



# BANKING SECTOR REPORT

**Q4FY23 RESULTS REVIEW**

INSTITUTIONAL RESEARCH

## Banks: The Sunshine Era Continues.....

FY23 was a remarkable year for most of the banks in a decade, where they played on the front foot, especially after the COVID-related stress it had been into. It performed remarkably well across all the key parameters while abiding by the stringent RBI rules and regulations. For the first time in the past few years, we could see that the talk was not about concerns over the asset quality, especially of the public sector banks which were always in a stress zone over their loan book exposure. Instead, more focus by banks was on how to encash the cyclical upmove due to interest rate hikes. Post-COVID, the preferences with regard to credit access changed in the economy. The consumer mindset changed significantly while the MSME and start-up companies were keen on going to banks to access credit to expand their businesses. The corporates were also keen on tapping the opportunity emanating from the China+1 landscape and had been aggressive on the CAPEX plans.

In the last fiscal year, most of the banks were able to generate profits higher than their past performance mainly due to high credit offtake by borrowers, especially retail and MSME segments. The profitability was supported by the interest rate hikes since May 2022 - a measure taken by the RBI to control rising inflation and bring it below 4%. While inflation worries were throughout the globe, especially in developed economies, India was no exception. The inflation was uncontrollable on account of various macro factors which were observed post-COVID including the Russia-Ukraine war which disrupted the commodities market and supply chain ecosystem around the globe. The shocker to the global banking system came towards the end of FY23 in the form of US's Silicon Valley Bank crisis and turmoil in a few known European Banks which had a ripple effect on the Indian Banks as well. However, the prudent and stringent RBI regulations for the Indian banking system enabled it to absorb shocks emanating from the global banking crisis, with minimal concerns over the liquidity crisis. Thereafter, Hindenburg's report on the Adani Group created panic in the Indian banking sector, especially public sector banks. However, prompt actions by the bank's management in announcing that their exposure to the group was secured and appropriate provisions were passed in the books provided a sigh of relief to investors. This could be seen in Q4FY23 results where provisions in books were on a declining trend on a QoQ and YoY basis.

*"In the last fiscal year, most of the banks were able to generate profits higher than their past performance mainly due to high credit offtake by borrowers, especially retail and MSME segments."*

*"The inflation was uncontrollable on account of various macro factors which were observed post-COVID including the Russia-Ukraine war which disrupted the commodities market and supply chain ecosystem around the globe."*

**Research Analyst**  
**Shreyansh V. Shah**  
[shreyansh@bpwealth.com](mailto:shreyansh@bpwealth.com)  
 +022-61596138

Public Sector Banks	NIM (%)			GNPA	YoY	Q4FY23	RoA (%)			CASA (%)	YoY	Q4FY23	YoY
	Q4FY23	QoQ	YoY				Q4FY23	QoQ	YoY				
State Bank of India	3.37	8bps	22bps	2.78	(36bps)	(119bps)	1.23	18bps	56bps	43.8	(68bps)	(148bps)	
Bank of Baroda	3.53	16bps	45bps	3.79	(74bps)	(282bps)	1.34	21bps	74bps	42.25	(199bps)	79bps	
Punjab National Bank	3.24	8bps	48bps	8.74	(102bps)	(304bps)	0.32	15bps	26bps	43.00	(72bps)	(443bps)	
Canara Bank	2.95	2bps	2bps	5.35	(54bps)	(216bps)	0.95	7bps	38bps	33.48	(82bps)	(24bps)	
Indian Bank	3.59	(15bps)	72bps	5.95	(58bps)	(252bps)	0.82	2bps	20bps	41.99	159bps	22bps	
<b>Average/Mean</b>	<b>3.34</b>			<b>5.32</b>			<b>0.93</b>			<b>40.90</b>			
<b>Median</b>	<b>3.37</b>			<b>5.35</b>			<b>0.95</b>			<b>42.25</b>			
<b>Private Sector Banks</b>													
HDFC Bank	4.30	NM	10bps	1.10	(13bps)	(10bps)	2.20	NM	10bps	44.00	NM	(400bps)	
ICICI Bank	4.90	25bps	90bps	2.81	(26bps)	(79bps)	2.34	5bps	23bps	43.60	(100bps)	(160bps)	
Axis Bank	4.22	(4bps)	75bps	2.02	(36bps)	(80bps)	0.53	5bps	16bps	47.00	300bps	400bps	
Kotak Mahindra Bank	5.75	25bps	97bps	1.78	(12bps)	(56bps)	3.06	6bps	12bps	52.80	(50bps)	(790bps)	
IndusInd Bank	4.28	1bps	8bps	1.98	(8bps)	(29bps)	1.90	3bps	39bps	40.00	(200bps)	(300bps)	
IDFC First Bank	6.41	28bps	45bps	1.65	(131bps)	(98bps)	1.13	NM	37bps	49.80	(20bps)	140bps	
Bandhan Bank	1.83	20bps	(37bps)	4.90	(230bps)	(160bps)	0.55	(25bps)	(95bps)	39.30	290bps	(230bps)	
Federal Bank	3.31	(18bps)	15bps	2.36	(7bps)	(44bps)	2.36	12bps	42bps	32.68	(156bps)	(426bps)	
Karur Vysya Bank	4.37	5bps	55bps	2.27	(39bps)	336bps	1.50	18bps	44bps	33.00	(100bps)	(200bps)	
<b>Average/Mean</b>	<b>4.37</b>			<b>2.32</b>			<b>1.73</b>			<b>42.46</b>			
<b>Median</b>	<b>4.30</b>			<b>2.02</b>			<b>1.90</b>			<b>43.60</b>			
<b>Total</b>													
<b>Average/Mean</b>	<b>4.00</b>			<b>3.39</b>			<b>1.45</b>			<b>41.91</b>			
<b>Median</b>	<b>3.91</b>			<b>2.57</b>			<b>1.29</b>			<b>42.63</b>			

