Equity Research
April 8, 2021
BSE Sensex: 49662

ICICI Securities Limited is the author and distributor of this report

Q4FY21 result preview

INDIA

BFSI

Q4FY21 preview: Revived business growth momentum; asset quality narrative key

Business updates released for financiers in Q4FY21 suggest revived business growth momentum, both on credit (3-6% QoQ growth) as well as deposit front (5-10%). However, key to watch out for in Q4FY21 earnings would be: 1) Actual stress tagging and reported GNPAs - though not much deviation is expected from pro forma NPAs; 2) provisioning build-up (both on incremental stress and contingency, if any); 3) narrative on Covid second wave impact – financiers will be conservative in not utilising the contingency buffer; and 4) how benefit of funding cost and portfolio mix shift offsets interest on interest reversal and lower CD ratio. Uptick in credit growth, stable NIMs, seasonally strong fee income in Q4 will support operating profit growth (>5%/20% QoQ/YoY growth ex-YES). Credit cost will be the key determinant for earnings driver – on a lower base in Q4FY20, we expect >60% earnings growth for banks ex-YES.

- **Actual stress tagging in Q4FY21; legacy corporate to add on to stress:** With interim relief on NPA tagging being vacated, we will see actual stress recognition in Q4FY21. Albeit, there is unlikely to be much deviation from pro forma NPAs reported in Q3FY21. We expect incremental slippages (non-annualised) of 1.0-2.5% (over 9MFY21 pro forma) primarily flowing in unsecure retail, bus operator segments etc. thereby, driving NPAs sequentially up. Corporate stress recognition, that was almost non-existential in 9MFY21, might resurface in Q4FY21 (few legacy accounts). With collection efficiency steadily improving, we expect secured retail and SME slippages to settle relatively lower than Q3FY21.
- **Credit cost unlikely to throw any negative surprise:** Financiers have made upfront specific provisioning on pro forma stress for 9MFY21. Specific coverage with standard + Covid-related buffer seemed sufficient for the existing stress pool lowering risk of credit cost volatility. However, resurgence of Covid and imposition of restrictions do pose a risk of activity disruption and lower collections. It can defer the revival of some vulnerable segments, e.g. hospitality, tourism, MSME, MFI, etc. and we believe utilisation of contingency buffer would be limited. Consequently, it would call for specific provisioning on incremental stress as well approved restructuring. Managements' narrative on business impact due to second wave, and is there any activity moderation or dent in business/consumer confidence will be key.
- **NIMs compression not playing out since past few quarters:** Robust CASA accretion, benefit of lower deposit cost, shift in portfolio mix towards retail and release of liquidity buffer would offset adverse impact of interest income reversal and CD ratio moderation, thereby, stabilising NIMs. Also, reversal of interest on interest for loans above Rs20mn during moratorium period (as per Supreme Court's verdict) will have varied impact on banks.
- **Warming up credit engine– encouraging trends QoQ:** Most financiers have disclosed 3-6% Q4FY21 credit growth QoQ. They are warming up credit engine to a select few less risky segments for growth – secured retail lending and some pickup in industry and service sector credit. Some banks from negative or flat growth have moved in low single digit positive growth territory.
- **HFCs/NBFCs:** Q4 is seasonally strong both on sourcing as well as collections. However, trend would be divergent across product categories: home loans to lead, CV, cab aggregators, wholesale real estate to drag. Given NBFCs/HFCs have relatively higher proportion of SMA-2/3 pool in Q3FY21, endeavour to manage stress pool sequentially lower will be key to watch out.

Our preferences and recommendations:

Stress is being managed well by **Axis Bank, SBI, HDFC Bank and Federal Bank.** Also, sustainability of operating profit for these banks with new normal credit cost trajectory will drive re-rating for these names. We stay with them as our preferred picks. Amongst non-banks, we **prefer HDFC, Piramal, Repco, MMFS and PFC**.

Research Analysts:

Kunal Shah
kunal.shah@icicisecurities.com
+91 22 6637 7572

Renish Bhuva
renish.bhuva@icicisecurities.com
+91 22 6637 7465

Chintan Shah
chintan.shah@icicisecurities.com
+91 22 6637 7658

Coverage universe – Q4FY21 preview snapshot

Table 1: Banks - Uptick in credit growth, stable margins, seasonally strong fee income will support operating profit as well as PAT growth

Particulars	Q4FY20	Q3FY21	Q4FY21E	YoY Growth (%)	QoQ Growth (%)
Loans	4,87,34,571	5,02,95,210	5,27,87,644	8	5
Deposits	6,02,30,775	6,57,56,749	6,84,63,953	14	4
NII	5,86,489	6,89,411	7,09,111	21	3
Other income	2,97,542	2,75,570	2,99,793	1	9
Total revenues	8,84,031	9,64,981	10,08,905	14	5
Opex	4,35,633	4,40,036	4,54,196	4	3
Operating Profit	4,48,398	5,24,945	5,54,709	24	6
Provisions	3,65,268	2,59,623	3,04,938	(17)	17
PBT	1,10,440	2,65,321	2,49,771	126	(6)
Tax	28,973	66,628	55,470	91	(17)
PAT	81,466	1,98,693	1,95,281	140	(2)

Source: Company data, I-Sec research

Table 2: Banks (ex-YES) - Operating profit to grow >15% YoY; provisions to decline YoY led by the base effect

Particulars	Q4FY20	Q3FY21	Q4FY21E	YoY Growth (%)	QoQ Growth (%)
Loans	4,70,20,138	4,85,98,000	5,10,59,144	9	5
Deposits	5,91,77,135	6,42,94,419	6,68,34,483	13	4
NII	5,73,752	6,63,807	6,86,012	20	3
Other income	2,91,569	2,63,597	2,87,581	(1)	9
Total revenues	8,65,321	9,27,404	9,73,593	13	5
Opex	4,17,988	4,25,315	4,40,249	5	4
Operating Profit	4,47,333	5,02,089	5,33,344	19	6
Provisions	3,16,544	2,37,635	2,84,196	(10)	20
PBT	1,58,099	2,64,454	2,49,148	58	(6)
Tax	39,949	67,268	55,313	38	(18)
PAT	1,18,150	1,97,186	1,94,815	65	(1)

Source: Company data, I-Sec research

Collection efficiency improving MoM; Covid resurgence to cause interim disruption

During Q3FY21, demand resolution highlighted for Dec/Jan by financiers was along the guided lines – though improved from Sep, limited incremental delta from Oct levels (less than a couple of percentage points rise). With steady improvement MoM post that, we expect it to be at least back to pre-Covid levels or better. Recoveries have been better than pre-Covid levels due to single-headed collection efforts. However, for MFI, there was disappointment with stagnant-to-declining collection efficiency for most players. Daily intensity of rise in the number of Covid cases and restricted economic activities / partial lockdown / night curfew do pose a risk of activity disruption and lower collections going forward.

Table 3: Collection efficiency - inching closer to or better than pre-covid levels; interim disruption likely

	Q2FY21	Q3FY21	Collection efficiency (%)
HDFC	95% (retail)	97% (retail)	For retail portfolio - in September – 95% demand resolution and has improved to 97% in December (similar to October) – pre-covid it was 98% plus
AXIS	94%	98%	Resolution is at par with pre-covid levels and even better. Demand resolution in retail is 98% in Dec (94% in Sept and 97% pre-covid)
KOTAK			Secured advances - collections vs demand for Dec'20 back to pre-covid levels; Unsecured advances - nearing pre-covid levels, improving MoM Construction equipment - collection efficiency is back to normal MFI - collection efficiency has improved
INDUSIND			Vehicle finance collection efficiency at 96.9% in Dec'20 vs. 94.3% in Sep'20 Microfinance collection efficiency at 95.5% as of 22nd Jan 2021 vs. 94.4% in Dec'20 vs. 87.2% in Sep'20 Gems & Jewellery portfolio collection efficiency has been at 99.9%
BANDHAN	89% (MFI in Sep)	92% (MFI in Dec)	MFI - Dec collection efficiency - 92% MFI - 1-16th Jan collection efficiency - 90% Commercial banking – 98% in Sep as well as Dec Affordable housing – 98% in Sep as well as Dec
SBIN			Collection efficiency at 96.5%
RBL			MFI collection efficiency is stable at 92% - in WB, Maharashtra, Punjab at 88-90% and Assam at 60%. MSME collection efficiency is at 96% of pre-covid levels
YES	89% (retail)	96% (retail)	Collection efficiency in retail improved to 96% (from 89% in September) against 97% pre-covid MSME collection efficiency still lags at 94% of pre-covid level Collection efficiency in corporate segment, which comprises 52% of the book remains much lower

Source: Company data, I-Sec research

Table 4: Restructuring contained at <1% of loan book, well below initial estimate

Restructuring (Rs bn)	Approved	% of loan book	Comments
HDFC	54.1	0.5%	
AXIS	27.1	0.4%	Approved Rs27.09bn (0.42%), implemented Rs3.96bn (0.1%)
KOTAK	6.0	0.3%	Approved restructuring at 0.28% of net advances
INDUSIND	37.3	1.8%	Restructuring invoked would be 1.8% (of which 60 bps is already approved) - vehicle 30%, non-vehicle retail 13%, balance from corporate banking – no restructuring in MFI segment 0.07% of gems & jewellery portfolio has opted for restructuring
SBIN	181.0	0.8%	Corp Rs117bn, retail Rs38bn (primarily housing) & SME Rs25.5bn There might be some restructuring in Q4, but not substantial in nature
RBL	5.1	0.9%	Restructuring has been approved for 0.9% of the portfolio and is expected to reach ~1.5%
YES	95.8	5.6%	
FB	11.3	0.9%	
CUBK	18.0	4.9%	Including restructuring pipeline. As of Dec'20, restructured pool stands at Rs8bn
DCB	6.9	2.7%	
KVB	6.8	1.4%	
AU SFB	2.5	0.8%	

Source: Company data, I-Sec research

Actual stress tagging in Q4FY21; legacy corporates to add on to stress

In Q3FY21, pro-forma slippages of 2-5% in Q3FY21 (cumulative 9MFY21 slippage run rate of ~3%), invoked restructuring of ~1%, and rise in pro-forma GNPLs by ~30-60bps, were on the guided lines and lower-than-our expectations. With the Supreme Court verdict of vacating interim relief with respect to NPA tagging, we will see actual stress recognition in Q4FY21. Albeit, we don't expect much deviation from pro-forma NPAs reported in Q3FY21. We anticipate incremental non-annualized slippages of 1.0-2.5% (over 9MFY21 pro-forma) primarily flowing in unsecure retail, CV (bus operator) segments etc thereby, driving NPAs sequentially up. Corporate stress recognition, that was almost non-existential in 9MFY21, might resurface in Q4FY21 (few legacy accounts). With collection efficiency steadily improving, we expect secured retail and SME slippages to settle relatively lower than Q3FY21.

Table 5: Actual stress recognition to happen now with interim relief on NPA tagging being vacated

Particulars	Gross NPA										
	Q1FY21		Q2FY21				Q3FY21				Q4FY21E
	Rs mn	%	Reported (Rs mn)	Proforma (Rs mn)	Reported %	Proforma %	Reported (Rs mn)	Proforma (Rs mn)	Reported %	Proforma %	%
HDFC	1,37,735	1.4	1,13,046	1,43,401	1.1	1.4	88,256	1,55,044	0.8	1.4	1.8
AXIS	2,95,602	4.7	2,68,316	2,74,735	4.2	4.3	2,19,979	2,90,961	3.4	4.6	4.5
KOTAK	56,193	2.7	53,360	56,498	2.6	2.7	49,280	71,304	2.3	3.3	3.7
INDUSIND	45,322	2.2	36,507	38,324	2.2	2.3	36,507	61,474	1.7	2.9	3.4
BANDHAN	10,067	1.4	8,740	11,110	1.2	1.5	8,592	55,114	1.1	7.1	8.5
SBIN	12,96,607	5.4	12,58,630	14,01,656	5.3	5.9	11,72,440	13,37,122	4.8	5.4	5.6
RBL	19,921	3.5	19,117		3.3		10,502	26,100	1.8	4.6	5.6
YES	3,27,027	17.3	3,23,444	3,52,152	16.9	18.4	2,95,465	3,24,319	15.4	16.9	21.3
FB	36,556	3.0	35,522		2.8		34,702	43,281	2.7	3.4	4.0
CUBK*	13,461	3.9	12,206		3.4		10,717	N/A	2.9	N/A	6.1
DCB	6,218	2.4	5,737		2.3		5,023	9,482	2.0	3.7	4.3
KVB	40,557	8.3	39,984		7.9		38,425	47,280	7.4	9.1	9.0
AU SFB	4,471	1.7	4,232		1.5		3,027	10,165	1.0	3.3	3.5

Source: Company data, I-Sec research

Table 6: Net NPA unlikely to see a major spike

Particulars	Net NPA								
	Q1FY21		Q2FY21		Q3FY21				Q4FY21E
	Rs mn	%	Rs mn	%	Reported (Rs mn)	Proforma (Rs mn)	Reported %	Proforma %	%
HDFC	32,800	0.3	17,561	0.2	10,160	45,155	0.1	0.4	0.6
AXIS	74,480	1.2	61,079	1.0	46,098	74,131	0.7	1.2	1.2
KOTAK	17,771	0.9	13,038	0.6	10,640	26,460	0.5	1.2	1.4
INDUSIND	10,558	0.5	4,642	0.7	4,642	14,770	0.2	0.7	0.9
BANDHAN	3,358	0.5	2,625	0.4	2,013		0.3		0.9
SBIN	4,27,036	1.9	3,64,507	1.6	2,90,320	4,27,219	1.2	1.8	1.9
RBL	9,327	1.7	7,758	1.4	4,025	14,284	0.7	2.5	2.8
YES	81,575	5.0	78,681	4.7	68,566		4.0		6.4
FB	14,775	1.2	12,181	1.0	7,572	14,388	0.6	1.1	1.8
CUBK*	7,164	2.1	6,314	1.8	5,272	12,085	1.5	3.4	3.5
DCB	2,485	1.0	2,058	0.8	1,497	4,872	0.6	1.9	2.1
KVB	15,852	3.4	14,282	3.0	12,631	20,150	2.6	4.1	4.2
AU SFB	1,632	0.6	1,228	0.5	727				1.6

Source: Company data, I-Sec research

Table 7: Fresh slippages to spike, but Q4 slippages likely to be lower than Q3 proforma slippages

Particulars	Slippages (%)						Slippages				
	Q1FY21	Q2FY21	Q3FY21	9MFY21	Q4FY21E	FY21E	Q1FY21	Q2FY21	Q3FY21 Rep	Q3FY21 Prof	Q4FY21E
HDFC	0.1	0.3	0.5	0.9	1.0	1.9	8,000	31,150		49,000	99,370
AXIS	0.4	0.2	1.2	1.7	0.9	2.6	22,180	9,310	2,900	67,360	51,428
KOTAK	0.5	0.1	0.9	1.5	1.6	3.1	10,274	2,640	0	19,500	35,160
INDUSIND	0.7	0.2	1.2	2.1	2.4	4.5	15,370	3,990	590	25,080	49,628
BANDHAN	0.0	0.0	6.6	6.7	2.4	9.1	254	110		44,041	15,991
SBIN	0.2	0.6	0.1	0.9	1.0	1.8	39,100	1,43,880	2,370	20,730	2,20,903
RBL	0.0	0.2	2.5	2.8	2.1	4.9	50	1,450	0	14,700	12,184
YES	0.0	0.1	1.4	1.5	6.9	8.4	450	1,010	1,010	23,900	1,18,296
FB	0.2	0.0	0.7	0.9	1.1	2.0	1,840	100	340	8,630	13,370
CUBK	0.0	0.0	3.4	3.4	0.6	4.0	34	0	0	11,500	2,178
DCB	0.0	0.4	0.0	0.4	2.9	3.3	52	900	0	4,480	7,368
KVB	0.1	0.1	1.9	2.1	0.7	2.7	0	400	320	8,850	3,000
AU SFB	0.0	0.1	0.0	0.1	3.1	3.3	50	230	60		8,500

Note: Slippage ratio is not annulised. Slippage ratio for FY21E is calculated on March'20 advances.
Note: For Q3FY21 slippages, we have considered Proforma slippages except, DCB & AU SFB.
Source: Company data, I-Sec research

Credit cost, not likely to throw any negative surprise

Financiers have made upfront specific provisioning on pro-forma stress for 9MFY21. Currently, banks are carrying cumulative provisioning buffer (including specific coverage, standard asset provisioning and Covid-related buffer) of 2.0-5.0% of advances. This seems sufficient to take care of the stress pool of 4-8%.

