries increased by 21% YoY. This was supported by ECLGS scheme. As per latest data, cumulative disbursement under ECLGS scheme is at ₹ 1.81 lakh crore. Credit to industry, especially large ones, is yet to show a pick-up led by subdued capex activity and continued deleveraging. However, we believe that with a pick-up in economy and push from governments, the capex cycle would pick up with subsequent growth in credit demand from the industry segment. Overall industry forms ~30% of non-food credit, which could provide a snowball effect to boost overall loan growth once it starts rolling. Thus, we believe overall industry credit growth would be at the ~12-14% mark in the next two years.

Exhibit 2: Industry wise credit deployment data

₹ crores	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21
Food Processing	1,44,158	1,47,775	1,55,884	1,55,367	1,52,568
Textiles	1,85,856	1,86,774	1,90,989	2,09,457	2,03,029
Chemicals & Chemical Products	1,71,479	1,77,799	1,75,733	1,81,423	1,79,163
Basic Metal & Metal Product	3,37,746	3,34,078	3,29,620	3,28,174	3,29,889
All Engineering	1,37,361	1,37,233	1,42,764	1,42,592	1,43,925
Infrastructure	9,99,104	10,07,085	10,03,014	9,96,326	10,03,000
Power	5,52,553	5,51,731	5,53,388	5,57,395	5,53,216
Telecommunications	1,00,969	1,03,550	98,574	85,984	89,972
Roads	1,97,379	2,01,550	2,02,504	1,94,843	2,01,052
Industry	27,39,841	27,53,281	27,60,220	27,81,575	27,86,202
Non-Food Credit	91,46,631	91,98,240	92,48,528	94,10,333	94,94,225

YoY growth (%)	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21
Food Processing	-4.1%	-1.4%	1.1%	2.0%	2.1%
Textiles	-2.2%	-0.7%	-0.7%	10.2%	7.3%
Chemicals & Chemical Products	-6.3%	-3.5%	-13.4%	-6.1%	-1.7%
Basic Metal & Metal Product	0.8%	0.1%	-5.9%	-7.3%	-6.9%
All Engineering	-12.8%	-11.7%	-9.2%	-7.6%	-7.3%
Infrastructure	-3.6%	-1.2%	-4.8%	-5.6%	-5.0%
Power	-1.2%	2.4%	-1.1%	-1.6%	-2.6%
Telecommunications	-25.8%	-26.6%	-31.4%	-38.2%	-34.9%
Roads	8.4%	15.9%	6.2%	2.9%	4.7%
Industry	-2.8%	-1.4%	-5.0%	-3.6%	-2.6%
Non-Food Credit	2.8%	3.2%	0.4%	3.4%	5.1%

Proportion of non-food credit(%)					
Infrastructure	10.9%	10.9%	10.8%	10.6%	10.6%
Power	6.0%	6.0%	6.0%	5.9%	5.8%
Telecommunications	1.1%	1.1%	1.1%	0.9%	0.9%
Roads	2.2%	2.2%	2.2%	2.1%	2.1%
Industry	30.0%	29.9%	29.8%	29.6%	29.3%
Non-Food Credit	100.0%	100.0%	100.0%	100.0%	100.0%

Source: RBI, ICICI Direct Research

Top banks viz. HDFC Bank, SBI, Axis Bank, Kotak Mahindra Bank and one large private bank contribute ~49% of total industry credit (₹ 107.9 lakh crore) while their deposit share is at ~46% (total bank deposits at ₹ 149.5 lakh crore). A wide customer base with retail focus coupled with adequate capital adequacy is seen favouring large players in incremental business growth.