Source: Company, BP Equities Research

PSBs like SBI and Bank of Baroda were able to break their records in profits through dynamism in their strategies for business growth over peers - the large private banks like ICICI Bank, Axis Bank, HDFC Bank, etc. It is commendable to say that breaking the previous notions the PSBs growth was largely through new unconventional approaches such as an increase in the share of retail segment disbursement, cross-selling of products, digital banking, etc.

In FY23, most Tier 1 and Tier 2 banks were able to improve their NIMs and some banks got distinguished from others through add on of generating higher levels of NII which increased their net profit to all-time highs (eg. - SBI). Although the bank's operating expenses were high on account of the provision for revision of the wage rate from November 2022 onwards, it could not affect the profitability of the bank. The Cost-to-Income ratio for most of the banks was higher than previous years due to aggression displayed in business growth, opening of new branches, etc. The past five years' data shows that banks have been growing their profits handsomely through strategic focus on digital banking, higher disbursements to various segments, foraying into newer geographies and opting for new approaches to increase their profitability.

All the banks had a healthy share of credit growth in the last five years mainly on account of the development seen in the Indian economy. This healthy credit growth was significantly seen in the retail segment, especially in sub-segments like housing and gold loans. There has been visible growth in the housing demand over the past few years, especially post-COVID and traction in the nuclear family concept.

The deposit growth was subdued in comparison to credit growth as young population are having higher inclination towards other source of investment opportunities in the market. However, the gap between deposits and advances was lagging in H1FY23 which narrowed in the latter half on account of passing of interest rates to deposit holders.

It has been a new era for banks today, where there has been no more discussion about the stress on asset quality of the banks. The journey has been transformational for most of the Indian banks both public and private, barring a few known names where GNPA's and NNPA's have come down from the mid-teen digits to low single digits currently. The credit cost has significantly come down and PCR has improved, signifying that banks are prudent in their lending.