Table 8: Banks carry provisioning buffer of 2-5% of advances as of Q3FY21-end

Provisions (Rs mn)	Provisions towards reported GNPA	Provisions towards proforma slippages	Balance provisions	Total provisions	% of loan book
HDFC	78,096	47,000	1,04,369	2,29,465	2.12%
AXIS	1,73,881	43,070	1,18,560	3,35,511	5.76%
KOTAK	38,640		22,620	61,260	2.86%
INDUSIND	31,170	15,350	22,010	68,530	3.31%
BANDHAN	6,579		31,190	37,769	4.92%
SBIN	8,82,120	52,650	77,110	10,11,880	4.27%
RBL	6,478		11,967	18,445	3.27%
YES	2,93,270		26,830	3,20,100	18.86%
FB	27,129	5,370	510	33,009	2.58%
CUBK	5,445		4,875	10,320	2.83%
DCB	3,526		5,190	8,716	3.45%
KVB	25,794		3,580	29,374	5.93%
AU SFB	2,300		6,840	9,140	3.02%

Source: Company data, I-Sec research

However, resurgence of Covid and imposition of restrictions do pose a risk of activity disruption and lower collections. It can defer the revival of some vulnerable segments, e.g. hospitality, tourism, MSME, MFI, etc. and we believe utilisation of contingency buffer would be limited. Consequently, it would call for specific provisioning on incremental stress as well approved restructuring. Managements' narrative on business impact due to the second wave, and is there any activity moderation or dent in business/consumer confidence will be key.

Table 9: Credit cost run-rate to be similar to past quarters for most of the banks

	FY18	FY19	FY20	FY21E	FY22E	Q1FY21	Q2FY21	Q3FY21	Q4FY21E
HDFC	1.0	1.0	1.3	1.7	1.3	1.6	1.5	1.3	1.6
AXIS	3.7	2.5	3.4	2.5	1.2	2.4	3.2	3.2	2.4
KOTAK	0.6	0.5	1.0	1.7	1.3	1.8	0.7	1.1	1.6
INDUSIND	1.0	1.8	2.3	3.6	1.8	4.5	1.1	3.6	3.2
BANDHAN	1.0	1.4	2.2	3.5	1.4	4.9	2.2	5.6	3.5
SBIN	3.8	2.5	1.8	2.1	1.4	2.1	1.7	1.7	2.4
RBL	1.0	1.2	3.5	3.8	2.1	3.5	3.7	4.3	5.4
YES	0.9	2.5	15.7	3.2	2.3	2.3	2.5	4.6	4.2
KVB	3.0	3.0	3.1	2.1	1.5	2.9	2.4	1.6	1.6
AU SFB	1.0	0.7	1.0	2.0	1.2	2.4	0.8	3.4	1.6
FB	1.2	0.9	1.0	1.7	1.2	1.4	2.0	1.2	1.7
CUBK	1.2	0.9	2.3	2.1	1.6	1.8	2.0	2.4	1.7
DCB	0.8	0.6	1.1	1.8	1.4	1.3	1.8	2.3	1.8

Source: Company, I-Sec Research

ECLGS scheme - lowered potential stress in MSME; further disruption poses risk

As compared to the initial stress, testing outcome on the SME portfolio suggests vulnerable SME pool has come down significantly. While activity revival would be one of the reasons, disbursements under ECLGS scheme have aided this segment a lot to recover. Banks have sanctioned Rs2trn and disbursed Rs1.4trn till date – 1-2% of loans book (relatively higher for Kotak, CUBK and KVB at 4-5% of their loan portfolio). With acceleration in Covid cases, disruption in activities can further dent business/consumer confidence and defer the revival of some sub-segments within MSME posing vulnerability to incremental lending. We would be keen to hear managements' stance on their outlook for this pool.

Table 10: ECLGS disbursements at 1-2% of loan book; higher for Kotak, CUBK, KVB

(Rs bn)	Disbursed (Rs bn)	% of loan book	% of SME, Biz banking & CV book	Comments
HDFC	227	2.1%	24.4%	ECLGS 1.0 - Rs221bn, ECLGS 2.0 - Rs5.79bn (58 customers)
AXIS	89	1.5%	13.9%	ECLGS 1.0 - Rs82.91bn, ECLGS 2.0 - Rs5.86bn Sanctioned - Rs105.83bn, Disbursed - Rs88.75bn
KOTAK	**94**	**4.4%**	**24.0%**	**Disbursed Rs94bn till Dec, Rs97bn till 25th January; ~5% of the total system disbursements**
INDUSIND	29	1.4%	3.8%	Sanctioned - Rs48bn, Disbursed - Rs29bn MSME - Rs21bn, Retail - Rs8bn (incl. CV)
SBIN	230	1.0%	7.8%	Sanctioned - Rs260bn (Rs250bn in Q2FY21); Disbursement - Rs230bn (Rs220bn in Q2FY21)
RBL	7	1.2%	4.0%	MSME - Rs4bn
YES	32	1.9%	9.4%	ECLGS 1.0 - Rs22bn, ECLGS 2.0 - Rs10bn
FB	26	2.0%	10.6%	
CUBK	**19**	**5.2%**	**10.4%**	**Sanctioned Rs20.8bn. Disbursed Rs19.11bn.**
DCB	6	2.4%	22.0%	Sanctioned Rs21.4bn (38,460 customers). Disbursed Rs6.13bn.
KVB	**20**	**4.0%**	**11.9%**	**Commercial Rs14.5bn, Corporate Rs5.4bn.**
AU SFB	6	1.8%	4.3%	

Source: Company data, I-Sec research

NIM compression not playing out since past few quarters

Robust CASA accretion, benefit of deposit cost, shift in portfolio mix towards retail and release of liquidity buffer would offset adverse impact of interest income reversal, CD ratio moderation. Consequently, NIMs will remain stable, if not decline.

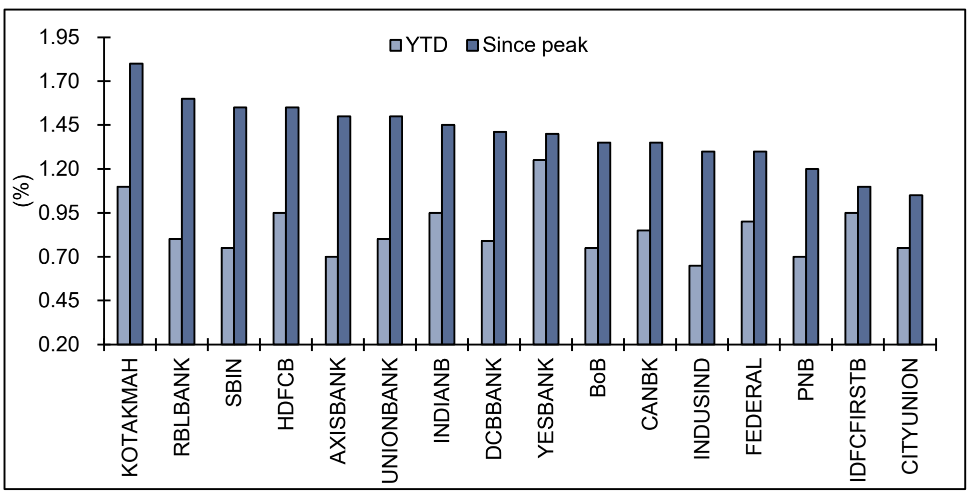
Business updates for Q4FY21 give confidence on build-up of robust, sustainable and granular deposit franchise - reflected in 15-25% YoY and 5-10% QoQ growth in overall and CASA deposits. In Q3FY21, there was 20-40bps improvement in the cost of deposits and interest expenses (in absolute terms) were down 5% QoQ/13% YoY. We might see the benefit flowing through in Q4FY21 as well. Also, shift in portfolio towards relatively better yielding retail lending and some release of liquidity buffer will support margin profile despite interest income reversal (on incremental stress).

Table 11: Margins unlikely to condense, though the uptick might be arrested

	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21E
HDFC	4.3	4.2	4.2	4.3	4.3	4.1	4.2	4.2
AXIS	3.4	3.5	3.6	3.6	3.4	3.6	3.6	3.8
KOTAK	4.5	4.6	4.7	4.7	4.4	4.5	4.5	4.6
INDUSIND	4.1	4.1	4.2	4.3	4.3	4.2	4.1	4.0
BANDHAN		8.2	7.9	8.1	8.2	8.0	8.3	8.1
SBIN	2.8	2.9	3.1	3.0	3.0	3.1	3.1	3.0
RBL	4.3	4.4	4.6	4.9	4.9	4.3	4.2	4.4
YES	2.8	2.7	1.4	1.9	3.0	3.1	3.4	2.1
KVB	3.5	3.5	3.3	3.5	3.4	3.5	3.3	3.3
AU SFB	5.0	5.2	5.4	5.5	5.0	5.3	5.4	5.5
FB	3.2	3.0	3.0	3.0	3.1	3.1	3.2	3.2
CUBK	4.1	3.9	4.0	3.9	4.0	4.1	4.2	4.2
DCB	3.7	3.7	3.7	3.6	3.4	3.7	3.8	3.7

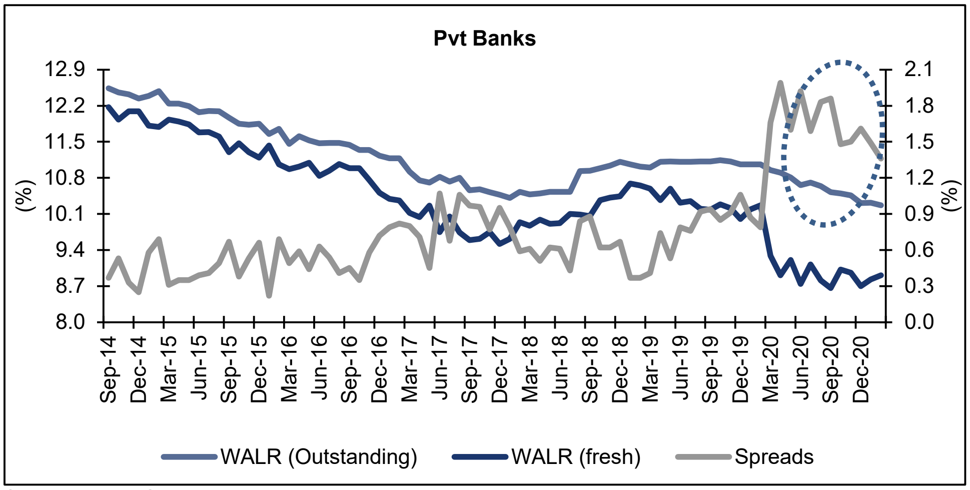
Source: Company, I-Sec Research

Chart 1: MCLR cut by 100-170bps since its peak in early 2019 and 70-110bps YTD



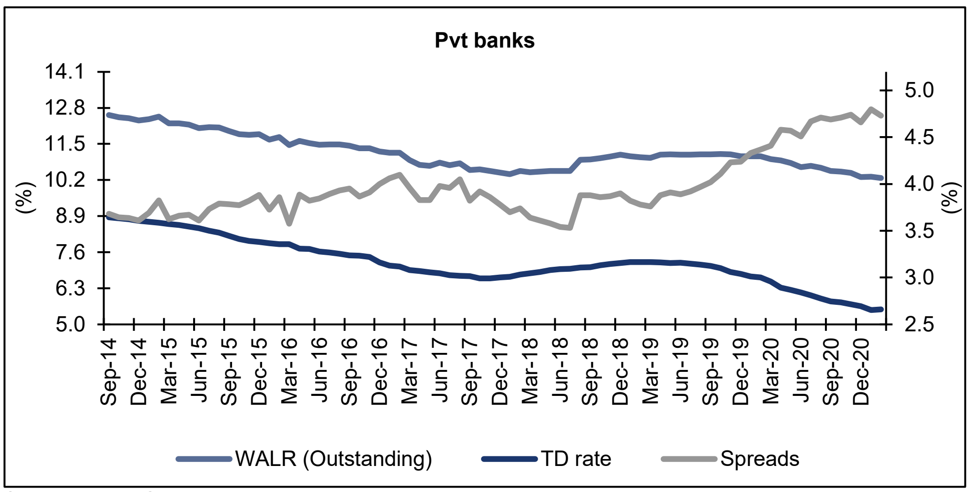
Source: Company, RBI, I-Sec Research

Chart 2: Spread of outstanding over marginal yields compressing



Source: RBI, I-Sec Research

Chart 3: Lending spread (over deposit rate) almost at peak; reflects robust franchise



Source: RBI, I-Sec Research

Interest on interest waiver: burden of <4bps of advances

As per Supreme Court's ruling, interest on interest even on loans above Rs20mn should be waived. Our reading suggests the verdict is applicable only to loans under moratorium as it states that any amount "already recovered" shall be refunded to the "concerned borrowers", or be credited/adjusted in the next instalment. However, we await clarity on whether the cost will be borne solely by financiers, or shared by the government. ***In our opinion, waiving 'interest on interest' on loans above Rs20mn under moratorium will lead to a fresh burden of Rs50bn for the industry; this would include ~Rs12bn for private banks/SFBs, ~Rs28bn for PSU banks, and Rs9bn for NBFCs/HFCs.*** The above means a drag of less than 4bps on RoAs. With respect to the lender-groups, this translates to RoAs (advances) of 3/4/5/4 bps for private banks, SFBs, PSUs and NBFCs/HFCs respectively. Also, it is difficult to gauge bank-specific impact as granular details on moratorium between across credit segments and ticket-size for individual player is not available in public domain.

