BOBCAPS
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BANKING | Q2FY24 Preview | 13 October 2023

Growth momentum to continue

- **Q2 saw healthy systemic credit growth of 19% YoY led by retail and SME/ MSME segments and supported by recovery in MFI**
- **Higher deposit cost expected to lower aggregate NIM by 5-10bps QoQ; slight rise in stressed assets to push up credit cost**
- **PPOP likely to remain steady but QoQ uptick in credit cost could limit PAT; HDFCB, AXSB, SBIN and IIB remain our top picks**

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Retail and SME/MSME lending boosts credit growth: Per RBI data, system credit grew 19.4% YoY over 1 July to 23 September. The strong loan growth was led by the retail and SME/MSME segments, supported by gradual recovery in MFI and corporate lending. We expect that home loans, vehicle finance, unsecured loans, and small business segments have outperformed in the retail segment. Personal loans and credit cards are also likely to have seen strong momentum. We continue to pencil in system credit growth at 14% for FY24 assuming some moderation in the second half.

Deposit mobilisation to improve: Growth in system deposits accelerated by 90bps QoQ to 12.9% YoY over 1 July to 23 September, according to RBI data. Higher deposit mobilisation was supported by an increase in term deposit rates. Further, banks used their excess liquidity to fund the loan book during Q2, leading to a CD ratio of 78.8% (74.5% in Q2FY23).

Margin pressure from higher deposit costs: Deposit rate realignment, particularly in term deposits, is likely to put margins under pressure. However, banks' core focus on the retail book with a bias towards high-yielding unsecured loans is likely to offset some pressure. We expect a 5-10bps QoQ dip in aggregate NIM vs. 10-15bps in Q1. Our industry checks suggest that the repricing has been largely factored in during Q2 and the cost of funds is unlikely to rise meaningfully for the rest of the year.

Slippages and credit cost to remain in check: We expect a slight increase in stressed loans across our coverage during Q2 with higher slippages from the unsecured book (personal loans and credit cards), while upgrades and recoveries remain flat. The increase in stress may lead to more provisioning and hence higher credit cost. We model for stable GNPA and NNPA with some upward bias during the quarter but expect no major shock from the restructured and SMA books.

Top picks: In our view, Q2 topline growth is likely to remain healthy supported by strong business growth while sticky opex and higher credit cost likely weigh on profitability. Our top picks remain HDFCB (BUY, TP Rs 2,061), AXSB (BUY, TP Rs 1,155), IIB (BUY, TP Rs 1,755) and SBIN (BUY, TP Rs 729).

Recommendation snapshot

Ticker	Price	Target	Rating
AXSB IN	1,018	1,155	BUY
DCBB IN	123	144	BUY
FB IN	149	165	BUY
HDFCB IN	1,550	2,061	BUY
ICICIBC IN	954	1,015	HOLD
IIB IN	1,424	1,755	BUY
KMB IN	1,764	2,122	HOLD
RBK IN	247	233	HOLD
SBIN IN	586	729	BUY

Price & Target in Rupees | Price as of 12 Oct 2023

Fig 1 – BOBCAPS Banking Universe: Valuation snapshot

Ticker	CMP (Rs)	Target Price (Rs)	Rating	Mcap (Rs bn)	P/ABV (x)		ROA (%)		ROE (%)	
					FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
HDFCB IN	1,550	2,061	BUY	11,651	2.8	2.4	1.8	2.0	15.5	16.9
ICICIBC IN	954	1,015	HOLD	6,666	3.0	2.6	2.2	2.2	17.5	17.4
AXSB IN	1,018	1,155	BUY	3,063	2.1	1.8	1.7	1.7	17.9	17.1
KMB IN	1,764	2,122	HOLD	3,506	3.7	3.3	2.2	2.2	13.2	13.4
IIB IN	1,424	1,755	BUY	1,135	1.8	1.6	1.9	1.9	15.9	16.5
FB IN	149	165	BUY	352	1.4	1.2	1.2	1.2	14.5	14.6
RBK IN	247	233	HOLD	148	1.1	1.0	1.0	1.0	8.5	9.3
DCBB IN	123	144	BUY	38	0.8	0.7	1.0	1.0	11.7	13.0
SBIN IN	591	729	BUY	5,142	1.5	1.3	1.0	1.0	15.9	15.8