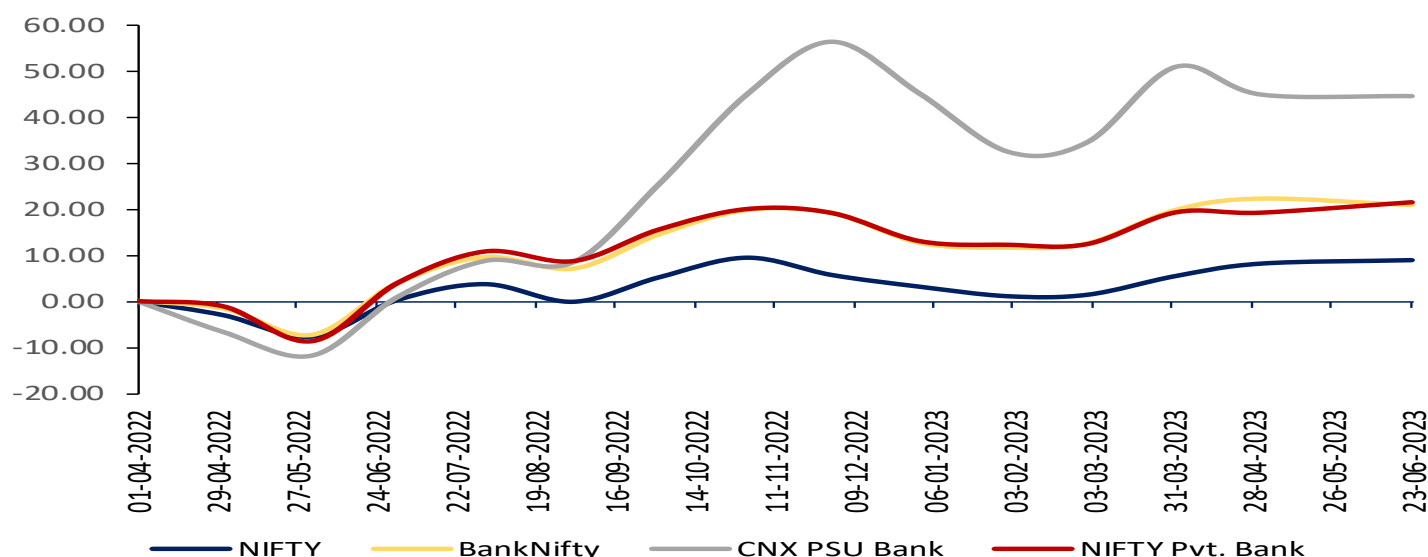
Credit costs improved for most banks across the public and private sectors as there has been significant improvements in the asset quality and thorough control of the slippages.

The liquidity ratio of most banks is well positioned, especially public sector banks where there is no requirement whereas most private sector banks have increased their deposit rates which has led to growth in their disbursements.

*"The deposit growth was subdued in comparison to credit growth as young population are having higher inclination towards other source of investment opportunities in the market."*

*"The liquidity ratio of most banks is well positioned, especially public sector banks where there is no requirement whereas most private sector banks have increased their deposit rates which has led to growth in their disbursements."*

## Index Comparison



Source: Company, BP Equities Research

## Outlook

It is worth mentioning that Indian banks were able to navigate turbulence emanating from multiple factors such as concerns over their exposure to the Adani group, US regional bank turmoil and ECL regulation which might be implemented in FY24. Though the growth in credit started from Q2FY23 levels, the deceleration is not showing strong trends in the recent quarters. The credit growth slowdown is a lot more visible in metro and urban areas whereas rural and semi-urban cities are still holding up. We expect a visible slowdown in loan growth only in the second half of FY24. It is interesting to note that demand for working capital linked products is still faring well while a slowdown is visible in long-term loans.

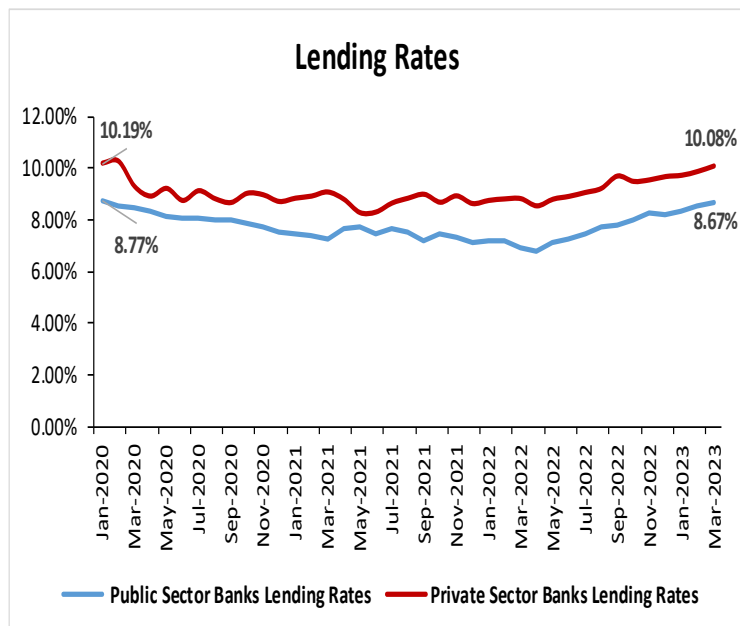
The major banks, both public as well as private, are providing guidance in the range of 12-15% for FY24. While private sector banks are focusing on MSME and retail loan portfolios, the PSBs are focusing on MSME loan portfolios barring a few banks like BoB which is having the strategy of focusing on the unsecured retail portion. The credit bureau's report shows that disbursements in the housing segment has been slowing and the corporate loan book is also facing some headwinds barring the working capital loans which are also on the verge of a slowdown as corporate houses are preferring to raise capital from debt markets. Thus, the profitability of the banks may be affected due to the high base in FY24. The deposits growth may exceed the loan growth, majorly on account of the withdrawal of Rs. 2,000 denomination notes which will show improvement in the CASA of banks.