Table 12: Impact analysis of 'interest on interest' waiver for loans >Rs2mn (based on morat pool reported in RBI's FSR)

Corporate	PSBs	PVBs	FBs	SFBs	NBFCs	SCBs	System
Average Advances (Rs bn)	15,409	8,126	1,386	67	5,870	24,987	30,857
% of loans above Rs 20mn	89%	89%	89%	89%	89%	89%	89%
Portfolio in Morat 1.0 (%)	**58%**	**20%**	**8%**	**44%**	**56%**	**39%**	**42%**
Loans under Morat 1.0 (Rs bn)	7,954	1,417	95	26	2,936	8,695	11,507
Portfolio in Morat 2.0 (%)	**37%**	**23%**	**15%**	**34%**	**37%**	**30%**	**34%**
Loans under Morat 2.0 (Rs bn)	5,033	1,677	183	20	1,941	6,769	9,414
Total Interest on interest reversal (Rs bn)	**13**	**4**	**0**	**0**	**5**	**16**	**22**
Total Interest on interest reversal (% of Advances)	**0.08%**	**0.04%**	**0.03%**	**0.07%**	**0.08%**	**0.07%**	**0.07%**
MSME							
Average Advances (Rs bn)	9,546	5,911	662	194	2,497	16,313	18,810
% of loans above Rs 20mn	55%	55%	55%	55%	55%	55%	55%
Portfolio in Morat 1.0 (%)	**82%**	**43%**	**50%**	**52%**	**61%**	**65%**	**65%**
Loans under Morat 1.0 (Rs bn)	4,279	1,382	184	56	839	5,859	6,725
Portfolio in Morat 2.0 (%)	**75%**	**63%**	**47%**	**67%**	**67%**	**68%**	**69%**
Loans under Morat 2.0 (Rs bn)	3,960	2,048	173	71	920	6,107	7,169
Total Interest on interest reversal (Rs bn)	**10**	**5**	**0**	**0**	**2**	**15**	**17**
Total Interest on interest reversal (% of Advances)	**0.10%**	**0.08%**	**0.06%**	**0.08%**	**0.09%**	**0.09%**	**0.09%**
Retail							
Average Advances (Rs bn)	14,557	10,373	523	43	5,503	25,495	30,998
% of loans above Rs 20mn	5%	5%	5%	5%	5%	5%	5%
Portfolio in Morat 1.0 (%)	**80%**	**34%**	**21%**	**73%**	**46%**	**56%**	**55%**
Loans under Morat 1.0 (Rs bn)	582	174	6	2	126	716	857
Portfolio in Morat 2.0 (%)	**35%**	**34%**	**28%**	**69%**	**57%**	**34%**	**41%**
Loans under Morat 2.0 (Rs bn)	251	174	7	1	155	432	635
Total Interest on interest reversal (Rs bn)	**1**	**0**	**0**	**0**	**0**	**1**	**2**
Total Interest on interest reversal (% of Advances)	**0.01%**	**0.00%**	**0.00%**	**0.01%**	**0.01%**	**0.00%**	**0.01%**
Others							
Average Advances (Rs bn)	20,778	12,171	1,379	666	9,732	34,994	44,726
% of loans above Rs 20mn	20%	20%	20%	20%	20%	20%	20%
Portfolio in Morat 1.0 (%)	**64%**	**41%**	**5%**	**12%**	**41%**	**56%**	**55%**
Loans under Morat 1.0 (Rs bn)	2,647	996	13	16	806	3,898	4,884
Portfolio in Morat 2.0 (%)	**39%**	**54%**	**9%**	**81%**	**33%**	**39%**	**42%**
Loans under Morat 2.0 (Rs bn)	1,624	1,314	26	108	646	2,737	3,768
Total Interest on interest reversal (Rs bn)	**5**	**3**	**0**	**0**	**2**	**7**	**10**
Total Interest on interest reversal (% of Advances)	**0.02%**	**0.02%**	**0.00%**	**0.03%**	**0.02%**	**0.02%**	**0.02%**
Total							
Average Advances (Rs bn)	60,289	36,581	3,950	970	23,602	1,01,790	1,25,392
% of loans above Rs 20mn	40%	37%	48%	31%	37%	39%	39%
Portfolio in Morat 1.0 (%)	**68%**	**31%**	**12%**	**63%**	**49%**	**50%**	**50%**
Loans under Morat 1.0 (Rs bn)	15,462	3,969	297	100	4,707	19,169	23,973
Portfolio in Morat 2.0 (%)	**41%**	**34%**	**21%**	**68%**	**45%**	**38%**	**40%**
Loans under Morat 2.0 (Rs bn)	10,868	5,214	388	201	3,663	16,046	20,986
Total Interest on interest reversal (Rs bn)	**28**	**12**	**1**	**0**	**9**	**40**	**51**
Total Interest on interest reversal (% of Advances)	**0.05%**	**0.03%**	**0.02%**	**0.04%**	**0.04%**	**0.04%**	**0.04%**

Source: RBI, I-Sec research

Warming up credit engine – encouraging trends QoQ

Most financiers in their business update have disclosed 3-6% credit growth QoQ. Financiers are warming up credit engine to a select few less risky segments for growth. The benefit of low deposit cost was instrumental for many banks to offer competitive rates among various secured lending products and to better-rated large corporates, MSMEs. Regained momentum in retail lending and some pickup in industry and service sector credit is driving it. Some banks from negative or flat growth have moved in low single digit positive growth territory namely Kotak, Indusind, RBL. Overall, HDFC Bank, Bandhan, AU SFB, Federal among others, will fare better. Given accelerated deposit traction, surplus liquidity and comfortable tier-1 capital, banks are saddled with sufficient ammunition to eye growth.

Table 13: Sequential momentum in deposits sustained despite low rates

	Deposits							
QoQ (%)	**Q1FY20**	**Q2FY20**	**Q3FY20**	**Q4FY20**	**Q1FY21**	**Q2FY21**	**Q3FY21**	**Q4FY21E**
HDFC	3.4	7.0	4.5	7.5	3.7	3.4	3.4	5.0
AXIS	(1.4)	8.0	1.3	8.2	(1.9)	1.2	2.9	5.7
KOTAK	3.1	0.1	2.7	9.8	(0.5)	0.0	1.4	7.0
INDUSIND	2.9	3.3	4.6	(6.8)	4.6	8.1	4.8	7.1
BANDHAN	1.1	12.6	11.6	4.0	6.2	9.1	7.7	4.2
SBIN	1.3	2.9	2.6	4.2	5.5	1.5	1.9	2.7
RBL	4.1	3.3	0.1	(8.1)	6.7	4.5	4.2	8.8
YES	(0.8)	(7.3)	(20.9)	(36.4)	11.4	15.7	7.7	11.4
KVB	3.1	0.8	0.1	(5.1)	1.7	1.8	1.6	1.9
AU SFB	2.2	11.6	7.8	9.6	2.2	0.9	10.1	8.0
FB	(1.8)	5.3	3.6	5.3	1.7	1.2	3.1	6.8
CUBK	1.6	3.5	(1.6)	2.6	0.5	1.0	4.5	2.0
DCB	1.2	2.0	1.3	2.1	(3.1)	(2.2)	0.3	1.0

Source: Company, I-Sec Research

Table 14: Deposit growth outpacing credit growth across banks

	Deposits							
YoY (%)	**Q1FY20**	**Q2FY20**	**Q3FY20**	**Q4FY20**	**Q1FY21**	**Q2FY21**	**Q3FY21**	**Q4FY21E**
HDFC	18.5	22.6	25.2	24.3	24.6	20.3	19.1	16.3
AXIS	20.9	21.7	15.1	16.7	16.2	8.8	10.6	8.0
KOTAK	22.8	13.2	12.0	16.4	12.3	12.2	10.8	8.0
INDUSIND	26.3	23.2	23.3	3.7	5.3	10.2	10.3	26.8
BANDHAN	42.3	49.3	58.5	32.0	38.7	34.4	29.6	30.0
SBIN	7.3	8.0	9.9	11.3	16.0	14.4	13.6	12.0
RBL	35.3	31.5	20.5	(1.0)	1.5	2.7	6.8	26.5
YES	5.9	(6.0)	(25.6)	(53.7)	(48.0)	(35.2)	(11.8)	54.7
KVB	7.2	6.8	6.2	(1.3)	(2.7)	(1.8)	(0.3)	7.1
AU SFB	98.4	72.1	62.6	34.7	34.7	21.8	24.5	22.0
FB	19.1	18.1	17.1	12.8	16.9	12.3	11.8	13.4
CUBK	16.3	17.1	12.1	6.2	5.0	2.4	8.7	8.1
DCB	15.0	12.2	8.1	6.8	2.2	(2.0)	(2.9)	(4.0)

Source: Company, I-Sec Research

Table 15: Loan growth likely to maintain momentum seen in Q3

	Loans							
QoQ (%)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21E
HDFC	1.3	8.1	4.4	6.2	1.0	3.5	4.2	4.6
AXIS	0.5	4.9	5.5	3.9	(1.8)	2.7	1.1	3.7
KOTAK	1.1	2.5	1.5	1.5	(7.2)	0.4	4.5	6.3
INDUSIND	(0.3)	1.9	5.2	(0.3)	(4.2)	1.6	2.9	2.9
BANDHAN	4.0	1.0	1.4	9.9	4.7	5.1	4.7	6.5
SBIN	(2.3)	0.5	2.5	5.7	(1.2)	(0.2)	3.2	5.8
RBL	4.7	2.9	2.0	(2.7)	(2.3)	(0.9)	0.5	5.1
YES	(2.2)	(5.0)	(17.1)	(7.9)	(4.0)	1.5	1.7	1.8
KVB	(3.3)	0.3	0.0	(2.2)	0.1	3.7	3.5	2.2
AU SFB	5.6	8.8	7.1	3.4	(2.8)	1.8	8.6	5.0
FB	1.6	3.4	2.9	2.7	(0.6)	1.4	2.4	5.2
CUBK	(1.4)	1.6	3.3	0.3	1.8	0.8	1.0	0.9
DCB	2.0	3.1	2.6	(0.4)	(1.1)	(0.7)	1.7	2.2

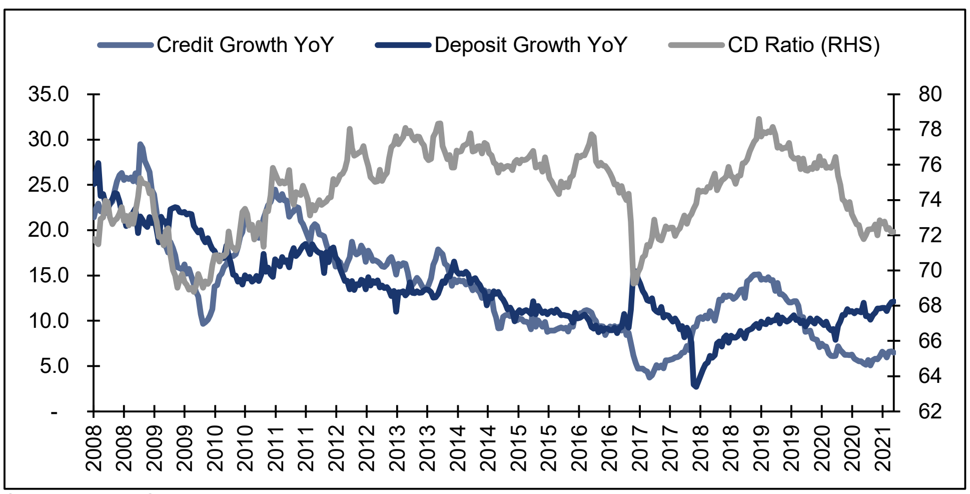
Source: Company, I-Sec Research

Table 16: Moderation in credit growth looks done; pick-up likely

	Loans							
YoY (%)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21E
HDFC	17.1	19.5	19.9	21.3	20.9	15.8	15.6	13.9
AXIS	12.7	14.4	15.8	15.5	12.9	10.5	5.9	5.8
KOTAK	17.6	15.3	10.2	6.8	(1.9)	(4.0)	(1.1)	3.6
INDUSIND	20.0	13.2	13.2	6.5	2.4	2.1	(0.1)	3.0
BANDHAN	27.7	23.9	19.5	17.0	17.8	22.6	26.7	22.7
SBIN	13.8	9.6	7.4	6.4	7.7	6.9	7.6	7.7
RBL	34.7	27.5	19.5	6.8	(0.3)	(4.0)	(5.3)	2.3
YES	10.1	(6.3)	(23.7)	(29.0)	(30.4)	(25.6)	(8.8)	0.8
KVB	1.2	1.3	2.4	(5.1)	(1.8)	1.5	5.1	9.8
AU SFB	44.3	38.6	37.5	27.4	17.3	9.7	11.2	12.9
FB	18.8	14.8	13.0	11.0	8.5	6.4	6.1	8.6
CUBK	14.2	11.3	10.4	3.8	7.2	6.3	6.2	6.8
DCB	13.2	12.4	11.1	7.5	4.2	0.3	(0.2)	2.0

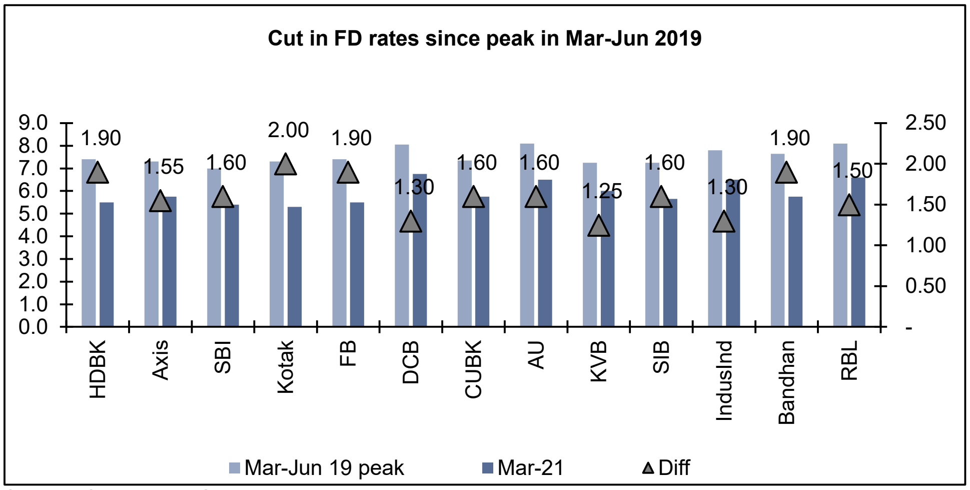
Source: Company, I-Sec Research

Chart 4: Financiers too flushed with liquidity buffer, CD ratio at 72%



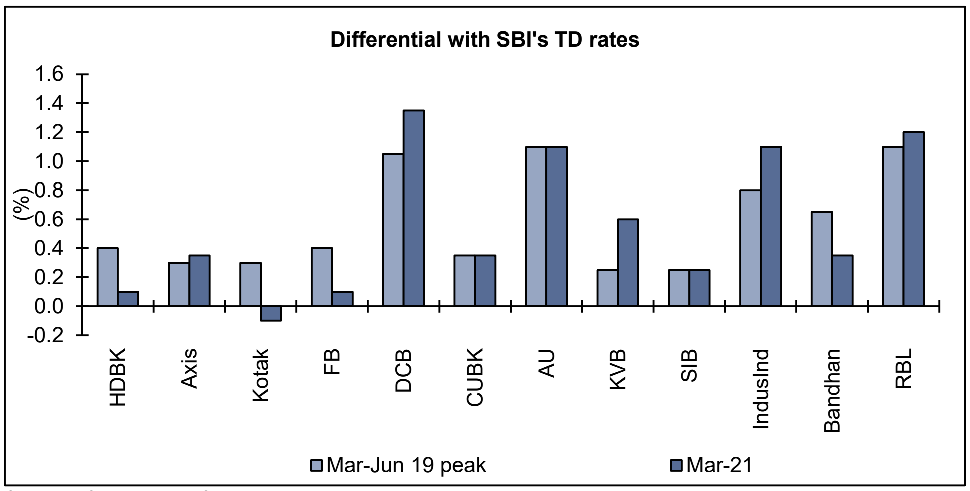
Source: RBI, I-Sec Research

Chart 5: Banks have cut deposit rates lowering the cost of credit



Source: Company, I-Sec Research

Chart 6: FD rate differential with SBI



Source: Company, I-Sec Research

Fee income to retrace; treasury support not high

With normalisation in business volumes and seasonally strong Q4 with respect to third party distribution, we expect fee income to retrace better from Q3FY21 levels. However, support from treasury gains will not be so high. After outperforming expectation on cost containment front in 9MFY21, how much flexibility is retained will be key to watch out.