Exhibit 3: Top four banks contribute to majority of incremental business

Rs crore	Axis Bank		HDFC Bank		SBI		Kotak	
	Q2FY21	Q3FY21	Q2FY21	Q3FY21	Q2FY21	Q3FY21	Q2FY21	Q3FY21
Advances	5,76,372	5,82,754	10,38,335	10,82,324	23,83,624	26,38,998	2,04,845	2,14,103
Corporate	2,10,114	2,00,891	5,53,332	5,77,510	7,87,559	7,88,208	74,237	78,577
SME	60,573	63,969			2,77,248	2,93,654		
Oversea					3,22,526	3,29,943		
Retail & Agri	3,05,685	3,17,894	4,85,003	5,04,814	9,96,290	10,44,802	1,30,608	1,35,526
Home Loans	1,10,047	1,14,442	62,847	66,644	4,68,382	4,84,453	47,732	49,977
Rural Lending	36,682	38,147	43,536	42,648	2,10,945	2,13,668	29,077	30,801
Auto loans	39,739	41,326	1,16,138	1,18,419	71,631	75,937	18,363	18,685
Personal Loan	39,739	38,147	1,12,446	1,15,275	2,45,332	2,53,252	32,117	32,633
LAP	27,512	28,610						
Credit Cards	15,284	15,895	58,142	63,332				
Business Banking	12,227	15,895	63,511	65,833				
Gold loan			6,039	6,696		17,492		
Others	24,455	25,432	22,344	25,967			3,319	3,430
Deposits	6,35,454	6,54,140	12,29,310	12,71,124	34,70,462	35,35,753	2,61,564	2,65,304
Saving deposit	1,80,689	1,89,814	3,48,432	3,74,639	13,14,950	13,35,861	1,08,990	1,12,119
Current deposit	1,00,099	92,578	1,63,019	1,72,108	2,12,057	2,10,563	40,454	43,975
Term deposit	3,54,666	3,71,748	7,17,859	7,24,377	18,37,128	18,78,391	1,12,120	1,09,210
Foreign deposit					1,06,327	1,10,939		

Source: Company, ICICI Direct Research

Key recent events

Formation of bad bank - In the Budget announcement, the government took various initiatives in order to aid banking sector growth and resolve various issues.

The Finance Minister had announced the setting up of an asset reconstruction and asset management company that will absorb and manage the bad debts of banks. This will address the concerns of net stress of around ₹ 2 lakh crore. In turn, this would lead to a clean-up of bank's books and enable them to focus on future business growth. This will also help banks maintain required capital adequacy and mobilise fresh capital.

There have been various media reports and talks around capital infusion for the proposed bad bank but it is unlikely that government will put up any capital. However, it could provide some sort of guarantee. Also, it was on the cards that nine banks including SBI, Canara Bank, Bank of India and two NBFCs - PFC, REC may contribute ₹ 7000 crore as initial capital for the proposed bad bank.

Setting up of Development Finance Institution (DFI) - Another important announcement made pertained to setting up of a DFI that will ensure steady and cost effective funding towards the infrastructure sector. The DFI was set up with a target of ₹ 5 lakh crore of loan book. Initial capital outlay of ₹ 20000 crore will be provided for DFI and will be fully owned by the government. With an increase in book size, incremental capital requirement could be met from external investors, thereby reducing government's stake to 26%.

Embargo lifted on government business – Currently, only state-owned banks and a few private banks are eligible to conduct central and state government business. However, the government recently gave the green signal for all banks to participate in government business. This move could benefit mid-sized private banks like City Union Bank, DCB Bank, etc. However, detailed guidelines pertaining to the same are awaited.

Privatisation of PSU banks

Among the key budgetary announcements was privatisation of PSU banks. The government intends to privatise two banks in FY22E though officially the names have not been announced. We opine that the government could consider mid-size private sector banks in the initial round of privatisation while the turn of bigger banks can come later. PSBs that were part of the consolidation process previously would be left out of privatisation. Hence, banks like **Bank of Maharashtra, Indian Overseas Bank, Bank of India (BoI)** and **Central Bank of India are likely candidates for privatisation as various media and industry reports suggest**. However, we believe Bank of Maharashtra and Bank of India could be preferred entities to be chosen for the first round of privatisation given their customer base, liability profile and a steady operational performance.

Exhibit 4: GoI stake in PSU banks (December 2020)

Banks	Mcap (Rs crore)	GoI Stake (%)
St Bk of India	2,51,719	57
Canara Bank	21,737	69
UCO Bank	12,725	94
Union Bank (I)	19,893	89
Central Bank	7,956	90
Bank of Maha	9,821	93
Bank of India	16,286	89
Pun. & Sind Bank	913	83
I O B	17,522	96
Indian Bank	9,995	88

Source: Company, Capital Line, ICICI Direct Research

Increase in yields may put pressure on treasury led income

Government yields have risen by ~40 bps from 5.8% to 6.2% in the past three months. We believe this will have a negative MTM impact on the bank's investments in the AFS category. This would keep treasury income under pressure in the near term. We believe PSU banks would be hit harder than their private counterparts. Private banks could see a 1-2% impact on PAT whereas PAT of PSU banks could be impacted over 6-7%. PSU banks could witness an RoA impact in the range of 4-8 bps while private counterparts are seen having a 2-4 bps impact.