We believe that NIMs will show a compression of 10-20bps in FY24 across the banking sector, as the deposit rate hikes will play out going forward. The NIMs of banks have peaked and it has been seen that the competition for deposits has driven banks to hike rates since October 2022 which is expected to continue in FY24. In FY23, banks across all the verticals gained traction in terms of profitability, mainly on account of faster asset repricing, lower provisioning and strong loan growth. Additionally, yields improved due to strong growth in the retail and MSME segments which generated higher spreads for banks which is unlikely in FY24. The Cost-to-Income ratio may remain at elevated levels on account of an increase in the cost of funds, branch expansion, and increased spending on technology and systems along with the related provisions in FY24. Thus, we believe that there will be pressure on sustaining profitability in FY24. We expect banks to have lower credit costs on account of the stable macro-environment, lower incremental slippages and improvement in recoveries.

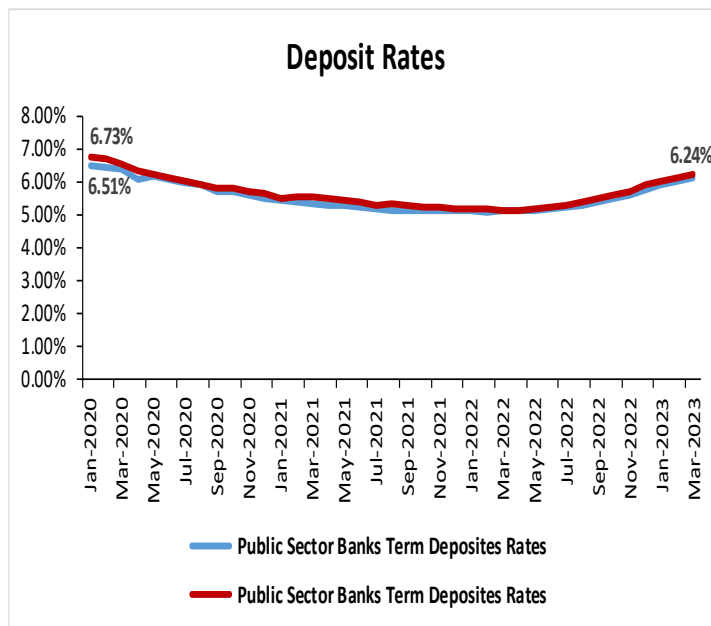
***"The credit growth slowdown is a lot more visible in metro and urban areas whereas rural and semi-urban cities are still holding up."***

***"The deposits growth may exceed the loan growth, majorly on account of the withdrawal of Rs. 2,000 denomination notes which will show improvement in the CASA of banks."***

***"The Cost-to-Income ratio may remain at elevated levels on account of an increase in the cost of funds, branch expansion, and increased spending on technology and systems along with the related provisions in FY24."***