Banks: Q4FY21 earnings estimate (Rs mn)

Table 17: Axis Bank

Particulars	Q4FY20	Q3FY21	Q4FY21E	YoY chg (%)	QoQ chg (%)
Loans	57,14,242	58,27,539	60,43,849	6	4
Deposits	64,01,049	65,41,403	69,13,133	8	6
NII	68,077	73,728	75,332	11	2
Other income	39,855	37,760	38,966	(2)	3
Total revenues	1,07,932	1,11,488	1,14,298	6	3
Opex	49,421	50,533	51,224	4	1
Operating Profit	58,511	60,955	63,074	8	3
Provisions	77,300	46,043	36,641	(53)	(20)
PBT	(18,789)	14,912	26,433	(241)	77
Tax	(4,911)	3,746	6,653	(235)	78
PAT	(13,878)	11,166	19,780	(243)	77
				Change in bps	
NIM (computed)	3.5	3.5	3.5	3	(2)
CASA mix	41.2	44.2	44.2	299	-
Gross NPA ratio	4.9	3.4	4.5	(36)	106
Credit cost	5.4	3.2	2.4	(299)	(74)
ROA	(0.6)	0.5	0.8	146	34
RoE	(6.5)	4.5	7.9	1,443	340
Net NPA ratio	4.9	0.7	1.2	(366)	46
Cost to income	45.8	45.3	44.8	(97)	(51)
Cost to Assets	2.3	2.2	2.1	(15)	(6)

Comment

We expect run-rate of slippages to be lower in Q4FY21 (than Q3FY21) - 0.9% vs. 1.2% in Q3FY21 (non-annualized). BB & below book has remained static over and will be key to watch out for, though management draws comfort from granularity, diversification, positive sectoral developments, there by expecting to contain the risks of flow into BB and below.

Credit cost is likely to be contained in Q4 as bank has pro-actively made higher provisions during 9MFY21. We expect it to carry forward contingency buffer to utilise only in extreme contingencies.

In Q3FY21, it has already taken the impact of interest reversal on proforma slippages and hence margins are likely to be stable in Q4FY21.

The bank is not chasing growth and lending to right people at a right price. In corporate segment, it will focus more on consolidated offerings and RaRoC over book growth to drive the operating profit. Will drive retail lending hard skewed towards secured segments and will build MSME segment on a granular basis and overall loan growth would be moderate at 6%.

Source: Company data, I-Sec research

Table 18: Bandhan Bank

Particulars	Q4FY20	Q3FY21	Q4FY21E	YoY chg (%)	QoQ chg (%)
Loans	6,66,299	7,67,750	8,17,654	23	6
Deposits	5,70,815	7,11,880	7,42,060	30	4
NII	16,800	20,717	20,570	22	(1)
Other income	5,002	5,533	5,540	11	0
Total revenues	21,802	26,250	26,110	20	(1)
Opex	6,595	7,109	8,078	22	14
Operating Profit	15,207	19,141	18,032	19	(6)
Provisions	8,274	10,687	7,064	(15)	(34)
PBT	6,933	8,454	10,968	58	30
Tax	1,760	2,128	2,742	56	29
PAT	5,173	6,326	8,226	59	30
				Change in bps	
NIM (computed)	7.7	8.1	7.9	19	(17)
CASA mix	36.8	42.8	42.3	552	(51)
Gross NPA ratio	1.5	7.1	8.4	692	128
Credit cost	5.0	5.6	3.5	(151)	(211)
ROA	2.3	2.4	3.1	71	63
RoE	13.7	14.6	18.7	502	412
Net NPA ratio	0.6	0.3	0.9	32	64
Cost to income	30.3	27.1	30.9	69	386
Cost to Assets	3.0	2.7	3.0	1	27

Comment

Collection efficiency in West Bengal, Assam with ongoing elections and uncertainty around state specific MFI regulation, will be key to watch out for. However, we believe there would be marginal improvement in WB and stabilization trend in Assam. Earlier it has highlighted that 15-20% drop in collection efficiency in Assam, can translate to 1.2-1.5% additional credit cost.

It has already reported overall pro-forma GNPLs of 7.12% and 95% flowing from MFI pool and carries cumulative buffer of 4% of overall book and 6% of MFI AUM. We believe further 1.0-1.5% credit cost (of overall AUM) in Q4FY21 and another 1-8-2.0% in FY22E

We expect 4-5% QoQ growth in advances leading to more than 20% YoY growth and deposits too are likely to sustain robust growth momentum.

Source: Company data, I-Sec research

Table 19: HDFC Bank

Particulars	Q4FY20	Q3FY21	Q4FY21E	YoY chg (%)	QoQ chg (%)	Comment
Loans	99,37,029	1,08,23,242	1,13,20,000	14	5	With sequential growth in advances of 4.6% QoQ, advance growth moderated a bit to 13.9% YoY (compared to 16%/16%/21%/21% growth in Q3FY21 / Q2FY21/Q1FY21/Q4FY20). However, it still continues to outperform industry clearly resulting in market share gain. Bank is pushing retail loan growth (up 5% QoQ/7.5% YoY), which is clearly seen in lower interest rates and various offers in gold loan, vehicle loan and personal loans. With NIMs at 4.2-4.3%, we are estimating NII growth of 12-14% for Q4FY21. However, higher fee income would lead to 18-19% operating profit growth. Compared to 9mFY21 average credit cost of 1.4%, we conservatively build in slightly higher run-rate of 1.6-1.7%. expect PAT to grow 20% YoY for Q4FY21
Deposits	1,14,75,023	1,27,11,239	1,33,50,000	16	5	
NII	1,52,041	1,63,176	1,69,700	12	4	
Other income	60,326	74,432	72,278	20	(3)	
Total revenues	2,12,366	2,37,608	2,41,978	14	2	
Opex	82,778	85,748	88,000	6	3	
Operating Profit	1,29,588	1,51,860	1,53,978	19	1	
Provisions	37,845	34,141	46,500	23	36	
PBT	91,743	1,17,719	1,07,478	17	(9)	
Tax	22,466	30,136	24,397	9	(19)	
PAT	69,277	87,583	83,081	20	(5)	
				Change in bps		
NIM (computed)	4.3	4.1	4.2	(11)	7	
CASA mix	42.2	43.0	46.1	387	309	
Gross NPA ratio	1.3	0.8	1.8	54	99	
Credit cost	1.5	1.3	1.6	12	38	
ROA	1.9	2.1	2.0	9	(16)	
RoE	16.6	18.4	17.0	48	(134)	
Net NPA ratio	0.4	0.1	0.6	24	51	
Cost to income	39.0	36.1	36.4	(261)	28	
Cost to Assets	2.3	2.1	2.1	(18)	(2)	

Source: Company data, I-Sec research

Table 20: IndusInd Bank

Particulars	Q4FY20	Q3FY21	Q4FY21E	YoY chg (%)	QoQ chg (%)	Comment
Loans	20,67,832	20,71,280	21,30,490	3	3	Advance growth improved a tad YoY (3%/flat/2.1%/2.4% for Q4/Q3Q2/Q1FY21) – sequentially too it sustained 3% momentum. Deposit momentum still continues to be strong – 7% QoQ growth over and above 20% growth YTD till Dec ‘20. Benefit of portfolio skew in favour of retail will be offset by elevated deposit rates, steadily declining loan to deposit ratio to 83.2% (from 100% in FY20) and stress recognition (interest reversal). NII growth would be around mid-single digit (compared to 11%/13%/16% in Q3FY21/Q2FY21/Q1FY21). Following a seasonal phenomena, non interest income would see a sequential uptick leading to flat pre-provisioning operating profit. Credit cost is expected to be elevated upwards of 3% with provisioning towards recognised stress. Optically on lower earnings base in Q4FY20 (due to 4.7% credit cost in Q4FY20), relatively lower credit cost YoY will lead to sharp growth in earnings trajectory.
Deposits	20,20,398	23,91,350	25,61,580	27	7	
NII	32,312	34,061	33,916	5	(0)	
Other income	17,722	16,458	17,270	(3)	5	
Total revenues	50,034	50,519	51,186	2	1	
Opex	21,467	20,883	22,056	3	6	
Operating Profit	28,567	29,636	29,130	2	(2)	
Provisions	24,403	18,535	17,097	(30)	(8)	
PBT	4,164	11,100	12,033	189	8	
Tax	1,012	2,797	3,031	199	8	
PAT	3,152	8,304	9,002	186	8	
				Change in bps		
NIM (computed)	4.5	4.3	4.4	(8)	11	
CASA mix	40.4	40.4	40.4	4	-	
Gross NPA ratio	2.5	2.9	3.4	95	47	
Credit cost	4.7	3.6	3.2	(151)	(37)	
ROA	0.4	1.0	1.1	65	7	
RoE	3.7	8.3	9.1	537	78	
Net NPA ratio	0.9	0.7	0.9	(1)	20	
Cost to income	42.9	41.3	43.1	19	175	
Cost to Assets	2.8	2.5	2.6	(19)	12	

Source: Company data, I-Sec research

Table 21: Kotak Mahindra Bank

Particulars	Q4FY20	Q3FY21	Q4FY21E	YoY chg (%)	QoQ chg (%)
Loans	21,97,482	21,41,030	22,76,430	4	6
Deposits	26,28,205	26,53,040	28,38,462	8	7
NII	35,597	40,068	41,246	16	3
Other income	14,894	13,344	15,815	6	19
Total revenues	50,490	53,412	57,061	13	7
Opex	23,238	22,579	24,361	5	8
Operating Profit	27,253	30,833	32,700	20	6
Provisions	10,475	5,990	8,828	(16)	47
PBT	16,778	24,843	23,872	42	(4)
Tax	4,112	6,308	6,016	46	(5)
PAT	12,666	18,535	17,856	41	(4)
				Change in bps	
NIM (computed)	4.3	4.3	4.3	2	(1)
CASA mix	56.2	58.8	59.3	312	49
Gross NPA ratio	2.3	2.3	3.7	145	144
Credit cost	1.9	1.1	1.6	(36)	43
ROA	1.5	1.9	1.8	33	(13)
RoE	10.5	12.2	11.4	91	(78)
Net NPA ratio	0.7	0.5	1.4	69	90
Cost to income	46.0	42.3	42.7	(333)	42
Cost to Assets	2.7	2.4	2.5	(25)	11

Comment

Key to watch out for will be momentum in advance growth - Q3FY21 advances growth was 4.5% QoQ, and we expect slightly better momentum (up 6% QoQ/4% YoY). There is rising comfort towards lending to better-rated large corporates and secured retail portfolio - launched competitive rates for home loans.

NIMs are expected to sustain around 4.3%.

Proforma GNPAs of 3.27%, SMA-2 at 0.3%, approved restructuring at 0.28% (suggesting sub-4% stress pool) is well covered with provisioning build-up of 2.9% (specific coverage of 78% and standard + Covid-related buffer of 1.1%). Seems more than adequate and hence no pressure on credit cost is expected in Q4

Management had highlighted that unsecured retail and CV (bus operator segment) portfolios were reflecting disproportionate stress.

Beside this, MTM gain on investment portfolio, cost agility and low cost deposit based will cushion earnings impact.

Source: Company data, I-Sec research

Table 22: RBL Bank

Particulars	Q4FY20	Q3FY21	Q4FY21E	YoY chg (%)	QoQ chg (%)
Loans	5,80,191	5,64,440	5,93,339	2	5
Deposits	5,78,122	6,71,840	7,31,230	26	9
NII	10,210	9,082	8,950	(12)	(1)
Other income	5,005	5,799	6,323	26	9
Total revenues	15,215	14,880	15,273	0	3
Opex	7,567	6,832	7,212	(5)	6
Operating Profit	7,648	8,048	8,061	5	0
Provisions	6,141	6,098	7,796	27	28
PBT	1,508	1,951	265	(82)	(86)
Tax	364	480	67	(82)	(86)
PAT	1,144	1,471	198	(83)	(87)
				Change in bps	
NIM (computed)	4.7	4.0	4.0	(74)	(5)
CASA mix	29.6	31.0	31.8	220	80
Gross NPA ratio	3.6	1.8	5.6	198	376
Credit cost	4.2	4.3	5.4	121	105
ROA	0.5	0.6	0.1	(42)	(54)
RoE	4.3	5.0	0.6	(370)	(439)
Net NPA ratio	2.1	0.7	2.8	75	209
Cost to income	49.7	45.9	47.2	(251)	131
Cost to Assets	3.4	2.9	3.0	(32)	16

Comment

Consolidation of wholesale banking portfolio, cautious/selective approach in MSME/LAP suggest growth would primarily be led by retail segment. Credit card sourcing for RBL is improving steadily and spend growth is also witnessing decent momentum. In terms of new MFI business, pick-up is evident in sourcing recovering to 85-90% of pre-covid levels (compared to 70-75% in Q3FY21).

With improving tilt towards retail, core yields can witness sequential improvement and despite further stress recognition, we expect flat NII QoQ. Fee income led by card sourcing fee can see decent rise in Q4FY21.

However, we expect slippage run-rate to be >7% in Q4FY21 given flow-through from SMA-2 pool in credit card, stress in MSME, micro banking and some known corporate accounts slippage and we expect Q4FY21 credit cost to be higher than Q3FY21.

This will offset strong business growth and earnings would continue to be modest.