Exhibit 5: Investment book, impact of variation in yields

Q3FY21	Investment book	AFS	Duration (yrs)	Absolute Impact due to decline in Yield		Average asset	Impact on RoA due to decline in yield		Impact on PAT due to decline in yield		Networth	Impact on NW due to decline in yield	
				30 bps	50 bps		30 bps	50 bps	30 bps	50 bps		30 bps	50 bps
₹ crore													
Public sector banks													
Bank of India*	1,75,176	32819.0	2.1	207	344.6	6,85,189	3.0	3.5	6.0%	9.9%	45,598	0.5%	0.8%
Canara Bank*	2,71,435	66,295	1.4	280	467	10,81,932	2.6	3.0	7.9%	13.2%	56740	0.5%	0.8%
SBI	12,77,896	5,24,321	2.0	3,146	5,243	40,53,090	7.8	9.1	8.5%	14.1%	251243	1.3%	2.1%
Indian Bank	1,78,425	61,559	2.8	508	846	5,96,635	8.5	9.9	29.3%	48.9%	36978	1.4%	2.3%
Private sector banks													
City Union Bank	9,584	617	3.0	6	9	50,269	1.1	1.3	0.5%	0.8%	5741	0.1%	0.2%
DCB	8,098	1,381	1.3	5	9	38,182	1.4	1.6	0.9%	1.4%	32539	0.0%	0.0%
CSB Bank	5,911	1,998	2.9	17	28	19,640	8.7	10.1	1.6%	2.7%	2135	0.8%	1.3%

Source: Company, Capital line, ICICI Direct Research

End of standstill classification to provide clarity on asset quality

The recent quarter saw most banks performing better than expected on the asset quality front with broadly stable to marginal rise proforma NPAs. Collection efficiencies have shown an improvement ever since unlocking and have reached ~98% mark. With standstill asset classification norms quashed, a truer reflection of the stress book will be seen. However, we opine since lenders have proactively provided for expected stress already, the impact on bottomline may be limited and not rolled over to FY22E. HDFC Bank, Axis Bank, IndusInd Bank are better placed in terms of having sufficient provisioning buffer while PCR for most banks is now over 70%.

Exhibit 6: Asset quality of Indian banking system as of December 2020

	FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
GNPA	855353	837959	829009	797160	798675	818535	806145	912841	806145	818535	798675	818535
NNPA	13701957	13950395	379551	339898	214195	252154	260747	336655	260747	252154	214195	252154
GNPA ratio	11.6	9.4	9.0	8.5	8.0	8.3	8.3	8.8	7.5	7.7	7.5	7.6
NNPA ratio	163.6	156.7	4.1	3.6	2.1	2.6	2.7	3.2	2.4	2.4	2.0	2.4
GNPA of PSU banks	727369	709348	700574	665775	650394	685500	645870	766154	645870	685500	650394	685500
GNPA of Private banks	127985	128611	128435	131384	148280	133036	160275	146686	160275	133036	148280	133036

Source: Company, Capitaline, ICICI Direct Research

We believe the impact of stress from the MSME segment, which was most impacted by the lockdown, was arrested, to an extent, by the ECLGS scheme provided by the government. In the recent announcement, the ECLGS scheme was further extended till June 30 and also widened in scope. This will again support the MSME sector. Till now, over 2.46 lakh crore loans have been sanctioned under the scheme while ₹ 1.81 lakh crore has been disbursed. Kotak Mahindra Bank and City Union Bank have among the highest ECLGS loans as percentage of book at 5.3% and 4.5%, respectively. MSME lending banks like Bandhan saw steep proforma NPA rise as this segment has been impacted the most by the pandemic.