Note: The Lending Rates are Weighted Average Lending Rates



# Public Sector Bank Performance Review - Q4FY23



## State Bank of India

After a stellar performance in FY23 by breaking the record of being the first Indian bank to cross Rs. 50,000 crores in profitability, SBI is expected to continue its momentum in FY24 as well. However, the management of the bank sees there will be some momentum in terms of credit growth in FY24 as there may be some cyclical downturn due to the Interest rate peaking its level. The bank's strategy of ploughing back profits generated from operations has created significant value for its existing shareholders without the dilution of RoE. Though the deposit growth is not linear in comparison to the credit growth, the bank has excess liquidity to sustain the credit growth momentum. Since there will be some compression in NIMs going forward, the bank will be focusing more on its non-interest income such as forex gains and cross-selling of products. The management of the bank has guided that the journey towards the guidance of 1%+ ROA is on track. Further, it has indicated that the bank has room for re-pricing of MCLR-linked products to improve the NII. The bank is comfortable with a leverage of ~18x and also has an excess SLR of Rs. 4 trillion which could be reduced, if required, for growth purposes. In regards to the ECL provisioning requirements, the bank holds Rs. 35,000 crores of non-NPA provisions and as per the internal workings, the ECL provisioning requirement could be around Rs. 20,000 crores. Thus, the bank does not see any meaningful increase in credit cost due to ECL norms. Thus, we believe that although there will be NIM compression, especially in the latter half of FY24, the absolute profit of the bank will be on the growth trajectory.

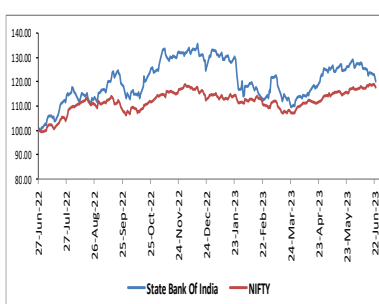
## Key Highlights

Particulars (Rs. crores)	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Net Interest Income	31,196	35,183	38,069	40,393
PPOP	12,753	21,120	25,219	24,621
Net Profit	6,068	13,265	14,205	16,695
NIM (%)	3.02	3.17	3.29	3.37
RoA (%)	0.48	0.76	1.08	1.23
GNPA (%)	3.91	3.52	3.14	2.78
NNPA (%)	1.00	0.80	0.77	0.67
CASA (%)	45.33	44.63	44.48	43.80
Total Advances	29,00,636	30,35,071	31,33,565	32,69,242
Total Deposits	40,45,696	41,90,255	42,13,557	44,23,778
Credit Cost	0.61	0.28	0.21	0.16

## Stock Parameters

Nifty	18,666
CMP (INR)	555
52WeekH/L(INR)	630/445
Market Cap (INR bn)	2128
Face Value (INR)	1
NSE Symbol	SBIN
BSE Code	500112
Bloomberg	SBIN IN
Reuters	SBI.BO

## Relative Price Chart



## Bank of Baroda

Bank of Baroda (BoB) reported a healthy profit in FY23, expanded its NIMs and improved its asset quality by bringing down NPAs significantly and taking the path of SBI to become an efficient public sector bank with commendable absorption of Allahabad Bank and Vijaya Bank. However, the bank has an exposure of around Rs. 1,300 crores in regard to the stressed airline account which may be reflected in the books. However, the management of the bank expects some slowdown in momentum in terms of credit growth in FY24 as there may be some cyclical downturn due to the interest rate peaking. The change in the strategic focus of the bank from a corporate loan book to a retail loan book with further focus on the unsecured portion will help the bank in reducing the stress over the NIM compression. The bank has indicated that they will be focusing on the unsecured retail loan book as they also yield higher returns. This majorly comprises the personal loans which the bank is giving to existing depositors who have a long track record with the bank. The bank has the strategy to focus on tapping new account holders in this segment which has a huge market. Around 50% of its loan book is MCLR based followed by around 25% linked to the repo rate. Thus, the bank will be able to maintain the NIMs of around 3.3% in FY24 as per the guidance given by the management. The management of the bank has strategically stated that the bank's priority will be asset quality followed by NIMs stability and last for growth. The ECL provision would not affect the bank's credit cost to surpass 1% which it has targeted. Thus, we believe that there will be a positive outlook for the bank going forward.

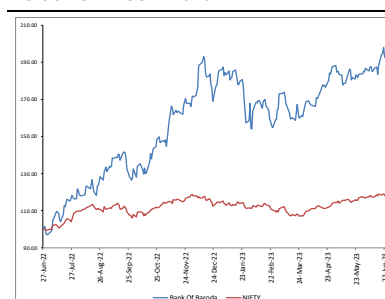
## Key Highlights

Particulars (Rs. crores)	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Net Interest Income	8,838	10,174	10,818	11,525
PPOP	4,528	6,031	8,232	8,073
Net Profit	2,168	3,313	3,853	4,775
NIM (%)	3.02	3.33	3.37	3.53
RoA (%)	0.68	1.01	1.13	1.34
RoE (%)	13.63	19.56	21.08	24.82
GNPA (%)	6.26	5.31	4.53	3.79
NNPA (%)	1.58	1.16	0.99	0.89
CASA (%)	41.14	39.83	44.24	42.25
Total Advances	8,39,785	8,73,496	9,23,878	9,69,548
Total Deposits	10,32,714	10,90,172	11,49,507	12,03,688
Credit Cost	0.75	0.79	0.37	0.14