Source: Company, BOBCAPS Research

Fig 2 – BOBCAPS Banking Universe: Q2FY24 estimates

Ticker	NII (Rs mn)	YoY (%)	QoQ (%)	PPOP (Rs mn)	YoY (%)	QoQ (%)	PAT (Rs mn)	YoY (%)	QoQ (%)
HDFCB IN	277,321	31.9	17.5	230,709	32.7	22.9	143,837	35.6	20.3
ICICIBC IN	191,439	29.5	5.0	145,336	24.4	2.8	98,084	29.8	1.7
AXSB IN	119,979	15.8	0.3	89,443	15.9	1.5	60,621	13.7	4.6
KMB IN	63,401	24.3	1.7	45,582	27.8	(7.9)	31,556	22.3	(8.6)
IIB IN	50,989	18.5	4.8	40,225	13.5	5.0	22,302	23.5	5.0
FB IN	20,446	16.1	6.6	13,791	13.8	5.9	8,935	27.0	4.7
RBK IN	12,902	21.2	3.5	6,546	27.8	1.1	2,827	40.2	(1.9)
DCBB IN	4,892	19.0	3.9	2,263	24.0	8.4	1,319	17.4	3.9
SBIN IN	382,281	8.7	(1.7)	224,681	6.4	(11.2)	139,267	5.0	(17.5)

Source: Company, BOBCAPS Research

Company-wise expectations

Fig 3 – HDFCB

(Rs mn)	Q2FY23	Q1FY24	Q2FY24E	YoY (%)	QoQ (%)
NII	**210,212**	**235,991**	**277,321**	**31.9**	**17.5**
Growth (% YoY)	18.9	21.1	31.9	1,306bps	1,079bps
Other Income	75,956	92,299	112,942	48.7	22.4
Net Income	**286,167**	**328,289**	**390,263**	**36.4**	**18.9**
Growth (% YoY)	14.1	26.9	36.4	2,230bps	947bps
Opex	112,246	140,569	159,554	42.1	13.5
PPOP	**173,922**	**187,720**	**230,709**	**32.7**	**22.9**
Growth (% YoY)	10.0	22.2	32.7	2,263bps	1,050bps
Provision	32,401	28,600	40,197	24.1	40.5
PAT	**106,058**	**119,518**	**143,837**	**35.6**	**20.3**
Growth (% YoY)	20.1	30.0	35.6	1,557bps	565bps
Advances	14,798,732	16,156,720	23,544,000	59.1	45.7
Growth (% YoY)	23.4	15.8	59.1	3,565bps	4,328bps
Deposits	16,734,080	19,130,958	21,730,000	29.9	13.6
Growth (% YoY)	19.0	19.2	29.9	1,086bps	1,064bps
NIM (%)	4.1	4.1	3.9	(19bps)	(15bps)
C-D Ratio (%)	88.4	84.5	108.3	1,991bps	2,389bps
C/I ratio (%)	39.2	42.8	40.9	166bps	(194bps)
Credit Cost	0.9	0.7	0.8	(9bps)	10bps
GNPA (%)	1.2	1.2	1.2	(3bps)	3bps
NNPA (%)	0.3	0.3	0.3	1bps	4bps
PCR (%)	73.3	74.9	72.0	(132bps)	(294bps)

Comments

- Loan and deposit growth seem higher due to impact of merger with housing finance arm HDFC
- Focus on low-cost CASA mobilisation continues
- Merger-related adjustments along with excess liquidity in the book likely to be a drag on NIM
- C/I ratio expected to decline QoQ mainly due to HDFC's low-cost business dynamics
- PPOP expected to grow 23% QoQ and 33% YoY
- Credit cost likely to increase QoQ driven by the non-individual loan book from the HDFC business
- Minor increase in GNPA and NNPA ratios on sequential basis as we bake in higher slippages