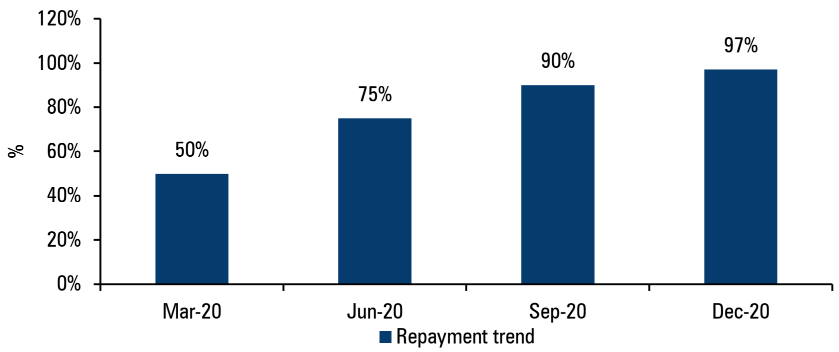
Exhibit 7: Stressed assets scenario in various banks

	Collection efficiency	Proforma GNPA	Restructured book	O/s provisions
PSU Banks				
SBI	96.5%	5.4%	0.7%	4.2%
Union Bank of India	85.0%	15.3%	2.5%	10.8%
Indian Bank	91.0%	10.4%	1.6%	7.3%
Large Private Banks				
HDFC Bank	97.6%	1.4%	0.5%	1.9%
Axis bank	98.0%	4.6%	0.5%	5.4%
IndusInd Bank	96.9%	2.9%	0.6%	3.8%
Mid Size Private Bank				
Federal Bank	95.0%	3.4%	0.5%	2.7%
DCB Bank	89.8%	3.7%	5.0%	2.7%
Bandhan Bank	98.0%	7.1%	0.0%	8.6%

Source: Company, Media Articles, ICICI Direct Research

In one of the key developments, the SC has denied extension of moratorium and also complete waiver of interest. This is positive as overhang due to uncertainty relating to stress on the book will get removed and a clearer picture will be seen for banking companies. Banks would also push for recovery and clean up balance sheets in the last quarter of FY21E. Thus, we expect earnings to get a healthy boost with a reduction in stress and credit cost during FY22E.

Exhibit 8: Improving repayment trend



Source: Company, ICICI Direct Research

Annexure

Exhibit 9: Asset quality trend

Asset quality trend	GNPA (₹ crore)					NNPA (₹ crore)				
	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
PSU coverage										
SBI	1,59,660	1,49,092	1,29,661	1,25,863	1,17,244	58,248	51,871	42,704	36,451	29,032
Indian Bank	13,862	41,998	39,965	36,198	35,237	6,488	14,272	12,755	10,052	8,537
Private coverage										
Axis Bank	30,073	30,234	29,560	26,832	21,998	12,160	9,360	7,448	6,108	4,610
City Union Bank	1,185	1,413	1,346	1,221	1,072	649	7,785	716	631	527
Development Credit Bank	552	632	622	574	502	261	294	249	206	150
IndusInd Bank	4,578	5,147	5,099	4,532	3,651	2,173	1,887	1,703	1,056	466
HDFC Bank	13,427	12,650	13,773	11,305	8,826	4,468	3,542	3,280	1,756	1,016
Jammu & Kashmir Bank	7,712	7,672	7,607	6,317	6,252	2,810	2,244	1,986	2,023	3,382

Source: Company, ICICI Direct Research

Exhibit 10: Quarterly margin trend

NM %	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
PSU coverage						
SBI	2.9	3.1	3.0	3.0	3.1	3.1
Indian Bank	2.9	2.9	2.7	2.8	3.1	3.1
Private coverage						
Axis Bank	3.5	3.6	3.6	3.4	3.6	3.6
City Union Bank	3.9	4.0	4.0	4.0	4.1	4.2
DCB	3.7	3.7	3.7	3.4	3.7	3.8
Federal Bank	3.0	3.0	3.0	3.1	3.1	3.2
HDFC Bank	4.2	4.2	4.3	4.3	4.1	4.2
Kotak Mahindra Bank	4.6	4.7	4.7	4.4	4.5	4.6
IndusInd Bank	4.1	4.2	4.3	4.3	4.2	4.1
Bandhan Bank	8.2	7.9	8.1	8.2	8.0	8.3