Source: Company data, I-Sec research

Table 23: State Bank of India

Particulars	Q4FY20	Q3FY21	Q4FY21E	YoY chg (%)	QoQ chg (%)	Comment
Loans	2,32,52,896	2,36,81,391	2,50,54,238	8	6	9MFY21 proforma slippages (annualised) + restructuring was managed at 2.1% of advances and credit cost was contained at 1.8%. Ex-restructuring, ex-proforma, SMA-2 pool stood at Rs77bn (35bps) while SMA-1 stands at Rs54bn at 23bps - comfortable levels. We expect another 0.6% addition in Q4 taking total slippage run-rate for FY21 at 1.5% Provisioning buffer at ~55bps, coverage of 68% and anticipated resolutions will not put much strain on credit cost and hence we expect credit cost to settle at 1.9% for FY21E vs. average of 2.7% over FY18-20. Growth will trend marginally better than the industry as competitive lending rates will help gain market share. Disbursements are expected to sustain robust momentum across products - be it home loans, Xpress Credit, gold loans etc NIMs (reported) are expected to settle in the range of 3.3-3.4%.
Deposits	3,24,16,207	3,53,57,534	3,63,06,152	12	3	
NII	2,27,669	2,88,199	3,00,455	32	4	
Other income	1,33,461	92,462	1,19,310	(11)	29	
Total revenues	3,61,130	3,80,661	4,19,765	16	10	
Opex	2,03,793	2,07,329	2,15,677	6	4	
Operating Profit	1,57,338	1,73,332	2,04,088	30	18	
Provisions	1,34,947	1,03,424	1,48,860	10	44	
PBT	49,700	69,908	55,228	11	(21)	
Tax	13,892	17,946	9,161	(34)	(49)	
PAT	35,808	51,962	47,046	31	(9)	
				Change in bps		
NIM (computed)	2.6	2.9	3.0	38	2	
CASA mix	43.5	43.7	43.7	21	-	
Gross NPA ratio	6.2	5.4	5.6	(55)	16	
Credit cost	2.3	1.7	2.4	6	63	
ROA	0.4	0.5	0.4	6	(6)	
RoE	6.2	8.4	7.4	125	(94)	
Net NPA ratio	2.2	1.8	1.9	(33)	9	
Cost to income	56.4	54.5	51.4	(505)	(309)	
Cost to Assets	2.1	1.9	2.0	(15)	2	

Source: Company data, I-Sec research

Table 24: Yes Bank

Particulars	Q4FY20	Q3FY21	Q4FY21E	YoY chg (%)	QoQ chg (%)	Comment
Loans	17,14,433	16,97,210	17,28,500	1	2	Loan book aided by a lower based and 1.5-2.0% sequential growth since past 3 quarters, was flat YoY. Objective to build granular portfolio skewed towards retail and MSME would be supporting this. In Q4FY21, with sequential growth of 11.4% QoQ, deposits have grown at an average of 11.6% QoQ over the past four quarters. YES Bank continues to outperform and surprise positively on CASA and overall deposit accretion as well as retail + SME disbursements reflected in sustained sequential loan growth momentum. However, portfolio quality has been vulnerable reflected in: 1) standstill NPLs (5%), SMA-2 pool (4%), SMA-1 (7.3), additional restructuring outside of this pool at 3.2% over and above the labelled nonperforming assets at 22%. We believe elevated credit cost will offset operating metrics improvement, leading to modest earnings performance.
Deposits	10,53,639	14,62,330	16,29,470	55	11	
NII	12,737	25,604	23,099	81	(10)	
Other income	5,973	11,973	12,212	104	2	
Total revenues	18,710	37,577	35,311	89	(6)	
Opex	17,645	14,721	13,947	(21)	(5)	
Operating Profit	1,064	22,855	21,365	NM	(7)	
Provisions	48,723	21,988	20,742	(57)	(6)	
PBT	(47,659)	867	623	(101)	(28)	
Tax	(10,976)	(640)	157	(101)	(125)	
PAT	(36,683)	1,507	466	(101)	(69)	
				Change in bps		
NIM (computed)	2.0	4.7	4.2	221	(49)	
CASA mix	26.6	26.0	26.1	(50)	17	
Gross NPA ratio	16.8	15.4	21.3	450	594	
Credit cost	9.5	4.6	4.2	(528)	(38)	
ROA	(5.3)	0.2	0.1	534	(16)	
RoE	(94.8)	1.6	0.5	NM	(113)	
Net NPA ratio	5.0	4.0	6.4	137	236	
Cost to income	94.3	39.2	39.5	(5,482)	32	
Cost to Assets	2.6	2.3	2.1	(45)	(20)	

Source: Company data, I-Sec research

Table 25: Federal Bank

Particulars	Q4FY20	Q3FY21	Q4FY21E	YoY chg (%)	QoQ chg (%)	Comment
Loans	12,41,530	12,81,800	13,48,760	9	5	NII growth is likely to remain at 3% QoQ driven by strong 5% QoQ advance growth (as per provisional release). Margins are likely to remain flat - Better asset yields (we expect incremental lending is likelly to be towrads higher yielding Retail loans) is likely to offset by lower CD ratio (deposits up 7% QoQ). It cuts TD rate by ~160bps vs only ~60bps in MCLR over past 1 year and the same would restrict further drag on revenue progression. Relatively lower contingency buffer (~50bps of loans) would keep credit cost elevated at 1.8% vs 1.2% in Q3FY21. Other income is likely to remain flat QoQ. We model slippage at ~Rs22bn including proforma slippages of Rs8.6bn in Q3FY21.
Deposits	15,22,901	16,16,700	17,26,550	13	7	
NII	12,160	14,370	14,802	22	3	
Other income	7,111	4,818	4,926	(31)	2	
Total revenues	19,271	19,189	19,728	2	3	
Opex	9,678	9,560	9,676	(0)	1	
Operating Profit	9,593	9,629	10,052	5	4	
Provisions	5,675	4,206	5,512	(3)	31	
PBT	3,918	5,423	4,539	16	(16)	
Tax	905	1,382	1,135	25	(18)	
PAT	3,013	4,041	3,405	13	(16)	
				Change in bps		
NIM (computed)	2.9	3.2	3.1	29	(1)	
CASA mix	30.5	34.5	33.8	331	(67)	
Gross NPA ratio	2.8	2.7	4.0	118	131	
Credit cost	1.4	1.2	1.7	36	50	
ROA	0.7	0.8	0.7	3	(12)	
RoE	8.4	10.4	8.7	29	(168)	
Net NPA ratio	1.3	0.6	1.8	51	122	
Cost to income	50.2	49.8	49.0	(117)	(77)	
Cost to Assets	2.3	2.1	2.1	(22)	(4)	

Source: Company data, I-Sec research

Table 26: City Union Bank

Particulars	Q4FY20	Q3FY21	Q4FY21E	YoY chg (%)	QoQ chg (%)	Comment
Loans	3,39,274	3,59,188	3,62,508	7	1	We expect advance growth for CUBK to remain muted (1% QoQ) due to higher repayments and likely muted disbursements in March'21 quarter given management's conservative stance in growing balance sheet amid covid uncertainties. Lower interest reversals QoQ, 85bps cut in TD rate since Dec'19 and improving CASA share over past 4 quarters is likely to support NIMs. Lower treasury profits in Q4 would keep other income subdued. We expect credit cost in Q4FY21E is likely to remain elevated at 1.7% largely driven by provisions towards incremental restructuring and slippages. Company has guided for potential restructuring of ~5% by March'21. Commentary on expected timeline to reach normalised level of RoA / RoE would be key thing to watch given CUBK's higher exposure to MSME segment (~50% exposure).
Deposits	4,08,325	4,32,883	4,41,541	8	2	
NII	4,195	4,890	5,086	21	4	
Other income	1,793	2,298	1,648	(8)	(28)	
Total revenues	5,988	7,188	6,734	12	(6)	
Opex	2,637	2,604	2,804	6	8	
Operating Profit	3,351	4,584	3,930	17	(14)	
Provisions	4,504	2,185	1,497	(67)	(31)	
PBT	(1,153)	2,399	2,433	311	1	
Tax	(200)	700	511	355	(27)	
PAT	(953)	1,699	1,922	302	13	
				Change in bps		
NIM (computed)	3.7	4.0	4.1	35	5	
CASA mix	25.0	27.5	27.0	203	(49)	
Gross NPA ratio	4.1	2.9	6.1	198	313	
Credit cost	5.3	2.4	1.7	(366)	(78)	
ROA	(0.8)	1.3	1.5	228	22	
RoE	(7.2)	12.0	13.8	2,102	177	
Net NPA ratio	2.3	1.5	3.5	78	202	
Cost to income	44.0	36.2	41.6	(240)	541	
Cost to Assets	2.3	2.1	2.1	(19)	5	

Source: Company data, I-Sec research

Table 27: DCB Bank

Particulars	Q4FY20	Q3FY21	Q4FY21E	YoY chg (%)	QoQ chg (%)	Comment
Loans	2,53,453	2,53,000	2,58,522	2	2	We expect NII to remain muted (flat QoQ), in line with management's full year FY21e guidance, due to sluggish loan growth at 2% QOQ and declining asset yields. Other income too is likely to remain lower QoQ largely due to lower treasury income - it booked highest ever Rs0.74bn treasury profits in Q3FY21. Interest reversals on incremental slippages and restructuring remains key downside risk on Margins in Q4FY21e. While PCR for DCB remains strong at 70%, relatively lower Covid-related provision of only Rs2.29bn (~90bps of advances) is likely to keep credit cost elevated in Q4FY21E at 1.8%. Trend in collections, it dipped in Dec'20 from Oct'20 levels, would be key thing to watch – CE stands at 89.8% in LAP, Home loans 94%, CV 80%, while customer activation rate in MFI stands at 95.3% as on Dec'20.
Deposits	3,03,699	2,88,580	2,91,466	(4)	1	
NII	3,237	3,348	3,354	4	0	
Other income	1,099	1,545	900	(18)	(42)	
Total revenues	4,336	4,893	4,254	(2)	(13)	
Opex	2,215	2,119	2,187	(1)	3	
Operating Profit	2,121	2,773	2,066	(3)	(25)	
Provisions	1,182	1,477	1,133	(4)	(23)	
PBT	938	1,296	933	(1)	(28)	
Tax	251	334	243	(3)	(27)	
PAT	688	962	690	0	(28)	
				Change in bps		
NIM (computed)	3.5	3.7	3.7	16	(3)	
CASA mix	21.0	23.1	23.0	200	(7)	
Gross NPA ratio	2.5	2.0	4.3	185	235	
Credit cost	1.9	2.34	1.75	(11)	(58)	
ROA	0.7	1.0	0.7	1	(29)	
RoE	8.7	11.2	7.5	(123)	(372)	
Net NPA ratio	1.2	0.6	2.1	92	149	
Cost to income	51.1	43.3	51.4	34	811	
Cost to Assets	2.3	2.2	2.3	(1)	5	

Source: Company data, I-Sec research

Table 28: Karur Vysya Bank

Particulars	Q4FY20	Q3FY21	Q4FY21E	YoY chg (%)	QoQ chg (%)	Comment
Loans	4,60,981	4,95,120	5,06,157	10	2	While completion of consolidation in corporate book would support overall growth in near term, its conservative stance in growing balance sheet amid covid uncertainties reflects in muted 2% QoQ credit growth (as per provisional number) in Q4FY21e. Lower interest reversals as it already reversed Rs0.51bn in Q3FY21 towards proforma GNPL would help NIMs sustaining its current level. Further, absence of provision towards pension cost will support earnings in Q4FY21e. With PCR already at 67%, incremental credit cost is likely to be lower sequentially at 1.5% vs 1.6% in Q3FY21.
Deposits	5,90,751	6,20,890	6,32,780	7	2	
NII	5,905	5,836	6,158	4	6	
Other income	3,470	2,515	2,686	(23)	7	
Total revenues	9,375	8,351	8,844	(6)	6	
Opex	4,376	5,782	4,590	5	(21)	
Operating Profit	4,998	2,569	4,253	(15)	66	
Provisions	4,293	2,012	1,971	(54)	(2)	
PBT	706	557	2,282	223	310	
Tax	(131)	211	685	(621)	225	
PAT	837	346	1,598	91	361	
				Change in bps		
NIM (computed)	3.5	3.3	3.3	(21)	(4)	
CASA mix	31.0	34.6	34.2	322	(41)	
Gross NPA ratio	8.7	7.4	9.0	34	165	
Credit cost	3.7	1.6	1.6	(217)	(7)	
ROA	0.5	0.2	0.9	41	68	
RoE	5.1	2.0	9.3	425	729	
Net NPA ratio	3.9	2.6	4.2	27	164	
Cost to income	46.7	69.2	51.9	522	(1,733)	
Cost to Assets	2.6	3.2	2.5	(6)	(68)	

Source: Company data, I-Sec research

Table 29: AU SFB

Particulars	Q4FY20	Q3FY21	Q4FY21E	YoY chg (%)	QoQ chg (%)	Comment
Loans	3,08,930	3,32,220	3,47,196	12	5	AuM growth, given improved systemic vehicle sales and collections, is likely to accelerate, we expect AU to report 5% QoQ growth (12% YoY) as disbursements in Dec'20 was already higher than pre-covid level. Higher growth in lower yielding products like Affordable housing etc. is likely to keep NIM under pressure. With it fully exiting from Aavas in Q3FY21, other income will be lower QoQ in Q4FY21e. Given collections already reaching pre-covid level in Q3FY21, actual credit cost could be lower than our expectations of Rs1.3bn (1.6% annualised) in Q4FY21e - normalised credit cost for AU has been in range of 60-70bps historically.
Deposits	2,61,639	2,97,080	3,19,642	22	8	
NII	5,549	6,331	6,627	19	5	
Other income	1,831	6,634	1,963	7	(70)	
Total revenues	7,381	12,965	8,590	16	(34)	
Opex	4,223	4,237	4,384	4	3	
Operating Profit	3,158	8,728	4,206	33	(52)	
Provisions	1,506	2,836	1,369	(9)	(52)	
PBT	1,652	5,892	2,837	72	(52)	
Tax	429	1,102	714	66	(35)	
PAT	1,223	4,790	2,123	74	(56)	
				Change in bps		
NIM (computed)	5.5	5.6	5.7	18	10	
CASA mix	16.0	22.0	21.0	500	(100)	
Gross NPA ratio	1.7	1.0	3.5	182	251	
Credit cost	1.9	3.4	1.6	(34)	(180)	
ROA	1.1	1.7	1.8	69	9	
RoE	10.7	15.1	14.7	398	(42)	
Net NPA ratio	0.8	0.2	1.6	77	134	
Cost to income	57.2	32.7	51.0	(618)	1,836	
Cost to Assets	4.0	3.6	3.7	(32)	5	

Note: We have factored in ~Rs4bn towrads profits on sale of Aavas in Q3FY21 estimates.
Source: Company data, I-Sec research

NBFCs/HFCs – Q4FY21 earnings estimates

Q4FY21 performance for NBFCs/HFCs will be a reflection of them progressing well on the path of normalisation with sequential uptick in disbursements and collections. Most of them have witnessed MoM improvement all through the quarter with Q4 being seasonally strong both on sourcing as well as collections.