## Stock Parameters

Nifty	18,666
CMP (INR)	192
52WeekH/L(INR)	199/94
Market Cap (INR bn)	358
Face Value (INR)	2
NSE Symbol	BANKBARODA
BSE Code	532134
Bloomberg	BOB IN
Reuters	BOB.BO

## Relative Price Chart





## Punjab National Bank

PNB has taken significant steps over the past few years in improving its asset quality. It can be seen in FY23 where the recoveries were more than the additions. The bank is now focusing on underwriting which helped it to improve its collection efficiency. However, looking forward, there will be pressure on the bank's NIMs and the management has given guidance in the range of 2.9% to 3.0% for FY24. This is mainly due to no repricing of the deposit in the last year. Also, the bank's management has given a moderate credit growth guidance in the range of 12-13% and deposit growth in the range of 10-11%. The bank is in a comfortable position when it comes to business growth as it has excess SLRs to accommodate business growth and does not require to raise additional deposits which is similar for most PSBs. In the management commentary, the trend in the improvement of asset quality is quite encouraging and it may be reflected in credit cost. The bank's higher cost-to-income ratio was on account of the wage revision provisions and PLI scheme for the performance of the employees. Lower slippages and improvement in recoveries will help the bank to improve its overall health. However, the bank has still a long way to go to overcome its past issues and we remain cautious on PNB.

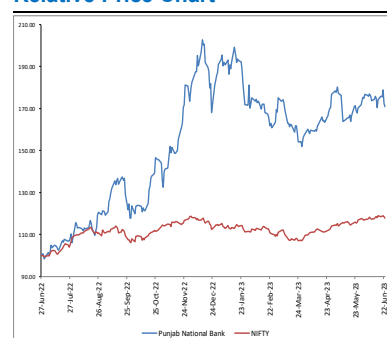
## Key Highlights

Particulars (Rs. crores)	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Net Interest Income	7,543	8,271	9,179	9,499
PPOP	5,379	5,567	5,716	5,866
Net Profit	308	411	629	1,159
NIM (%)	2.79%	3.00%	3.16%	3.24%
RoA (%)	0.09%	0.12%	0.17%	0.32%
GNPA (%)	11.27%	10.48%	9.76%	8.74%
NNPA (%)	4.28%	3.80%	3.30%	2.72%
CASA (%)	46.34%	44.91%	43.72%	43.00%
Total Advances	8,00,177	8,30,212	8,56,757	8,84,681
Total Deposits	11,36,747	11,93,501	12,10,359	12,81,163
Credit Cost	2.46%	1.76%	1.87%	1.72%
Cost to Income Ratio	46.63%	49.93%	54.34%	54.59%

## Stock Parameters

Nifty	18,666
CMP (INR)	51
52WeekH/L(INR)	62/29
Market Cap (INR bn)	150
Face Value (INR)	2
NSE Symbol	PNB
BSE Code	532461
Bloomberg	PNB IN
Reuters	PNBK.BO

## Relative Price Chart



# Public Sector Bank Performance Review - Q4FY23



## Canara Bank

The bank for the first time in its history has made a record-breaking profit of above Rs. 10,000 crores in FY23. Canara Bank is expecting an improvement in its NIMs in FY24 as 49% of the total asset book is under MCLR. 40-45% of the portfolio is still yet to be repriced as most of these MCLR-linked accounts will be reset on an annual basis. As a result, the bank is providing a NIM guidance of 3.05% in FY24 as against 2.95% posted in FY23. The bank has already received around Rs. 600 crores on account of ILFS resolution in NCLT, and it is optimistic that the additional amount will be recovered in FY24 which will improve its profitability and credit costs. The bank is focusing on home loans and gold loans where it is sustaining its profitability. Moreover, it is agile to disburse some huge ticket corporate loans if it can encash high-interest rates. The bank is also focusing on tech spending to modernize its digital banking system.