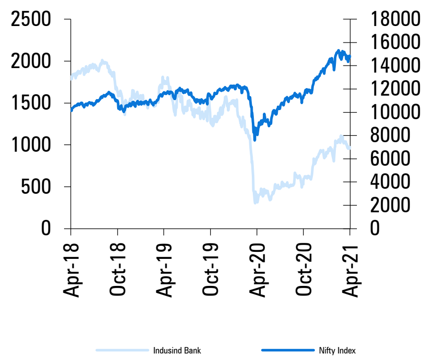
Source: Company, ICICI Direct Research

Exhibit 11: Key financials of industry as of Q3FY21

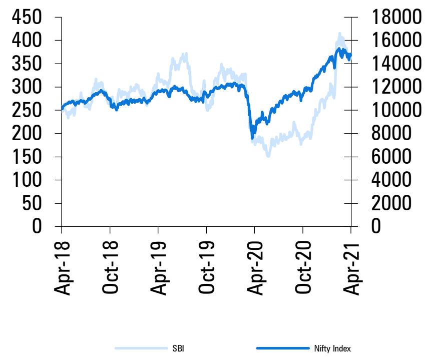
(₹ crore)	Q3FY21	Q2FY21	Q1FY21	Q4FY20	Q3FY20	Q2FY20
NII	125952	123044	124591	109705	112025	104062
Growth YoY	**12.4**	**18.2**	**28.1**	**19.0**	**25.4**	**26.0**
Other income	54746	46865	45678	56653	52564	50054
Growth YoY	4.2	-6.4	13.0	28.3	39.9	49.1
Total operating exp.	84547	79400	75768	82713	78396	72766
Staff cost	43978	41633	43854	41278	38473	37913
Operating profit	96152	90508	94501	83645	86193	81349
Growth YoY	11.6	11.3	34.6	20.9	36.8	36.9
Provision	60456	53649	64138	89707	86668	60501
PBT	35695	36859	30363	-8891	-773	20775
PAT	26189	26619	21140	-3958	-11882	6645
Growth YoY	**-320.4**	**300.6**	**95.1**	**NM**	**NM**	**NM**
GNPA	745198	798675	818535	806145	912841	921911
Growth YoY	**-18.4**	**-13.4**	**-2.6**	**5.8**	**14.5**	**11.2**
NNPA	174229	214195	252154	260747	336655	341896
Growth YoY	**-48.2**	**-37.4**	**-21.9**	**-10.6**	**-1.0**	**-9.9**

Source: Capital-line, Company, ICICI Direct Research

IndusInd Price Performance



State Bank of India Price Performance



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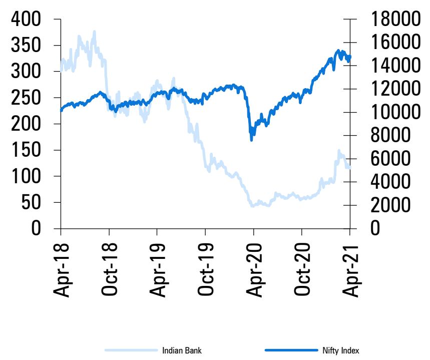
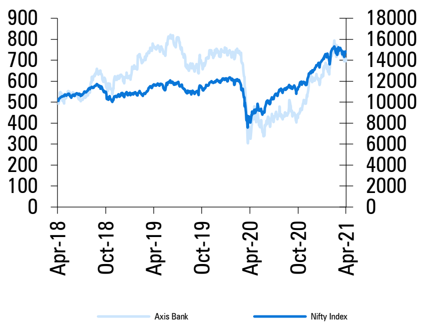
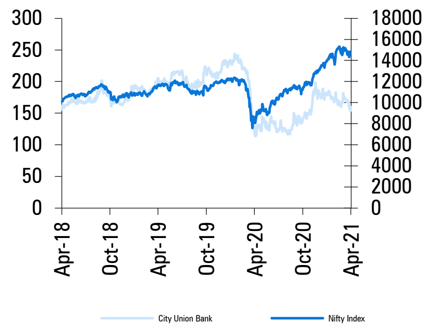