Trend across product categories are quite divergent –

- ***Home loan*** disbursements are sustaining the growth momentum even in Q4FY21 and getting into a normalised growth trajectory on YoY basis. This will lead to improved momentum in AUM growth where for leading HFCs it will inch towards low double digit (after derailing to <10% for past few quarters). Within home loans, we expect affordable housing segment to fare much better than premium or high income category.
- However, ***LAP demand*** will return with a lag and financiers have not yet entirely regained confidence on this sub-segment due to disruption in business activities. Also in such circumstances, financiers will continue with their conservative stance towards ***construction developer segment***.
- ***MFI,*** after reviving at a rapid pace from its low, has stagnated in terms of collection efficiency due to state-specific issues. Excluding this in other states and newly-originated loans, collection efficiency is inching closer to pre-Covid levels. Also in terms of incremental disbursements –players are back to better than pre-Covid average.
- ***Auto financiers*** – underlying retail sales velocity has increased across commercial segment (CV) categories on a MoM basis (up ~13%) in March '21 as economic activity recovers and freight demand approaches normalcy. Registrations for tractors continued to witness an upward trend (up ~14%); improvement in rural cashflow aided by both superior winter harvest and rising usage in infrastructure-related haulage activities continue to aid demand. However, on YoY basis, we still see CVs and 3-wheelers lagging significantly to passenger cars and tractors.

On stage-3 assets and restructuring

- Q4, seasonally, is a strong quarter with respect to collections across product categories. Also, significant efforts are being made through focused collection intensity to manage the backward flow from stage-3 assets to stage-2 or stage-1. Also, given NBFCs/HFCs have relatively higher proportion of SMA-2 pool in Q3FY21, the trend in slippages from this pool will be key to watch out. Endeavour for NBFCs/HFCs is to manage total stress pool (stage-2/3 plus restructuring) at sequentially lower level.
- On a relative basis, stage-2/3 pool might still be elevated as customers though honouring current instalments or more, still do not have sufficient cashflow to clear all overdues. This is true especially for some SME sub-segments, CVs, cab aggregators, wholesale real estate, etc.
- Restricted economic activities / partial lockdown / night curfew do pose a risk of activity disruption and lower collections going forward. The commentary from financiers on how the second wave is impacting the business and collections will be key to watch out.

Earnings growth trajectory

We expect asset financiers and housing financiers under our coverage to report 6% YoY and 9% YoY AUM growth, respectively. NIMs may gain support from lower funding cost but will be offset by interest reversal on stress recognition and lower fee income and direct assignment income. We estimate most NBFCs/HFCs will exhibit operational efficiencies in Q4FY21 as well. Overall, we are estimating earnings growth to double for asset financiers and for housing financiers, it will grow upwards of 30%.

Coverage universe – Q4FY21 preview snapshot

Table 30: Asset finance – PAT to double QoQ as well as YoY

Particulars	Q4FY20	Q3FY21	Q4FY21E	YoY Growth (%)	QoQ Growth (%)
AUM	27,22,410	27,89,184	28,79,457	6	3
NII	50,214	57,709	59,608	19	3
PPoP	33,269	42,649	44,149	33	4
Provisions	23,143	32,422	22,650	(2)	(30)
PBT	10,083	10,232	21,499	113	110
PAT	7,697	8,052	16,078	109	100

Source: Company data, I-Sec research

Table 31: HFC – PAT to grow >30% for Q4FY21

Particulars	Q4FY20	Q3FY21	Q4FY21E	YoY Growth (%)	QoQ Growth (%)
AUM	83,03,182	87,10,144	90,49,654	9	4
NII	53,730	62,002	66,495	24	7
PPoP	54,297	63,646	63,918	18	0
Provisions	21,027	10,699	20,628	(2)	93
PBT	33,270	52,947	43,290	30	(18)
PAT	25,194	41,126	34,357	36	(16)

Source: Company data, I-Sec research

NBFC – Q4FY21 earnings estimate (Rs mn)

(Rs mn)	Q4FY20	Q3FY21	Q4FY21E	YoY (%)	QoQ (%)	Comment
Aavas Financiers						
AUM	77,961	88,226	96,672	24	10	Disbursements likely to maintain momentum thereby improving visibility on 20+% AUM growth. Asset quality performance in 9mFY21 has displayed some resilience with proforma stage-3 assets at 1%, sub-50bps provisioning for 9MFY21 (75bps in Q3FY21), collection efficiency at 98.8% (December), 1+ dpd pool at 8.2% and zero restructuring. Behaviour of 1+ dpd that has risen last quarter will be key to monitor if its getting towards normalized levels. Some flowthrough from 1+dpd can lead to QoQ rise in stage 3. Company has made total cumulative buffer to Rs190mn (22bps of advances) and we need to watch for credit cost trend in Q4.
NII	1,273	1,823	1,800	41	(1)	
PPoP	724	1,267	1,227	69	(3)	
Provisions	63	162	178	184	10	
PBT	661	1,105	1,049	59	(5)	
PAT	597	856	787	32	(8)	
NIM (computed) (%)	6.8	8.5	7.8	99 bps	-70 bps	
Opex to AUM (%)	3.5	3.1	3.0	-53 bps	-14 bps	
Credit cost (%)	0.3	0.8	0.8	43 bps	1 bps	
RoA – annualised (%)	3.3	3.9	3.5	16 bps	-44 bps	
HDFC						
AUM	51,67,730	55,21,670	57,62,862	12	4	Factoring in this momentum in individual disbursements (though we expect it to be conservative on non-individual side), we expect AUM to grow in double digit (11-12%) to Rs5.5tn. Expecting NIMs to be improve QoQ (historically always strong in Q4), we expect NII growth to sustain 24-25% growth momentum and pre-provisioning profit growth in the range of 15-17%. Also, with interest on interest on loans above Rs20mn during moratorium period to be borne by financiers for now, there will be some additional cost in the quarter on its non-individual book morat. Stage-2 assets in Q3FY21 went up from 4.9% in Q2FY21 to 7.1% though it included 0.9% restructuring as well ECLGS eligible pool of 0.5%. We will watch out for movement in this pool.
NII	35,428	40,047	43,930	24	10	
PPoP	39,664	43,465	43,866	11	1	
Provisions	12,740	5,940	9,264	(27)	56	
PBT	26,924	37,525	34,602	29	(8)	
PAT	22,325	29,258	27,682	24	(5)	
NIM (computed) (%)	3.0	3.3	3.3	33 bps	4 bps	
Opex to AUM (%)	0.1	0.1	0.1	1 bps	-2 bps	
Credit cost (%)	1.0	0.4	0.8	-25 bps	31 bps	
ROA – annualised (%)	1.7	2.1	1.9	19 bps	-19 bps	
LIC Housing						
AUM	21,05,770	22,01,970	22,75,948	8	3	With competitive rates, we expect uptick in home loan disbursements to be robust (even on high base of Q4FY21). It will continue to be cautious in LAP and developer book. We expect AUM growth of 8% YoY and 3% QoQ for Q4FY21. Management indicated pro forma stage-3 as another 100bps over reported stage-3 and anticipated restructuring to be another 50-100bps. We will see how it settled finally in Q4FY21. Also against stress pool (stage 2/3) of 9.6%, it carries merely 1.3% provisioning buffer. Hence, we are sceptical about higher credit cost in Q4FY21. Recognition of proforma slippages, interest reversal on the same and best-in-class rates will weigh on yields that will offset the benefit of funding cost. NIMs to be in the range of 2.3-2.4%.
NII	10,832	12,810	13,118	21	2	
PPoP	8,540	12,127	11,903	39	(2)	
Provisions	273	1,810	8,956	3,187	395	
PBT	8,268	10,317	2,948	(64)	(71)	
PAT	4,215	7,891	2,299	(45)	(71)	
NIM (computed) (%)	2.1	2.4	2.3	26 bps	-3 bps	
Opex to AUM (%)	0.1	0.1	0.1	-5 bps	-1 bps	
Credit cost (%)	0.0	0.1	0.4	38 bps	31 bps	
RoA – annualised (%)	0.8	1.4	0.4	-39 bps	-102 bps	
Repco						
AUM	1,18,261	1,20,588	1,22,386	3	1	Catch-up in collection efficiency surpassing pre-Covid levels has helped contain stage-3 plus restructuring pool at 4.3% in Q3FY21. Also, Q4 is seasonally strong in terms of recovery and we will watch out for trend in stress pool. Profitability precedes growth that can support NIMs near 4.7-5.0%.
NII	1,317	1,425	1,425	8	(0)	
PPoP	1,093	1,282	1,226	12	(4)	
Provisions	403	222	177	-	(20)	
PBT	690	1,061	1,049	52	(1)	
PAT	477	796	785	65	(1)	
NIM (computed) (%)	4.8	5.2	5.0	26 bps	-18 bps	
Opex to AUM (%)	0.3	0.2	0.2	-2 bps	0 bps	

(Rs mn)	Q4FY20	Q3FY21	Q4FY21E	YoY (%)	QoQ (%)	Comment
Credit cost (%)	0.3	0.2	0.1	-20 bps	-4 bps	Q3FY21 disbursements were 15% lower YoY and FY21-YTD disbursements were >40% lower vs FY20. Disbursals are picking growth MoM, but still lag as compared to peers as focus is on salaried and better CIBIL score customers and rate disadvantage also opens it to risk of balance transfer (out). Limited flexibility on opex as already runs lean cost structure
RoA – annualised (%)	1.6	2.6	2.5	88 bps	-8 bps	
PNB Housing						
AUM	8,33,460	7,77,690	7,91,787	(5)	2	Proforma GNPA in Q3FY21 witnessed an anticipated spike to 4.5% vs 3.0% QoQ, hence vulnerability of the company's balance sheet to incremental stress remains a cause of concern. Rightly so, given that 79% of the corporate book is performing well and 62% of overall corporate book is zero DPD. Delay in resolutions would expose PNBHF to the risk of further slippages or higher credit cost. Disbursement traction is improving MoM but still lags peers. PNBHF is focused on undergoing business transformation wherein it will target mass housing and the lower risk-weighted retail segment, thereby weighing on overall loan growth. Positively, it is running tight on opex which we will believe will continue.
NII	4,881	5,897	6,222	27	6	
PpoP	4,276	5,505	5,695	33	3	
Provisions	7,548	2,567	2,053	(73)	(20)	
PBT	(3,272)	2,938	3,642	(211)	24	
PAT	(2,421)	2,324	2,804	(216)	21	
NIM (computed) (%)	2.3	3.0	3.2	86 bps	20 bps	
Opex to AUM (%)	0.7	0.5	0.5	-17 bps	1 bps	
Credit cost (%)	4.4	1.6	1.3	-315 bps	-31 bps	
RoA – annualised (%)	(1.1)	1.2	1.4	257 bps	26 bps	
Cholamandalam Finance						
AUM	6,05,490	6,87,450	7,15,417	18	4	Stress pool (with proforma stage-3 at 3.75% and stage-2 at 5.24%) is managed at a better level than vehicle financing peers at 9% - albeit up QoQ (by 330bps) as well as pre-Covid level (by 160bps). Towards this, it is carrying cumulative provisioning to 3.1% of AUM (1.13% - Rs7.5bn of management overlay buffer). Amidst further disruption in economic activities with rising Covid cases, key will be the proportion of reserves consumers or reversed (in Q3FY21 It highlighted only Rs2.5-3.0bn will be held as reserves). Also its narrative on expected behaviour of 2% restructuring and 2.2% of loans under ECLGS will be key monitorable. We believe continued market share gain in used vehicle, uptick in LCV demand in rural areas, tractors, CE financing and LAP will aid the disbursements and AUM growth. We expect NIMs to moderate with recognition of stress and unwinding of securitised pool benefit.
NII	10,154	13,644	13,883	37	2	
PPoP	6,140	9,956	10,026	63	1	
Provisions	5,567	4,446	3,981	(28)	(10)	
PBT	573	5,511	6,045	955	10	
PAT	427	4,089	4,503	956	10	
NIM (computed) (%)	6.7	8.0	7.9	122 bps	-12 bps	
Opex to AUM – annualised (%)	2.6	2.2	2.2	-45 bps	2 bps	
Credit cost as % avg AUM (ann.)	3.7	2.6	2.3	-141 bps	-35 bps	
RoA – annualised (%)	0.3	2.3	2.4	217 bps	16 bps	
Magma Fincorp						
AUM	1,61,340	1,50,060	1,54,778	(4)	3	Having stopped sourcing low-RoA products (namely new cars, CV, CE, etc.) and incremental disbursements only towards focused products (used assets, tractors, housing) will lead to modest AUM growth, though focused product AUM will witness YoY growth. However, this is structurally improving margins and return profile. Also change in promotership will also weigh on business growth in transitory period. We expect collection efficiency to follow improving momentum after reaching 97%/ 94%/ 90%/ 90%/ 85% in Jan '21/Dec / Nov / Oct / Sep'20. Flow through from vulnerable pool of 18.8% (stage-2 at 11.8% plus stage-3 at 6.9%) and consequent credit cost will be key earnings driver.
NII	2,464	2,667	2,656	8	(0)	
PPoP	1,303	1,940	1,834	41	(5)	
Provisions	1,300	1,772	1,600	23	(10)	
PBT	(41)	174	234	(669)	35	
PAT	(355)	130	175	(149)	35	
NIM (computed) (%)	7.5	8.5	8.2	75 bps	-33 bps	
Opex to AUM (%)	4.3	3.5	3.4	-88 bps	-7 bps	
Credit cost (%)	3.2	4.6	4.2	101 bps	-44 bps	
RoA – annualised (%)	(0.9)	0.4	0.5	137 bps	12 bps	