Source: Company, BOBCAPS Research

Fig 4 – ICICIBC

(Rs mn)	Q2FY23	Q1FY24	Q2FY24E	YoY (%)	QoQ (%)
NII	**147,868**	**182,265**	**191,439**	**29.5**	**5.0**
Growth (% YoY)	26.5	38.0	29.5	297bps	(851bps)
Other Income	50,549	54,353	55,437	9.7	2.0
Net Income	**198,417**	**236,617**	**246,876**	**24.4**	**4.3**
Growth (% YoY)	20.3	32.4	24.4	407bps	(795bps)
Opex	81,614	95,226	101,540	24.4	6.6
PPOP	**116,803**	**141,391**	**145,336**	**24.4**	**2.8**
Growth (% YoY)	17.8	37.2	24.4	662bps	(1273bps)
Provision	16,445	12,924	14,557	(11.5)	12.6
PAT	**75,578**	**96,482**	**98,084**	**29.8**	**1.7**
Growth (% YoY)	37.1	39.7	29.8	(736bps)	(995bps)
Advances	9,385,628	10,575,826	10,990,570	17.1	3.9
Growth (% YoY)	22.7	18.1	17.1	(560bps)	(98bps)
Deposits	10,900,080	12,387,366	12,862,094	18.0	3.8
Growth (% YoY)	11.5	17.9	18.0	648bps	6bps
NIM (%)	4.3	4.8	4.8	47bps	5bps
C-D Ratio (%)	86.1	85.4	85.4	(66bps)	7bps
C/I ratio (%)	41.1	40.2	41.1	0bps	89bps
Credit Cost	0.7	0.5	0.5	(19bps)	3bps
GNPA (%)	3.2	2.8	2.9	(33bps)	10bps
NNPA (%)	0.6	0.5	0.5	(9bps)	4bps
PCR (%)	81.3	83.1	82.2	93bps	(89bps)

Comments

- Loan growth to remain healthy YoY despite seasonality, driven by SME and retail segments
- Expect strong increase in deposit mobilisation (18% YoY, 3.8% QoQ)
- Higher cost of deposits likely to result in 5bps QoQ decline in NIM
- Opex to remain elevated; C/I ratio expected at 41%
- Credit cost forecast to rise sequentially with increase in stressed assets
- Asset quality to remain stable QoQ with some upward bias

Source: Company, BOBCAPS Research

Fig 5 – AXSB

(Rs mn)	Q2FY23	Q1FY24	Q2FY24E	YoY (%)	QoQ (%)
NII	**103,603**	**119,588**	**119,979**	**15.8**	**0.3**
Growth (% YoY)	31.1	27.4	15.8	(1,533bps)	(1,163bps)
Other Income	39,412	50,873	51,159	29.8	0.6
Net Income	**143,014**	**170,460**	**171,138**	**19.7**	**0.4**
Growth (% YoY)	22.2	37.7	19.7	(258bps)	(1,799bps)
Opex	65,852	82,317	81,695	24.1	(0.8)
PPOP	**77,162**	**88,144**	**89,443**	**15.9**	**1.5**
Growth (% YoY)	30.2	49.7	15.9	(1,425bps)	(3,381bps)
Provision	5,498	10,349	8,507	54.7	(17.8)
PAT	**53,298**	**57,971**	**60,621**	**13.7**	**4.6**
Growth (% YoY)	70.1	40.5	13.7	(5,636bps)	(2,679bps)
Advances	7,308,748	8,585,114	8,865,512	21.3	3.3
Growth (% YoY)	17.6	22.4	21.3	374bps	(115bps)
Deposits	8,108,067	9,416,897	9,518,871	17.4	1.1
Growth (% YoY)	10.1	17.2	17.4	728bps	21bps
NIM (%)	3.8	3.9	3.9	1bps	(2bps)
C-D Ratio (%)	90.1	91.2	93.1	299bps	197bps
C/I ratio (%)	46.0	48.3	47.7	169bps	(55bps)
Credit Cost	0.3	0.5	0.4	8bps	(10bps)
GNPA (%)	2.5	2.0	2.1	(43bps)	11bps
NNPA (%)	1.8	0.4	0.4	(138bps)	1bps
PCR (%)	79.9	79.6	80.0	8bps	40bps