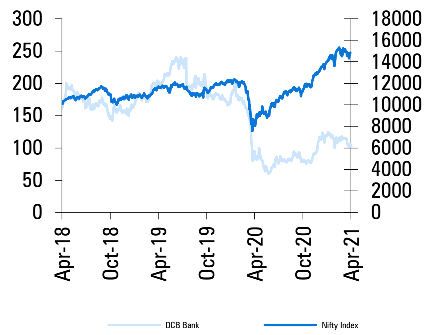
Axis Bank Price Performance



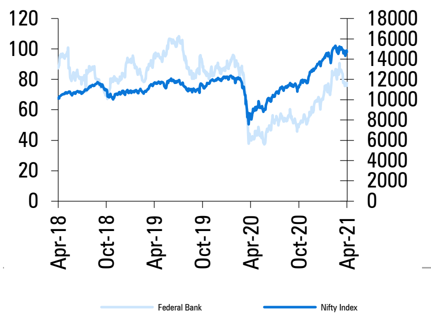
City Union Price Performance



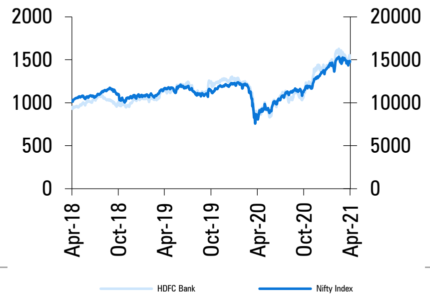
DCB Bank Price Performance



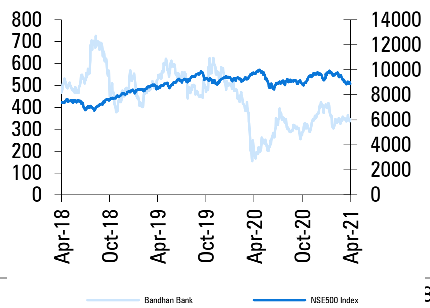
Federal Bank Price Performance



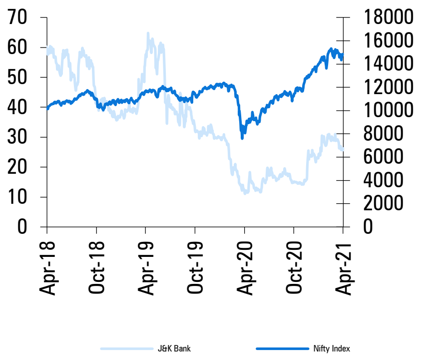
HDFC Bank Price Performance



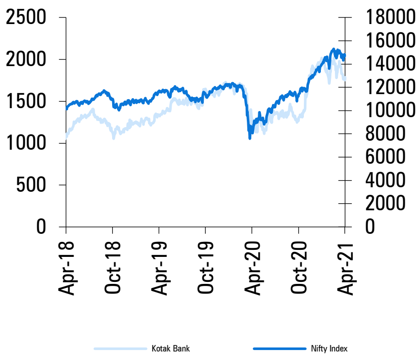
Bandhan Bank Price Performance



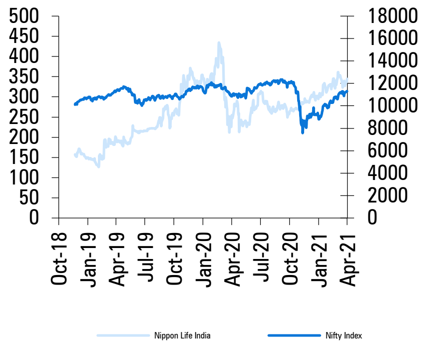
Jammu & Kashmir Bank Price Performance



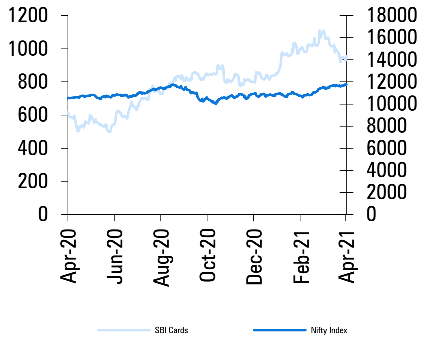
Kotak Mahindra Bank Price Performance



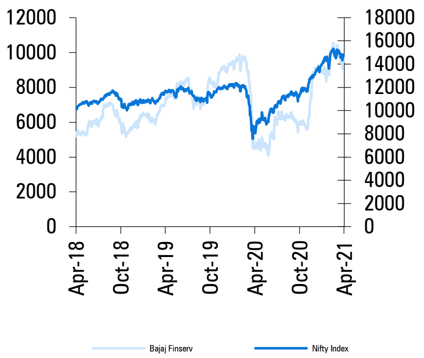
Nippon Life Price Performance



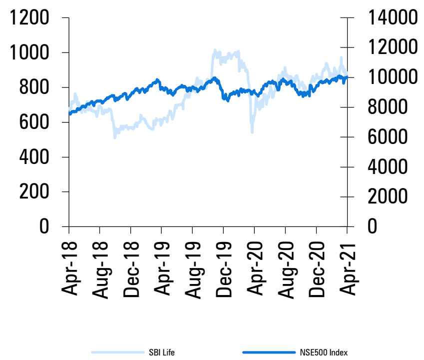
SBI Cards Price Performance



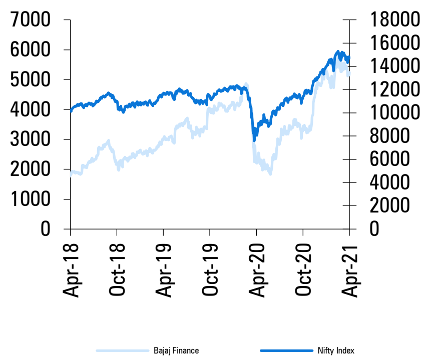
Bajaj Finserv Price Performance



SBI Life Price Performance



Bajaj Finance Price Performance



HDFC AMC Price Performance

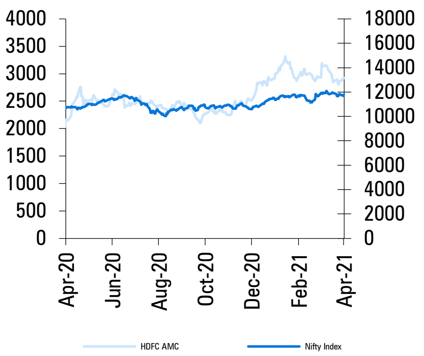


Exhibit 12: ICICI Direct coverage universe (BFSI)

Sector / Company	CMP		M Cap	EPS (₹)			P/E (x)			P/ABV (x)			RoA (%)			RoE (%)		
	(₹) TP(₹)	Rating	(₹ Bn)	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
