

BANKING

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Home loan asset quality deteriorates marginally

9MFY21 home loan trends released by credit bureau CRIF High Mark point to mild deterioration in 90+ DPD by value. Moreover, the bureau noted a steady increase in delinquencies across borrower age groups, with default rates being the lowest in the 45+ age bracket and the highest in the under-25 group. Home loan growth was largely stable at 9.6% YoY in Q3FY21 given a rebound in disbursals. Banks continued to gain market share at the cost of HFCs and NBFCs, with PSBs gaining the most in the premium housing segment.

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Delinquencies rise across ticket sizes: In terms of value, delinquencies in the housing loan book as measured by 90+ days past due (DPD) increased 20bps YoY to 2.49% in Dec'20. Defaults have risen across ticket sizes with the <Rs 1mn loan segment the hardest hit at 4.4% (90+ DPD). Lender-wise, HFCs and NBFCs have the highest delinquency level at 2.8% due to stress in the <Rs 1.5mn ticket book, while public sector banks (PSB) have the lowest default rate at 1.9%. The deterioration is across borrower age groups but especially visible in the under-25 bracket at 4.2% (vs. 3.9% in Dec'19).

Housing loan growth largely stable: Despite pandemic headwinds, growth in home loans was stable at 9.6% YoY in Q3FY21 given a sharp 28% QoQ jump in disbursements. Affordable housing (ticket size <Rs 3.5mn) constitutes 60% of the home loan market by value and nearly 90% by volume as of Dec'20. A large part of the growth in affordable housing has come from tier-2, 3 & beyond geographies where demand traction has outpaced metro markets.

HFCs and NBFCs continue to lose ground: PSBs remain the largest players in home loans with a dominant market share of 44-46% in the mid-to-affordable segments. Moreover, their market share in the premium space (loans >Rs 7.5mn) has increased by ~7ppt to 27.4% over the last three years. Nevertheless, private banks continue to lead the premium segment with 34.5% market share. HFCs and NBFCs are large players as well with 33-38% share across ticket sizes but continue to lose ground due to their cautious lending approach.

Maintain preference for larger banks: ICICI Bank (BUY, TP Rs 675), State Bank of India (BUY, TP Rs 515) and HDFC Bank (BUY, TP Rs 1,800) remain our top picks in the sector given their well-managed asset quality coupled with strong liability franchise and high capitalisation which gives them the leeway to exploit growth opportunities and improve return ratios.