Comment

- Loan growth to remain strong YoY
- Focus on deposit mobilisation likely to accelerate growth to 17% YoY
- NIM forecast to remain flat YoY with minor 2bps decline QoQ
- C/I ratio expected to remain flattish QoQ
- Credit cost likely to decline sequentially on a higher base in Q1 which saw agri-related stress
- PAT estimated to grow 14% YoY and 5% QoQ
- Minor sequential increase expected in GNPA ratio while NNPA likely to remain stable with increase in PCR

Source: Company, BOBCAPS Research

Fig 6 – KMB

(Rs mn)	Q2FY23	Q1FY24	Q2FY24E	YoY (%)	QoQ (%)
NII	**50,994**	**62,337**	**63,401**	**24.3**	**1.7**
Growth (% YoY)	26.8	32.7	24.3	(250bps)	(838bps)
Other Income	19,542	26,833	23,576	20.6	(12.1)
Net Income	**70,536**	**89,170**	**86,978**	**23.3**	**(2.5)**
Growth (% YoY)	20.9	50.1	23.3	239bps	(2,679bps)
Opex	34,861	39,674	41,396	18.7	4.3
PPOP	**35,675**	**49,496**	**45,582**	**27.8**	**(7.9)**
Growth (% YoY)	14.3	77.8	27.8	1,343bps	(5,006bps)
Provision	1,370	3,643	3,787	176.4	3.9
PAT	**25,807**	**34,523**	**31,556**	**22.3**	**(8.6)**
Growth (% YoY)	27.0	66.7	22.3	(472bps)	(4,441bps)
Advances	2,940,232	3,285,820	3,445,952	17.2	4.9
Growth (% YoY)	25.1	17.3	17.2	(794bps)	(8bps)
Deposits	3,252,032	3,862,540	3,944,714	21.3	2.1
Growth (% YoY)	11.5	22.0	21.3	982bps	(75bps)
NIM (%)	4.9	5.1	5.0	11bps	(14bps)
C-D Ratio (%)	90.4	85.1	87.4	(306bps)	229bps
C/I ratio (%)	49.4	44.5	47.6	(183bps)	310bps
Credit Cost	0.2	0.5	0.45	25bps	(1bps)
GNPA (%)	2.1	1.8	1.7	(34bps)	(3bps)
NNPA (%)	0.6	0.4	0.4	(14bps)	1bps
PCR (%)	73.7	78.0	77.0	325bps	(97bps)

Comment

- Loan growth to remain healthy YoY driven by the retail segment
- Increased focus on deposit mobilisation (low-cost hybrid products) likely to result in strong deposit growth of 21% YoY
- Deposit price realignment expected to take a toll on NIM (-14bps QoQ)
- Opex to remain elevated; C/I ratio expected at 47.6% vs. 44.5% in Q1
- PPOP likely to decline 8% QoQ due to higher opex
- Minor improvement expected in credit cost on sequential basis
- PAT forecast to dip 9% sequentially but rise 22% YoY
- Asset quality to remain stable QoQ