(Rs mn)	Q4FY20	Q3FY21	Q4FY21E	YoY (%)	QoQ (%)	Comment
						It has guided for overall restructured portfolio at 4.5-5.0% by Mar'21 (compared to 1.9% till Q3FY21) – need to see where it settles.
L&T Finance						
AUM	9,83,840	10,00,970	10,30,999	5	3	Targeted sourcing in Farm, 2-wheeler (albeit down QoQ from Q3FY21 post the festive season), uptick in infra disbursements to drive the AUM growth. Despite uptick in collection volumes, is likely to strengthen balance sheet by building provisioning buffer. Against stage-3 of 5.12%, it is carrying provisioning of 2.2%. Contained cost of borrowing through adequate liquidity management will support NIMs and additional fee income with increased activity levels will support revenue growth.
NII	15,521	18,696	19,703	27	5	
PPoP	11,017	14,970	15,914	44	6	
Provisions	6,421	10,583	9,525	48	(10)	
PBT	4,596	4,387	6,389	39	46	
PAT	3,886	3,778	4,792	23	27	
NIM (computed) (%)	6.3	7.5	7.8	148 bps	23 bps	
Opex to AUM (%)	2.1	2.0	2.0	-14 bps	-1 bps	
Credit cost (%)	2.6	4.3	3.8	115 bps	-51 bps	
RoA – annualised (%)	1.8	1.3	1.5	-32 bps	24 bps	
Shriram City Union Finance						
AUM	2,90,850	2,85,450	2,92,586	1	3	It will be constructive on scaling up its mainstay SME, 2-wheeler and gold lending businesses that will driving its disbursement and AUM growth. After having doubled disbursements QoQ in Q3FY21, we expect YoY growth momentum to be strong in Q4FY21 as well. Asset quality exhibited few promising trends in Q3FY21 with Stage-3 down to 6.46% and stage-2 assets managed at 7% (10-13% historical average) – sustenance of the same will be key. With covid-related provisioning of Rs5.9bn, it carries 4.2% coverage on stage-1/2 assets and consequently, credit cost is expected to contained below 3%.
NII	9,041	9,164	9,500	5	4	
PPoP	5,143	5,602	5,999	17	7	
Provisions	3,114	1,755	2,601	(16)	48	
PBT	2,029	3,847	3,398	67	(12)	
PAT	1,531	2,797	2,543	66	(9)	
NIM (computed) (%)	12.3	13.1	13.1	81 bps	7 bps	
Opex to AUM (%)	5.3	5.0	4.9	-44 bps	-13 bps	
Credit cost (%)	4.2	2.5	3.6	-65 bps	114 bps	
RoA – annualised (%)	2.1	4.0	3.5	143 bps	-48 bps	
Mahindra Finance						
AUM	1,61,340	1,50,060	1,54,778	(4)	3	Having stopped sourcing low-RoA products (namely new cars, CV, CE, etc.) and incremental disbursements only towards focused products (used assets, tractors, housing) will lead to modest AUM growth, though focused product AUM will witness YoY growth. However, this is structurally improving margins and return profile. Also change in promotership will also weigh on business growth in transitory period. We expect collection efficiency to follow improving momentum after reaching 97%/94%/90%/90%/85% in Jan '21/Dec / Nov / Oct / Sep'20. Flow through from vulnerable pool of 18.8% (stage-2 at 11.8% plus stage-3 at 6.9%) and consequent credit cost will be key earnings driver. It has guided for overall restructured portfolio at 4.5-5.0% by Mar'21 (compared to 1.9% till Q3FY21) – need to see where it settles.
NII	2,464	2,667	2,656	8	(0)	
PPoP	1,303	1,940	1,834	41	(5)	
Provisions	1,300	1,772	1,600	23	(10)	
PBT	(41)	174	234	(669)	35	
PAT	(355)	130	175	(149)	35	
NIM (computed) (%)	7.5	8.5	8.2	75 bps	-33 bps	
Opex to AUM (%)	4.3	3.5	3.4	-88 bps	-7 bps	
Credit cost (%)	3.2	4.6	4.2	101 bps	-44 bps	
RoA – annualised (%)	(0.9)	0.4	0.5	137 bps	12 bps	
PFC						
AUM	34,49,050	35,59,075	37,37,029	8	5.0	Stage-3 assets after declining to 5.85% with restructuring of RKM Powergen needs to be monitored. Some resolutions are underway - Jhabua Power, South East UP, India Power (Haldia) to resolve over next 2-3 quarters. Incremental credit cost on few projects taking slightly more time namely Lanco Amarkantak, KSK Mahanadi, and Ind Barath Energy Utkal will be key to watch out for. Incrementally disbursements of Rs150bn in Q4FY21 towards AtmaNirbhar scheme coupled with seasonally strong Q4 will drive AUM growth upwards.
NII	27,349	34,421	35,698	31	4	
PPoP	25,605	41,888	40,873	60	(2)	
Provisions	4,327	13,972	13,693	216	(2)	
PBT	21,278	27,916	27,180	28	(3)	
PAT	14,350	23,328	20,249	41	(13)	

(Rs mn)	Q4FY20	Q3FY21	Q4FY21E	YoY (%)	QoQ (%)	Comment
						Reversal of interest on interest for loans above Rs20mn during moratorium period will weigh on yields. Also the company has reduced lending rates since April and NIMs in FY22 might settle lower.
Piramal Enterprises						
Revenue	33,410	31,686	32,637	(2)	3.0	Utilization of provisioning buffer of 6.3% against its stage-3 pool at 3.7% plus restructuring pool at 3.8% will garner confidence on its expectations of stress behaviour. Also reversal of interest on interest on morat portfolio will lead to some decline in yields. Disbursements after having started kicking in under its new retail lending strategy since Q3FY21, this quarter will test the momentum upwards with rollout of new products and partnerships. On wholesale mortgages, it will continue to pursue consolidation though run-down seems to be nearing its end. Pharma business performance will be led by CDMO and OTC segments
EBITDA	-976	18,909	19,604	(2,109)	4	
PAT	-17,026	7,994	8,207	(148)	3	
JM Financial						
NII	1,969	2,457	2,611	33	6	Contained provisioning will imbibe confidence on behaviour of the book - Proforma GNPLs + SMA-2 + restructuring at 8.6% and 18-22% of overall lending book seeking DCCO extension. Carrying provisions of ~5%, management indicated NPA + SMA2 pool has peaked and provisions are adequate – key to watch out. After wholesale mortgage declining in Q3FY21 and management indicating it is evaluating fresh proposals, pipeline build will be key to gauge outlook on loan growth. Robust pipeline of investment banking deals, arrest in loss in cash securities market share loss, coupled with continued accretion in PWM AUA will lead revenue and earnings momentum of IWS business. Distressed credit resolution aided earnings in Q3FY21 – with focus on recoveries, need to see if this benefit in Q4FY21 as well.
PPoP	3,327	3,998	3,952	19	(1)	
Provisions	1,177	691	932	(21)	35	
PBT	2,150	3,308	3,019	40	(9)	
PAT	1,641	2,502	2,249	37	(10)	
IIFL Wealth						
AUM	1,56,897	2,00,494	2,10,519	34	5	We expect continued build-up of recurring revenue assets, sustained traction in IIFL One, transactional revenues also to witness an uptick. Steady progress will continue on fixed cost front, though variable cost due to business incentives to WM RMs will be key to watch out for
Revenue	202	280	288	43	3	
Costs	161	153	145	(10)	(5)	
PBT	41	127	143	250	13	
PAT	(1)	97	107	(12,759)	10	
CAGL (consolidated)						
AUM	1,19,960	1,23,210	1,34,299	12	9	With disbursements already reaching pre-covid level in Q3FY21 and improving collection, we expect AuM to grow by 9% QoQ / 12% YoY - in line with management guidance. Asset quality performance in 9mFY21 has displayed some resilience with CAGL's proforma GNPL at 6.8% (carrying ECL provision at 6%), collection efficiency at 91% (December'20), however MMFL's ECL provision at 4.6% appears lower. Hence, we expect Credit cost in Q4FY21e to remain elevated at 2.5% as we believe MFI players will continue to build provision buffer given resurgence of covid cases.
NII	3,068	3,166	4,093	33	29	
PPoP	1,795	1,703	2,570	43	51	
Provisions	1,390	2,757	800	(42)	(71)	
PBT	405	(1,054)	1,770	337	(268)	
PAT	308	(791)	1,328	331	(268)	

(Rs mn)	Q4FY20	Q3FY21	Q4FY21E	YoY (%)	QoQ (%)	Comment
						Company has guided for 2% full year FY21e, which will be key monitorable in Q4.
Spandana						
AUM	68,290	77,640	81,522	19	5	With disbursements already reaching pre-covid level in Q3FY21 and improving collection, we expect AuM to grow by 5% QoQ / 19% YoY.
NII	3,461	2,219	2,580	(25)	16	
PPoP	2,966	1,634	1,959	(34)	20	
Provisions	1,881	1,999	971	(48)	(51)	Asset quality performance in 9mFY21 has displayed some resilience with proforma GNPL at 2.7% (carrying ECL provision at 8%), collection efficiency at ~92% (December'20), however rising fear of partial lockdown due to resurgence of covid cases will force MFI players to continue building provision buffer. Hence, we expect Credit cost in Q4FY21e to remain elevated at 5%.
PBT	1,085	(366)	989	(9)	(370)	
PAT	830	(297)	742	(11)	(350)	

Source: I-Sec research

Table 32: Price performance

NSE Symbol	CMP	1D	5D	1M	2M	3M	6M	12M	From NIFTY 52W L date	From NIFTY 52W H date
NIFTY	**14,684**	**0.3**	**(1.2)**	**(1.7)**	**(1.6)**	**3.8**	**24.1**	**81.6**	**88.2**	**(4.1)**
NIFTYBANK	**32,501**	**(0.8)**	**(4.1)**	**(7.7)**	**(8.8)**	**2.2**	**40.1**	**88.4**	**90.0**	**(12.4)**
AAVAS	2,376	0.6	(1.7)	5.9	19.0	24.4	64.4	109.8	151.9	7.4
AUBANK	1,223	(0.4)	(3.5)	(3.0)	24.6	37.5	67.8	162.8	132.9	11.9
AXISBANK	678	(1.1)	(4.9)	(7.2)	(5.8)	3.6	50.0	108.3	123.6	(12.5)
BANDHANBNK	338	0.6	(3.8)	(2.5)	2.4	(14.7)	5.9	86.0	109.6	(3.6)
CHOLAFIN	540	(0.8)	(4.0)	2.5	19.7	24.2	114.8	333.2	277.1	2.3
CREDITACC	617	(2.2)	(7.5)	(12.3)	(14.2)	(19.3)	(14.7)	92.0	46.4	(13.1)
CUB	156	(0.5)	(3.5)	(10.3)	(9.1)	(14.9)	5.4	36.5	19.7	(6.2)
DCBBANK	99	(2.8)	(5.2)	(13.4)	(14.3)	(20.2)	25.6	17.0	22.8	(13.6)
FEDERALBNK	77	0.6	(2.5)	(12.0)	(7.6)	5.7	47.2	92.6	103.3	(10.0)
HDFC	2,472	1.1	(2.3)	(2.8)	(9.2)	(6.3)	26.8	64.9	64.3	(13.5)
HDFCBANK	1,440	(0.6)	(3.1)	(5.9)	(9.8)	1.4	20.8	77.0	87.6	(11.5)
IIFLWAM	1,304	(0.7)	(0.4)	10.1	15.4	26.9	38.2	34.2	52.4	6.4
INDUSINDBK	927	(1.1)	(6.6)	(10.8)	(9.5)	0.5	50.1	196.1	196.9	(12.4)
JMFINANCIL	85	1.3	(0.8)	(10.1)	(0.2)	(7.2)	3.4	36.6	35.7	(9.3)
KARURVYSYA	55	(1.0)	(3.9)	(7.7)	2.8	14.4	69.1	158.5	174.8	(0.5)
KOTAKBANK	1,768	0.5	(2.0)	(8.0)	(10.8)	(10.3)	34.0	55.0	53.4	(12.4)
L&TFH	96	0.7	(3.5)	(10.1)	6.1	(6.6)	54.7	96.3	96.7	(2.6)
LICHSGFIN	420	0.3	(3.1)	(3.8)	(3.2)	2.7	46.3	91.9	118.1	(10.7)
M&MFIN	199	1.5	(2.8)	(2.3)	12.2	5.3	52.9	128.4	102.2	(10.1)
MAGMA	117	(0.6)	0.9	(6.8)	98.8	176.6	233.6	589.9	542.4	7.7
PEL	1,750	0.4	(1.7)	(9.1)	13.5	23.6	32.8	91.9	180.8	(5.0)
PFC	114	2.6	(0.0)	(11.0)	(9.4)	(3.7)	31.7	32.6	43.8	(14.5)
PNBHOUSING	384	1.0	(2.4)	(11.0)	6.6	4.7	8.3	138.3	146.5	(6.4)
RBLBANK	212	2.8	(1.9)	(12.5)	(15.5)	(19.7)	22.0	91.2	36.9	(17.9)
REPCOHOME	322	(0.2)	(4.5)	(4.6)	23.7	34.2	61.7	193.9	161.2	18.7
SBIN	351	(0.8)	(5.4)	(8.6)	(10.8)	23.0	83.1	99.7	91.3	(12.9)
SHRIRAMCIT	1,450	0.7	1.4	(4.9)	2.8	34.7	61.7	96.5	66.1	(3.0)
SPANDANA	611	0.5	(1.2)	0.1	(19.3)	(19.6)	0.6	2.0	13.6	(11.6)
YESBANK	16	0.6	(0.6)	(4.6)	(7.7)	(13.3)	19.1	(35.3)	(55.4)	(2.8)

Source: Bloomberg, I-Sec research

Table 33: Valuations: Long-term value/growth drivers offsetting intermediate disruptions

Banks

Particulars	CMP	Rating	P/E (x)			P/BV (x)			P/ABV (x)		
			FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
HDFC Bank	1,440	BUY	24.6	21.0	17.8	3.9	3.4	2.9	3.9	3.4	3.0
Axis Bank	678	BUY	28.6	12.4	10.4	1.9	1.7	1.5	2.0	1.8	1.5
SBI	351	BUY	9.7	6.1	4.2	0.8	0.7	0.6	1.0	0.8	0.7
Bandhan Bank	338	BUY	21.0	12.2	9.5	3.0	2.5	2.0	3.2	2.6	2.1
Federal Bank	77	BUY	11.4	7.9	6.3	0.9	0.8	0.7	1.0	0.9	0.8
City Union Bank	156	BUY	19.6	15.6	11.5	1.9	1.7	1.5	2.2	1.9	1.5
DCB Bank	99	BUY	9.8	8.0	5.8	0.9	0.8	0.7	1.0	0.9	0.8
Karur Vysya Bank	55	BUY	10.3	5.7	4.7	0.6	0.6	0.5	0.7	0.7	0.6
IIB Bank	927	ADD	25.3	11.7	9.3	1.8	1.6	1.4	1.9	1.7	1.5
Kotak Mahindra Bank	1,768	ADD	37.2	32.3	26.7	4.2	3.8	3.3	4.4	3.9	3.4
AU SFB	1,223	ADD	31.5	37.6	29.7	6.1	5.3	4.5	6.5	5.6	4.8
RBL Bank	212	HOLD	26.5	10.4	6.9	1.0	0.9	0.8	1.1	1.0	0.9
Yes Bank	16	HOLD	N/A	42.2	17.8	1.1	1.0	1.0	1.5	1.4	1.2