SBI (STABAN)	353 410	Buy	3155	20.0	28.1	30.5	18	12.6	11.6	1.6	1.4	1.3	0.4	0.6	0.6	7.4	9.6	9.5
Indian Bank (INDIBA)	115 180	Buy	174	16.9	29.1	45.5	6.8	4.0	2.5	0.7	0.6	0.6	0.4	0.5	0.7	6.1	8.5	12.5
Axis Bank (AXIBAN)	690 800	Buy	2114	25.2	47.7	58.7	27.4	14.5	11.8	2.4	2.1	1.8	0.8	1.3	1.4	8.1	13.8	15.2
City Union (CITUNI)	157 200	Buy	116	10.0	10.0	10.0	15.7	15.7	15.7	2.3	2.0	2.0	1.2	1.3	1.3	11.2	11.9	11.9
DCB Bank (DCB)	101 130	Hold	31	11.0	14.0	16.0	9.1	7.2	6.3	1.0	0.9	0.8	0.9	1.1	1.1	10.4	11.8	12.0
Federal Bank (FEDBAN)	76 90	Buy	152	7.7	7.9	10.0	9.8	9.7	7.6	1.2	1.1	1.0	0.9	0.8	0.9	11.1	10.4	12.0
HDFC Bank (HDFBAN)	1,449 1,700	Buy	7988	55.9	65.6	76.5	25.9	22.1	18.9	4.2	3.6	3.2	1.9	1.9	1.9	16.7	17.1	17.6
IndusInd Bank (INDBA)	938 1,050	Buy	726	36.8	56.5	66.5	25.5	16.6	14.1	1.9	1.8	1.7	0.8	1.1	1.2	7.4	10.3	11.7
J&K (JAMKAS)	26 25	Hold	22	7.5	10.4	0.0	3.5	2.5		0.4	0.3	1.0	0.5	0.6	0.0	8.1	10.6	0.0
Kotak Bank (KOTMAH)	1,751 2,040	Buy	3471	23.5	27.2	33.7	74.6	64.3	52.0	8.7	7.8	6.8	1.8	1.9	2.0	12.4	12.0	13.1
Bandhan (BANBAN)	336 370	Hold	542	14.7	24.7	31.4	22.8	13.6	10.7	3.9	3.1	2.4	2.3	3.2	3.3	15.0	21.9	22.2

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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