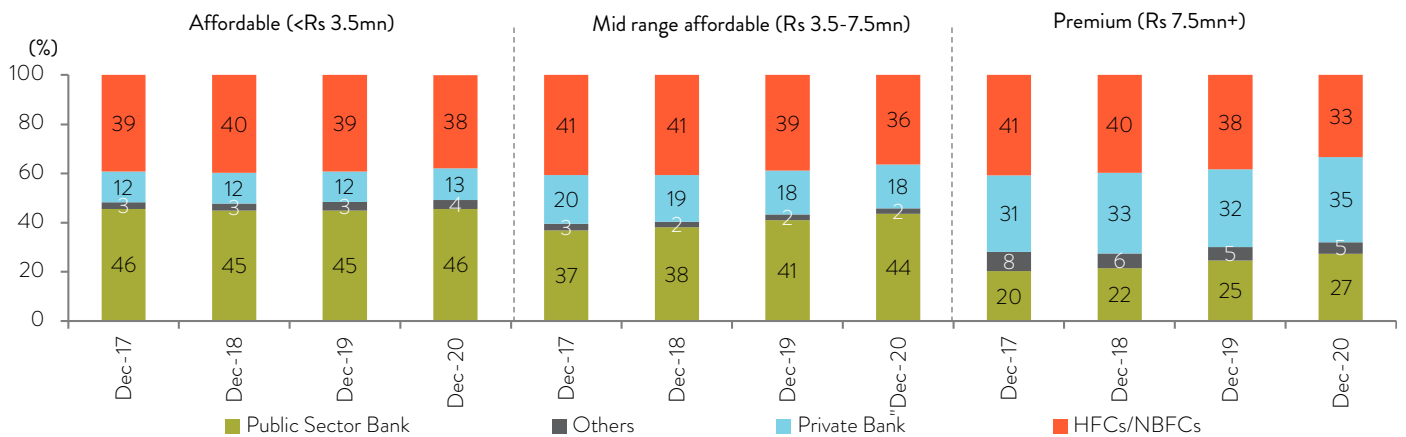


FIG 1 – HOUSING LOAN GROWTH STABLE AT ~10% IN Q3FY21

Particulars	Dec'18	Dec'19	Mar'20	Jun'20	Sep'20	Dec'20
Portfolio Outstanding (Rs bn)	18,400	20,313	20,711	20,783	21,298	22,260
YoY Growth (%)	18.1	10.4	NA	NA	NA	9.6
QoQ Growth (%)	NA	NA	2.0	0.3	2.5	4.5
Active Loans (# in mn)	14.9	15.8	16.1	16.2	16.5	16.9
YoY Growth (%)	-	6.0	NA	NA	NA	7.0
QoQ Growth (%)	NA	NA	1.9	0.6	1.9	2.4
Loan Delinquency 30+ DPD (%)	8.9	8.5	8.4	7.8	6.3	7.6
Amount Delinquency 30+ DPD (%)	5.3	5.4	5.2	5.6	4.1	5.3
Loan Delinquency 90+ DPD (%)	4.2	4.3	4.5	4.9	4.7	4.2
Amount Delinquency 90+ DPD (%)	1.9	2.3	2.5	2.8	2.6	2.5

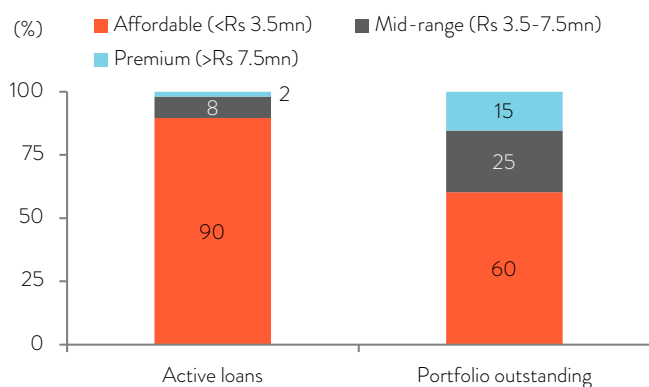
Source: CRIF HIGH MARK, BOBCAPS Research

FIG 2 – LENDER TYPE MARKET SHARE BY VALUE IN THE HOUSING SEGMENT



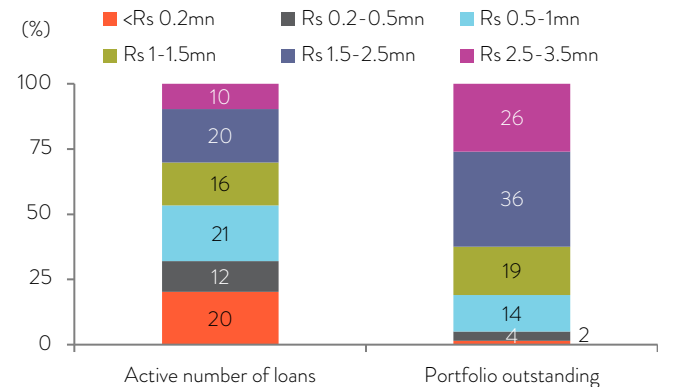
Source: CRIF HIGH MARK, BOBCAPS Research