Particulars	EPS (Rs)			BV (Rs)			ABV (Rs)			RoAA (%)			RoAE (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
HDFC Bank	56	66	77	355	406	467	348	399	458	1.9	2.0	2.0	16.8	17.2	17.7
Axis Bank	22	50	60	328	369	419	310	353	406	0.7	1.5	1.6	7.2	14.4	15.2
SBI	19	31	44	247	278	322	195	233	283	0.4	0.6	0.8	8.2	11.8	14.8
Bandhan Bank	16	28	36	111	136	170	105	130	164	2.6	3.7	4.0	15.7	22.5	23.3
Federal Bank	6	9	12	79	88	99	72	79	90	0.7	0.9	1.0	8.5	11.3	12.6
City Union Bank	8	10	14	80	89	102	69	80	102	1.2	1.3	1.6	10.5	11.8	14.1
DCB Bank	10	12	17	111	122	138	102	115	131	0.8	0.9	1.1	9.4	10.5	13.2
KVB	5	10	12	89	97	107	73	80	95	0.6	1.0	1.1	6.2	10.4	11.3
IIB Bank	37	79	99	511	579	663	485	550	636	0.9	1.7	1.9	7.6	14.5	16.0
KMB	37	42	51	321	361	411	310	350	399	1.9	2.0	2.1	12.9	12.3	13.2
AU SFB	39	33	41	200	231	269	188	218	254	2.6	1.9	2.0	22.6	15.1	16.5
RBL Bank	8	20	31	210	228	257	191	209	240	0.5	1.2	1.6	4.1	9.3	12.7
Yes Bank	(0)	0	1	15	15	16	11	11	13	(0.1)	0.3	0.8	(0.5)	2.5	5.7

NBFCs

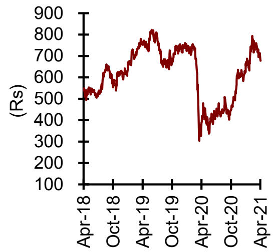
Particulars	CMP	Rating	P/E (x)			P/BV (x)			P/ABV (x)		
			FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
HDFC	2,472	BUY	30.7	27.1	18.0	2.4	2.2	1.8	3.0	2.8	2.3
Aavas	2,376	BUY	70.4	56.8	48.2	8.0	7.0	6.1	8.1	7.1	6.2
Piramal Enterprises	1,750	BUY	23.5	14.4	13.2	2.2	2.1	2.0	N/A	N/A	N/A
Repco	322	BUY	6.6	6.4	5.9	1.0	0.9	0.8	1.1	0.9	0.8
Shriram City	1,450	BUY	9.7	7.9	6.6	1.2	1.0	0.9	1.4	1.2	1.0
Magma Fincorp	117	BUY	29.6	18.6	12.5	1.1	1.0	1.0	1.4	1.3	1.2
PFC	114	BUY	3.7	3.9	2.7	0.6	0.6	0.5	0.7	0.7	0.6
JM Financial	85	BUY	14.4	11.8	9.7	1.2	1.1	1.0	N/A	N/A	N/A
IIFL Wealth	1,304	BUY	31.7	27.1	23.7	3.7	3.6	3.5	N/A	N/A	N/A
Credit Access	617	BUY	39.2	16.1	11.6	2.6	2.3	1.9	2.6	2.3	1.9
Spandana	611	BUY	19.4	7.7	6.7	1.4	1.2	1.1	1.4	1.2	1.1
MMFS	199	ADD	40.0	14.4	12.6	1.6	1.5	1.5	1.9	1.8	1.8
LIC Housing	420	ADD	9.1	8.9	7.1	1.0	0.9	0.8	1.3	1.1	1.0
L&T Financial	96	ADD	15.2	8.6	8.0	1.3	1.1	1.0	1.4	1.2	1.1
Cholamandalam	540	HOLD	25.7	19.9	16.2	4.7	3.7	3.1	5.2	4.2	3.4
PNB Housing	384	HOLD	7.6	7.4	4.9	0.7	0.7	0.6	0.9	0.8	0.7

Particulars	EPS (Rs)			BV (Rs)			ABV (Rs)			RoAA (%)			RoAE (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
HDFC	44	49	74	564	609	731	444	475	583	2.0	2.1	2.3	11.5	11.8	13.4
Aavas	34	42	49	299	342	392	293	335	384	3.1	3.2	3.0	11.9	13.0	13.5
PEL	67	109	119	702	750	780	N/A	N/A	N/A	3.0	3.7	3.9	6.5	7.4	7.9
Repco	48	50	55	329	376	428	291	341	395	2.5	2.4	2.5	15.8	14.2	13.7
Shriram City	149	184	221	1,245	1,410	1,612	1,066	1,239	1,447	3.1	3.5	3.6	12.7	13.9	14.6
Magma Fincorp	4	6	9	106	112	121	86	91	101	0.7	1.1	1.5	3.8	5.7	8.0
PFC	31	30	43	189	206	234	160	175	208	2.2	1.9	2.4	16.6	14.8	19.2
JM Financial	6	7	9	72	79	87	N/A	N/A	N/A	3.8	4.6	5.0	9.0	9.5	10.5
IIFL Wealth	41	48	55	352	361	372	N/A	N/A	N/A	0.2	0.2	0.2	11.9	13.5	15.0
Credit Access	16	39	54	237	275	329	237	275	329	1.8	3.7	4.3	7.7	15.0	17.8
Spandana	31	79	91	434	497	570	434	497	570	2.7	5.7	5.6	7.4	17.0	17.1
MMFS	5	13	15	122	131	131	100	107	107	0.8	2.0	2.0	4.5	10.6	11.2
LIC Housing	46	47	59	404	443	494	324	367	420	1.1	0.9	1.1	13.3	11.1	12.7
L&T Financial	6	11	14	76	84	88	70	77	80	1.3	2.1	2.2	8.5	13.9	14.3
Cholamandalam	21	27	33	116	146	177	105	128	159	2.5	2.8	2.9	19.1	20.4	20.7
PNB Housing	51	52	78	525	576	652	442	475	558	1.1	1.2	1.7	10.1	9.5	12.7

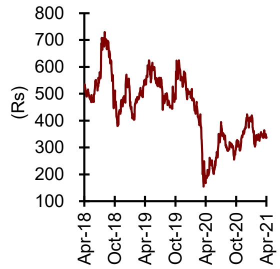
Source: Company, I-Sec research (SBI, Axis, HDFC Bank are standalone)

Price charts

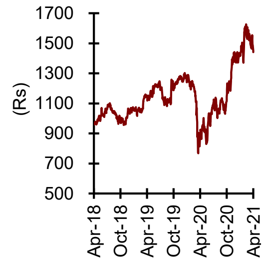
Axis Bank



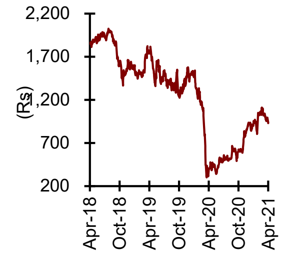
Bandhan Bank



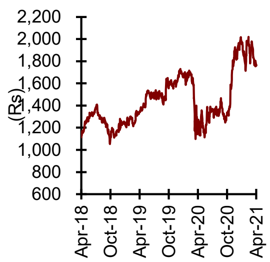
HDFC Bank



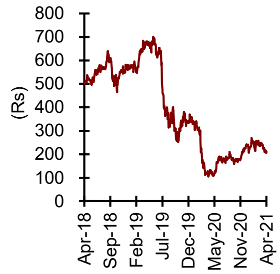
IndusInd Bank



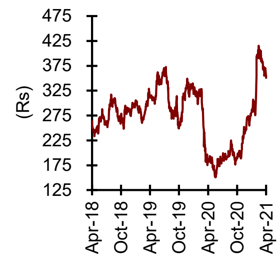
Kotak Mahindra Bank



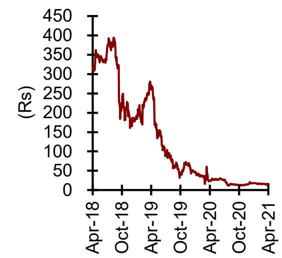
RBL Bank



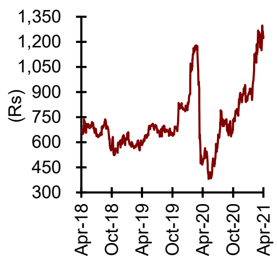
State Bank of India



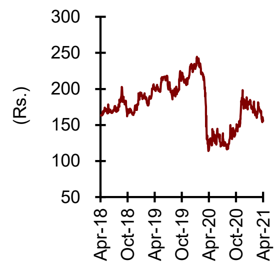
Yes Bank



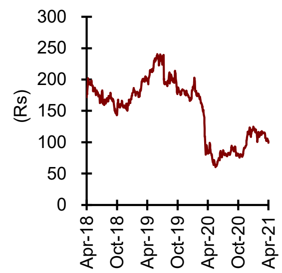
AU SFB



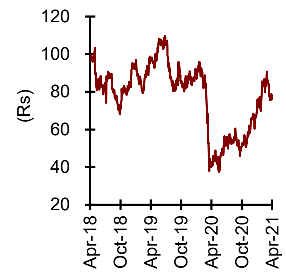
City Union Bank



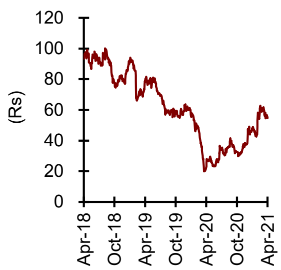
DCB Bank



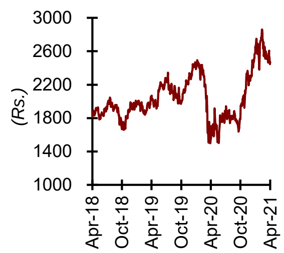
Federal Bank



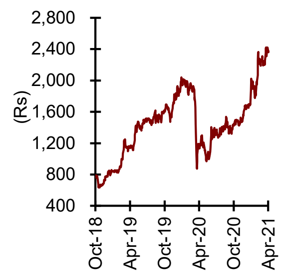
Karur Vysya Bank



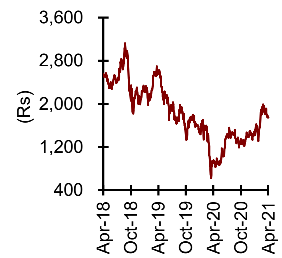
HDFC



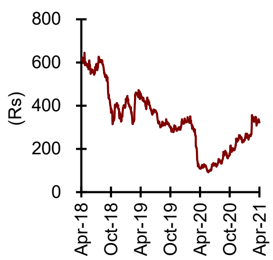
Aavas



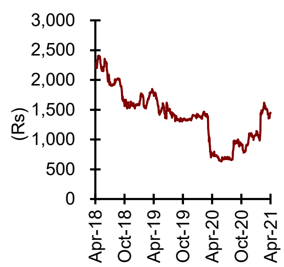
Piramal Enterprises



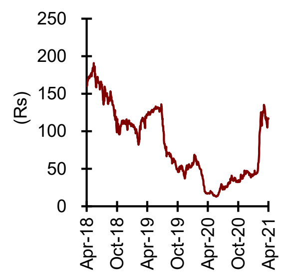
Repco Home Finnace



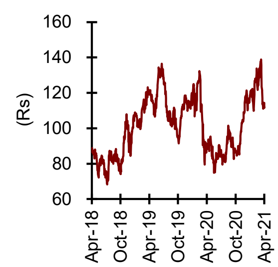
Shriram City Union Bank



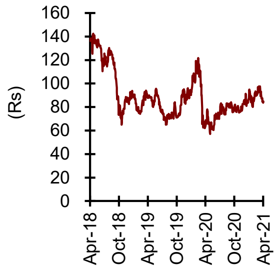
Magma Fincorp



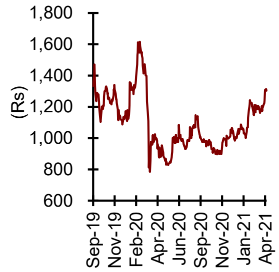
PFC



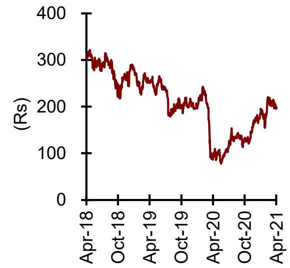
JM Financial



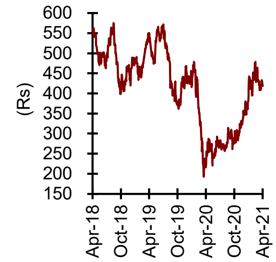
IIFL Wealth



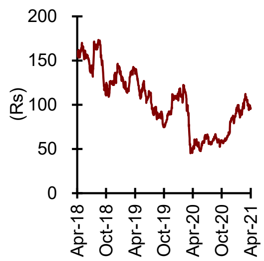
M&M Financial



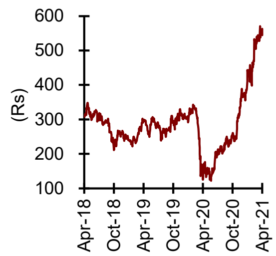
LIC Housing



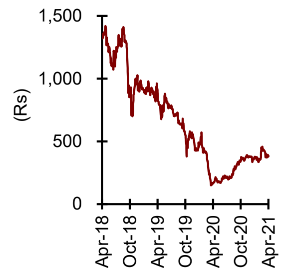
L&T Financial



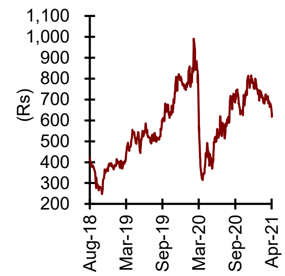
Cholamandalam



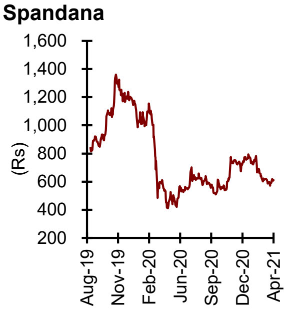
PNB Housing



CreditAccess Gramin



Spandana



Source: Bloomberg

In case of industry/sector reports or a report containing multiple stocks, the rating/recommendation for a particular stock may be based on the last released stock specific report for that company.

This report may be distributed in Singapore by ICICI Securities, Inc. (Singapore branch). Any recipients of this report in Singapore should contact ICICI Securities, Inc. (Singapore branch) in respect of any matters arising from, or in connection with, this report. The contact details of ICICI Securities, Inc. (Singapore branch) are as follows: Address: 10 Collyer Quay, #40-92 Ocean Financial Tower, Singapore - 049315, Tel: +65 6232 2451 and email: navneet_babbar@icicisecuritiesinc.com, Rishi_agrawal@icicisecuritiesinc.com.

"In case of eligible investors based in Japan, charges for brokerage services on execution of transactions do not in substance constitute charge for research reports and no charges are levied for providing research reports to such investors."

New I-Sec investment ratings (all ratings based on absolute return; All ratings and target price refers to 12-month performance horizon, unless mentioned otherwise)
BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return

ANALYST CERTIFICATION
I/We, *Kunal Shah, CA; Renish Bhuva, CFA (ICFAI); Chintan Shah, CA;* authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of the ICICI Securities Inc. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:
ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.
ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India’s largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. (“associates”), the details in respect of which are available on www.icicibank.com.
ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.
Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.
Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.
ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Institutional Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Retail Research.
The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.
This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.
ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.
ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.
ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.
ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.
Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.
ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.
Since associates of ICICI Securities and ICICI Securities as an entity are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.
ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.
Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.
We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.
This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.
This report has not been prepared by ICICI Securities, Inc. However, ICICI Securities, Inc. has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.