Source: Company, BOBCAPS Research

Fig 7 – IIB

(Rs mn)	Q2FY23	Q1FY24	Q2FY24E	YoY (%)	QoQ (%)
NII	**43,021**	**48,671**	**50,989**	**18.5**	**4.8**
Growth (% YoY)	17.6	18.0	18.5	93bps	54bps
Other Income	20,112	22,098	22,995	14.3	4.1
Net Income	**63,132**	**70,769**	**73,984**	**17.2**	**4.5**
Growth (% YoY)	14.8	16.8	17.2	240bps	35bps
Opex	27,689	32,455	33,759	21.9	4.0
PPOP	**35,444**	**38,315**	**40,225**	**13.5**	**5.0**
Growth (% YoY)	10.0	11.7	13.5	350bps	181bps
Provision	11,411	9,916	10,409	(8.8)	5.0
PAT	**18,052**	**21,244**	**22,302**	**23.5**	**5.0**
Growth (% YoY)	57.4	30.3	23.5	(3,389bps)	(671bps)
Advances	2,601,288	3,013,170	3,155,362	21.3	4.7
Growth (% YoY)	17.8	21.5	21.3	349bps	(22bps)
Deposits	3,155,321	3,470,470	3,628,619	15.0	4.6
Growth (% YoY)	14.6	14.6	15.0	38bps	36bps
NIM (%)	4.4	4.5	4.5	11bps	6bps
C-D Ratio (%)	82.4	86.8	87.0	452bps	13bps
C/I ratio (%)	43.9	45.9	45.6	177bps	(23bps)
Credit Cost	1.8	1.3	1.4	(45bps)	1bps
GNPA (%)	2.1	1.9	1.9	(24bps)	(7bps)
NNPA (%)	0.6	0.6	0.5	(6bps)	(3bps)
PCR (%)	71.1	70.6	71.0	(9bps)	40bps

Comment

- Expect strong loan growth of 21% YoY driven by both retail and wholesale segments
- Deposits likely to rise 15% YoY
- NIM forecast to increase 6bps sequentially due to a rise in share of high-yielding assets, specifically the vehicle and MFI portfolios
- C/I ratio projected to improve 23bps sequentially to 45.6%
- PPOP likely to rise 5% QoQ due to strong business growth
- Credit cost expected to remain elevated (management guidance of 130bps for FY24)
- PAT to grow 23.5% YoY and 5% QoQ in spite of a higher base
- Asset quality set to remain stable QoQ with PCR at 71%

Source: Company, BOBCAPS Research

Fig 8 – FB

(Rs mn)	Q2FY23	Q1FY24	Q2FY24E	YoY (%)	QoQ (%)
NII	**17,618**	**19,186**	**20,446**	**16.1**	**6.6**
Growth (% YoY)	19.1	19.6	16.1	(304bps)	(352bps)
Other Income	6,095	7,324	7,506	23.1	2.5
Net Income	**23,714**	**26,510**	**27,952**	**17.9**	**5.4**
Growth (% YoY)	23.3	28.9	17.9	(539bps)	(1,100bps)
Opex	11,591	13,487	14,161	22.2	5.0
PPOP	**12,122**	**13,024**	**13,791**	**13.8**	**5.9**
Growth (% YoY)	40.2	33.8	13.8	(2,642bps)	(2,004bps)
Provision	2,679	1,556	1,846	(31.1)	18.6
PAT	**7,037**	**8,537**	**8,935**	**27.0**	**4.7**
Growth (% YoY)	52.9	42.1	27.0	(2,593bps)	(1,517bps)
Advances	1,612,403	1,834,870	1,951,008	21.0	6.3
Growth (% YoY)	20.0	21.0	21.0	103bps	4bps
Deposits	1,891,457	2,224,960	2,225,130	17.6	0.0
Growth (% YoY)	10.0	21.3	17.6	767bps	(371bps)
NIM (%)	3.3	3.1	3.1	(15bps)	4bps
C-D Ratio (%)	85.2	82.5	87.7	243bps	521bps
C/I ratio (%)	48.9	50.9	50.7	178bps	(21bps)
Credit Cost	0.7	0.3	0.4	(29bps)	4bps
GNPA (%)	2.5	2.4	2.3	(15bps)	(7bps)
NNPA (%)	0.8	0.7	0.7	(10bps)	(1bps)
PCR (%)	68.7	71.3	71.0	7,031bps	(26bps)

Comment

- Business growth to remain strong with advances expected to rise 21% YoY and deposits 18% despite a higher base
- NIM to improve 4bps QoQ led by a better asset mix; we expect no major impact from deposit rate repricing
- Opex to remain elevated and C/I ratio forecast to be flat QoQ
- PPOP likely to grow 14% YoY and 6% QoQ
- PAT forecast to increase 27% YoY and 5% QoQ off a higher base
- Asset quality likely to remain stable sequentially with PCR at 71%