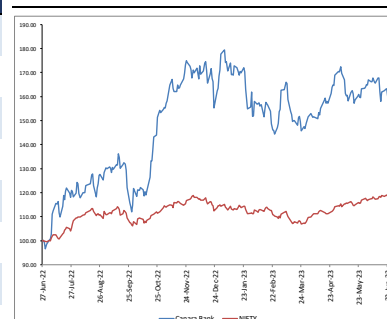
## Key Highlights

Particulars (Rs. crores)	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Net Interest Income	6,785	7,434	8,600	8,617
PPOP	6,606	6,905	6,952	7,252
Net Profit	2,022	2,525	2,882	3,175
NIM (%)	2.78%	2.83%	2.93%	2.95%
RoA (%)	0.65%	0.79%	0.88%	0.95%
GNPA (%)	6.98%	6.37%	5.89%	5.35%
NNPA (%)	2.48%	2.19%	1.96%	1.73%
CASA (%)	34.30%	34.02%	34.30%	33.48%
Total Advances	7,83,654	8,24,147	8,50,973	8,62,782
Total Deposits	11,18,122	11,33,964	11,63,470	11,79,219
Credit Cost	0.35%	0.33%	0.30%	0.29%
Cost to Income Ratio	44.76%	43.68%	44.77%	45.85%

## Stock Parameters

Nifty	18,666
CMP (INR)	296
52WeekH/L(INR)	342/178
Market Cap (INR bn)	199
Face Value (INR)	10
NSE Symbol	CANBK
BSE Code	532483
Bloomberg	CBK IN
Reuters	CNBK.BO

## Relative Price Chart





# Public Sector Bank Performance Review - Q4FY23



## Indian Bank

Indian Bank had a decent performance across key parameters in FY23. It is worthwhile to note that in Q4FY23 where most of the banks have shown muted credit growth, the bank was able to sanction Rs. 10,000 crores of corporate loans. As the bank follows a conservative approach in terms of guidance, it has given credit growth guidance of 10-12% and deposit growth guidance of 8-10% in FY24 which is low as per the industry standards. Unlike its peers, the bank is focusing on growing its corporate loan book evidenced from the opening of around 25 branches for mid-corporate. Of the 250 bps increase in the repo rate, the bank was not able to pass the entire hike due to competition in the marketplace. In housing loans, they were able to pass 170 bps, in auto loan 180 bps and about 190 bps in jewel loan. The COVID-related book of the bank stands at Rs. 11,000 crores where GNPA will be in the range of 7-8% which may put variance on the management's guidance of achieving GNPA below 5%. Thus, we feel the outlook for the bank remains neutral.

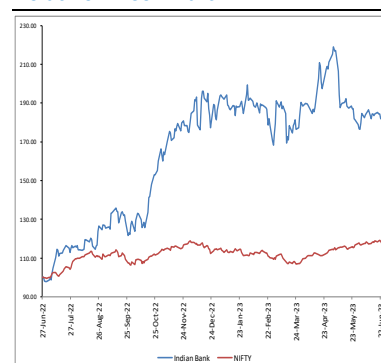
## Key Highlights

Particulars (Rs. crores)	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Net Interest Income	4,534	4,684	5,499	5,508
PPOP	3,564	3,629	4,061	4,016
Net Profit	1,213	1,225	1,396	1,447
NIM (%)	3.10%	3.20%	3.74%	3.59%
RoA (%)	0.73%	0.71%	0.80%	0.82%
GNPA (%)	8.13%	7.30%	6.53%	5.95%
NNPA (%)	2.12%	1.50%	1.00%	0.90%
CASA (%)	40.73%	40.94%	40.40%	41.99%
Total Advances	4,25,203	4,37,941	4,51,658	4,73,586
Total Deposits	5,84,251	5,88,860	5,97,114	6,21,166
Credit Cost	2.02%	2.01%	1.41%	0.96%
Cost to Income Ratio	41.94%	44.27%	43.71%	46.47%

## Stock Parameters

Nifty	18,666
CMP (INR)	278
52WeekH/L(INR)	335/143
Market Cap (INR bn)	69
Face Value (INR)	10
NSE Symbol	INDIANB
BSE Code	532814
Bloomberg	INBK IN
Reuters	INBA.BO