FIG 3 – HOME LOAN INDUSTRY BY VOLUME AND VALUE



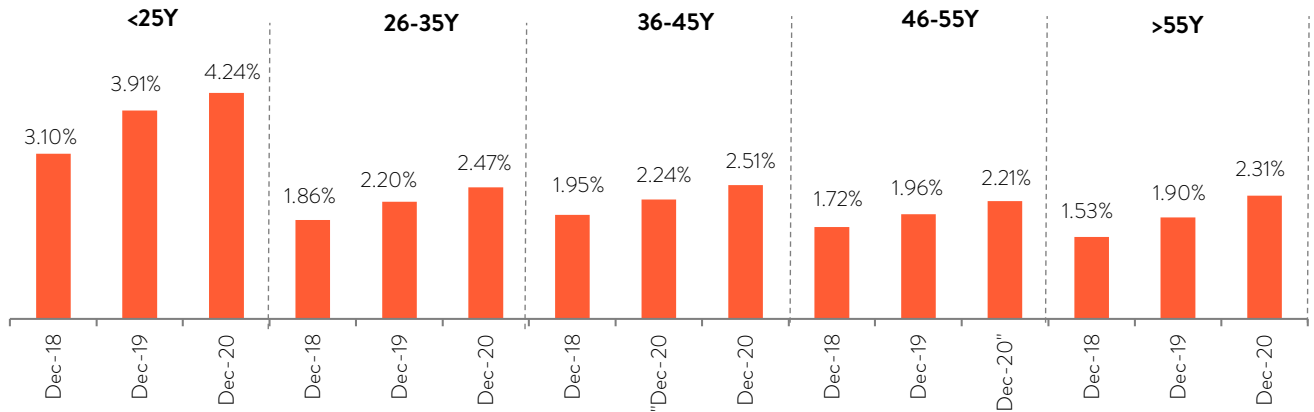
Source: CRIF HIGH MARK, BOBCAPS Research

FIG 4 – AFFORDABLE HOUSING INDUSTRY BY VOLUME AND VALUE



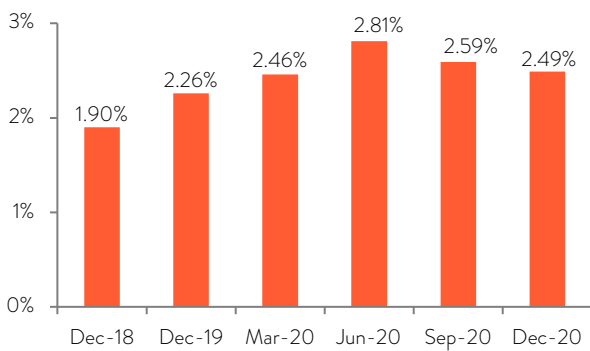
Source: CRIF HIGH MARK, BOBCAPS Research

FIG 5 – AMOUNT DELINQUENCY (90+ DPD) BY AGE



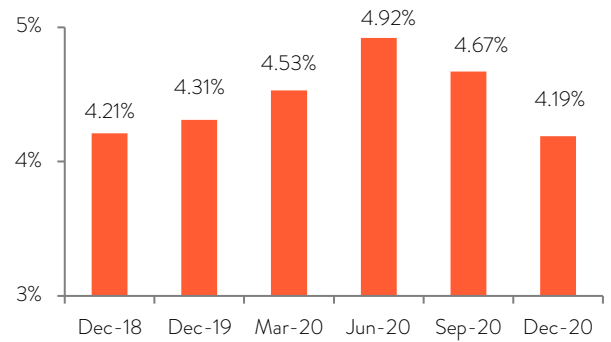
Source: CRIF HIGH MARK, BOBCAPS Research

FIG 6 – HOME LOAN DELINQUENCIES BY VALUE (90+ DPD)



Source: CRIF HIGH MARK, BOBCAPS Research

FIG 7 – HOME LOAN DELINQUENCIES BY VOLUME (90+ DPD)