Source: Company, BOBCAPS Research

Fig 9 – SBIN

(Rs mn)	Q2FY23	Q1FY24	Q2FY24E	YoY (%)	QoQ (%)
NII	**351,834**	**389,050**	**382,281**	**8.7**	**(1.7)**
Growth (% YoY)	*12.8*	*24.7*	*8.7*	(417bps)	(1,606bps)
Other Income	88,743	120,634	107,823	21.5	(10.6)
Net Income	**440,577**	**509,683**	**490,104**	**11.2**	**(3.8)**
Growth (% YoY)	*11.8*	*52.1*	*11.2*	(60bps)	(4,087bps)
Opex	229,377	256,714	265,423	15.7	3.4
PPOP	**211,200**	**252,969**	**224,681**	**6.4**	**(11.2)**
Growth (% YoY)	*16.8*	*98.4*	*6.4*	(1,044bps)	(9,198bps)
Provision	30,387	25,013	36,989	21.7	47.9
PAT	**132,645**	**168,843**	**139,267**	**5.0**	**(17.5)**
Growth (% YoY)	*(11.8)*	*178.2*	*5.0*	1,683bps	(17,326bps)
Advances	29,512,875	32,350,227	33,408,575	13.2	3.3
Growth (% YoY)	*20.8*	*14.9*	*13.2*	(760bps)	(171bps)
Deposits	41,902,549	45,312,367	46,511,829	11.0	2.6
Growth (% YoY)	10.0	12.0	11.0	101bps	(100bps)
NIM (%)	3.0	3.1	3.0	(2bps)	(9bps)
C-D Ratio (%)	70.4	71.4	71.8	140bps	43bps
C/I ratio (%)	52.1	50.4	54.2	209bps	379bps
Credit Cost	0.4	0.3	0.5	3bps	14bps
GNPA (%)	3.5	2.8	2.9	(62bps)	14bps
NNPA (%)	0.8	0.7	0.7	(13bps)	(4bps)
PCR (%)	77.9	74.8	76.5	(143bps)	168bps

Comment

- Loan growth to moderate to 13% YoY due to seasonal impact
- Deposit mobilisation expected to remain below the industry average; SBIN likely to use excess liquidity to fund assets
- Deposit cost realignment to exert pressure on NIM (-9bps QoQ)
- Operational cost to remain elevated on higher investments towards infrastructure
- PPOP forecast to decline on sequential basis
- Expect a 14bps sequential increase in credit cost
- PAT to contract 17.5% QoQ due to a higher base and increased provisions
- GNPA ratio projected to rise QoQ on higher asset stress

Source: Company, BOBCAPS Research

Fig 10 – RBK

(Rs mn)	Q2FY23	Q1FY24	Q2FY24E	YoY (%)	QoQ (%)
NII	**10,644**	**12,462**	**12,902**	**21.2**	**3.5**
Growth (% YoY)	16.3	21.3	21.2	494bps	(4bps)
Other Income	5,833	6,854	6,949	19.1	1.4
Net Income	**16,477**	**19,316**	**19,851**	**20.5**	**2.8**
Growth (% YoY)	9.2	17.7	20.5	1,123bps	279bps
Opex	11,354	12,841	13,305	17.2	3.6
PPOP	**5,124**	**6,475**	**6,546**	**27.8**	**1.1**
Growth (% YoY)	(25.9)	22.4	27.8	5,361bps	539bps
Provision	2,415	2,662	2,802	16.0	5.3
PAT	**2,016**	**2,881**	**2,827**	**40.2**	**(1.9)**
Growth (% YoY)	554.4	43.2	40.2	(5,1413bps)	(298bps)
Advances	629,417	730,870	763,483	21.3	4.5
Growth (% YoY)	12.4	21.3	21.3	892bps	3bps
Deposits	794,045	856,360	870,273	9.6	1.6
Growth (% YoY)	5.0	8.1	9.6	455bps	150bps
NIM (%)	4.2	4.6	4.6	38bps	4bps
C-D Ratio (%)	79.3	85.3	87.7	846bps	238bps
C/I ratio (%)	68.9	66.5	67.0	(188bps)	55bps
Credit Cost	1.6	1.5	1.5	(7bps)	1bps
GNPA (%)	3.8	3.2	3.1	(66bps)	(8bps)
NNPA (%)	1.3	1.0	1.0	(28bps)	(2bps)
PCR (%)	67.8	69.6	69.5	167bps	(15bps)

Comment

- Loan book growth expected to remain strong at 21% YoY, though deposit growth could be muted
- Retail focus likely to improve NIM, albeit offset by higher deposit rates QoQ
- Opex like to remain high, leading to C/I ratio of 67%
- Expect additional stress in the unsecured portfolio to marginally push up credit cost
- PAT likely to decline sequentially by 2% on higher provisions

Source: Company, BOBCAPS Research

Fig 11 – DCBB

(Rs mn)	Q2FY23	Q1FY24	Q2FY24E	YoY (%)	QoQ (%)
NII	**4,111**	**4,707**	**4,892**	**19.0**	**3.9**
Growth (% YoY)	27.2	25.9	19.0	(815bps)	(688bps)
Other Income	992	1,069	1,180	19.0	10.4
Net Income	**5,103**	**5,777**	**6,072**	**19.0**	**5.1**
Growth (% YoY)	21.2	23.9	19.0	(221bps)	(488bps)
Opex	3,278	3,690	3,809	16.2	3.2
PPOP	**1,826**	**2,087**	**2,263**	**24.0**	**8.4**
Growth (% YoY)	4.2	25.6	24.0	1973bps	(164bps)
Provision	310	377	491	58.3	30.0
PAT	**1,124**	**1,269**	**1,319**	**17.4**	**3.9**
Growth (% YoY)	73.0	30.7	17.4	(5,563bps)	(1,328bps)
Advances	312,914	354,740	372,054	18.9	4.9
Growth (% YoY)	17.9	19.0	18.9	99bps	(8bps)
Deposits	369,601	430,090	449,065	21.5	4.4
Growth (% YoY)	16.3	22.6	21.5	516bps	(110bps)
NIM (%)	3.8	3.7	3.7	(9bps)	(3bps)
C-D Ratio (%)	84.7	82.5	82.9	(181bps)	37bps
C/I ratio (%)	64.2	63.9	62.7	(150bps)	(115bps)
Credit Cost	0.4	0.4	0.5	13bps	11bps
GNPA (%)	3.9	3.3	3.2	(67bps)	(4bps)
NNPA (%)	1.5	1.2	1.1	(39bps)	(4bps)
PCR (%)	61.3	64.1	65.0	366bps	88bps

Comment

- Strong business growth expected wherein deposit growth is forecast to outpace loan growth
- Expect a sequential rise in other income to support total income
- Focus on retail business could keep operational cost elevated, though some QoQ moderation likely in C/I ratio
- Slippages forecast to move up, leading to higher credit cost
- PAT likely to grow 4% QoQ and 17% YoY vs. 31% YoY in Q1FY24
- Asset quality projected to remain stable QoQ with PCR rising to 65%

Source: Company, BOBCAPS Research

Glossary

Glossary of Abbreviations

AUCA	Advance Under Collection Account	**MSME**	Micro, Small & Medium Enterprises
CASA	Current Account and Savings Account	**MTM**	Mark to Market
CAR	Capital Adequacy Ratio	**NII**	Net Interest Income
CET1	Common Equity Tier 1	**NIM**	Net Interest Margin
CD	Credit-Deposit Ratio	**NNPA**	Net Non-Performing Assets
C/I	Cost-Income Ratio	**PCR**	Provision Coverage Ratio
EBLR	External Benchmark-based Lending Rate	**PPOP**	Pre-Provision Operating Profit
ECL	Expected Credit Loss	**PSU**	Public Sector Unit
GNPA	Gross Non-Performing Assets	**RWA**	Risk-weighted Assets
LCR	Liquidity Coverage Ratio	**SLR**	Statutory Liquidity Ratio
MCLR	Marginal Cost of Funds-based Lending Rate	**SMA**	Special Mention Account
MFI	Micro Finance Institutions	**SME**	Small and Medium-sized Enterprises

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