Source: CRIF HIGH MARK, BOBCAPS Research

FIG 8 – AFFORDABLE HOUSING SEGMENT (<RS 0.5MN) HAS HIGHEST 90+ DPD BY VALUE

(%)	Affordable (<Rs 0.5mn)	Affordable (Rs 0.5-1mn)	Affordable (Rs 1-1.5mn)	Affordable (Rs 1.5-3.5mn)	Mid-range (Rs 3.5-7.5mn)	Premium (>Rs 7.5mn)	Total
PSBs	6.3	2.4	1.7	1.5	1.5	2.3	1.9
HFCs/NBFCs	7.8	2.6	2.5	2.3	2.3	4.4	2.8
Private Banks	5.3	3.4	2.4	2.0	2.1	2.0	2.2
Total	8.3	3.1	2.4	2.0	2.0	3.0	2.5

Source: CRIF HIGH MARK, BOBCAPS Research

FIG 9 – AFFORDABLE HOUSING SEGMENT (<RS 0.5MN) HAS HIGH 90+ DPD BY VOLUME AS WELL

(%)	Affordable (<Rs 0.5mn)	Affordable (Rs 0.5-1mn)	Affordable (Rs 1-1.5mn)	Affordable (Rs 1.5-3.5mn)	Mid-range (Rs 3.5-7.5mn)	Premium (>Rs 7.5mn)	Total
PSBs	7.6	2.1	1.5	1.3	1.3	1.9	3.5
HFCs/NBFCs	7.7	2.1	2.0	1.9	1.8	2.9	3.2
Private Banks	4.3	2.9	2.1	1.7	1.8	1.8	2.3
Total	9.8	2.6	2.0	1.7	1.6	2.2	4.2

Source: CRIF HIGH MARK, BOBCAPS Research

FIG 10 – PEER COMPARISON

Bank	MCap (Rs bn)	Target (Rs)	Rating	ROA (%)			ROE (%)			P/BV (x)			P/E (x)		
				FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E
AUBANK	307	1,300	BUY	2.5	1.7	2.0	22.4	15.1	18.4	5.1	4.4	3.7	26.4	31.6	22.1
AXSB#	2,296	815	BUY	0.7	1.5	1.7	7.1	14.9	16.8	2.3	2.0	1.7	33.5	14.1	10.9
ICICIBC#	4,526	675	BUY	1.4	1.6	1.8	12.3	13.5	16.0	2.8	2.6	2.3	27.0	21.7	16.3
HDFCB#	8,194	1,800	BUY	1.9	2.0	2.0	16.6	17.2	18.2	3.9	3.4	3.0	26.2	21.9	18.2
KMB#	3,521	2,100	BUY	1.9	2.1	2.2	12.5	12.8	13.5	3.7	3.3	2.9	49.7	41.0	34.5
IIB	781	1,100	BUY	0.9	1.6	1.7	7.7	13.5	15.3	1.9	1.7	1.5	25.3	13.0	10.3
RBK	126	200	ADD	0.5	1.0	1.2	4.4	8.3	10.6	1.0	0.9	0.9	23.0	11.6	8.4
BANDHAN	479	335	ADD	2.1	2.6	2.9	13.5	17.4	21.0	2.7	2.4	2.0	21.7	14.6	10.3
FB	176	95	BUY	0.8	0.9	0.9	10.4	10.8	12.1	1.1	1.0	0.9	11.0	9.6	7.8
DCBB	326	100	ADD	0.9	0.8	0.9	9.6	8.0	9.3	0.9	0.9	0.8	9.5	10.5	8.4
SBIN#	3,820	515	BUY	0.5	0.6	0.7	8.4	11.3	13.7	0.9	0.8	0.8	18.7	12.6	9.3
CBK	253	165	ADD	0.3	0.2	0.2	5.2	4.1	4.7	0.5	0.5	0.5	8.1	10.8	9.6

Source: Bloomberg, BOBCAPS Research | #Core P/BV

Disclaimer

Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

ADD – Expected return from >+5% to +15%

REDUCE – Expected return from -5% to +5%

SELL – Expected return <-5%

Note: Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

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