## Relative Price Chart



# Private Sector Bank Performance Review - Q4FY23



## HDFC Bank

The country's largest private sector bank, HDFC Bank, reported a muted performance in the fourth quarter, with both NII and net profit below market expectations. However, the bank's asset quality showed stability, indicating the strength of the bank which does prudent credit profiling. We believe that the bank is beginning to be aggressive on the retail loan engine to encash the opportunity for margin improvement. Going forward, we expect an increase in the bank's cost-to-income ratio as it envisions to be in 1-2 km of clients rather than the current 5-6 km. The bank's merger with HDFC Ltd. is likely to take place in the next 1-2 months. The management has clearly indicated that the NIMs will remain more or less the same as they were before the merger. HDFC Bank would keep adding around 1,500 branches every year for the next 3-5 years to secure a strong growth runway. Currently, the catchment area of a typical branch is around 7-8 km, but with strong expansion, the same would come down to 4-5 km in the next 4-5 years. The cost intensity of newer branches is going to be less, while activity levels are buzzing. Thus, the bank is looking at a quicker break-even for Tier 3-5 branches. It would also continue to invest heavily in technology and digital capabilities. Due to such investment, there could be some volatility in its cost-to-income ratio, but over the next 8-10 years, the bank sees cost-to-income falling below 30%. We are positive on HDFC Bank, but at the current juncture, we'll take a close look at a few quarters to analyse the benefits of the merger.

## Key Highlights

Particulars (Rs. crores)	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Net Interest Income	19,481	21,021	22,988	23,350
PPOP	15,368	17,392	19,025	18,620
Net Profit	9,196	8,834	12,260	12,050
NIM (%)	4.20%	4.30%	4.30%	4.30%
RoA (%)	1.80%	2.00%	2.20%	2.20%
GNPA (%)	1.28%	1.23%	1.23%	1.10%
NNPA (%)	0.35%	0.33%	0.30%	0.30%
CASA (%)	46.00%	45.00%	44.00%	44.00%
Total Advances	13,95,068	14,79,873	15,06,809	16,14,200
Total Deposits	16,04,760	16,73,408	17,33,204	18,83,400
Credit Cost	0.90%	0.87%	0.74%	0.96%
Cost to Income Ratio	40.60%	39.20%	39.60%	42.00%

## Stock Parameters

Nifty	18,666
CMP (INR)	1650
52WeekH/L(INR)	1734/1319
Market Cap (INR bn)	7244
Face Value (INR)	1
NSE Symbol	HDFCBANK
BSE Code	500180
Bloomberg	HDFCB IN
Reuters	HDBK.BO

## Relative Price Chart



# Private Sector Bank Performance Review - Q4FY23



## ICICI Bank

India's second-largest private sector bank justified its position after delivering outstanding results in Q4FY23 which were beyond street expectations. ICICI Bank delivered strong numbers in terms of profitability, with strength in asset quality showcasing that the bank is a good finisher. Although there were headwinds for the bank during the past few quarters due to consistent interest rate hikes by the RBI, ICICI Bank managed to sail through it which has been reflected in the bank's NIM which showed an upward trend in FY23. It is quite notable that the bank was able to have an improved NIM, mainly due to growth in the retail loan portfolio (54.7% of the total loan book) which grew by 22.7% year-on-year and 5.4% sequentially. The management is confident that ICICI Bank's strategic focus on adopting digitization in the system will help it to grow the business and provide end-to-end solutions to its customers. We feel that the company is in a sweet spot vis-a-vis peers in the banking industry and has the potential to outperform going ahead. The bank has built a contingent buffer as well as higher provisions in other loan portfolios, which implies that the risk to earnings would be low. The management was positive about credit growth, which is why the bank continues to expand its franchise through the addition of both branches and employees. They continue to see strong momentum in retail products. The bank's market share in SME and business banking segments is lower than its overall credit market share, indicating an opportunity to grow by gaining market share.

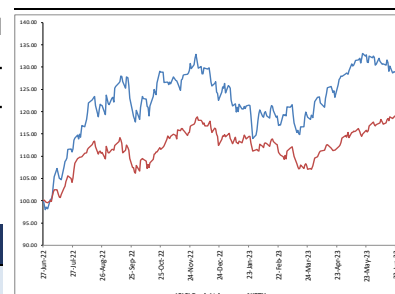
## Key Highlights

Particulars (Rs. crores)	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Net Interest Income	13,210	14,787	16,465	17,667
PPOP	10,273	11,765	13,235	13,866
Net Profit	6,905	7,558	8,312	9,122
NIM (%)	4.01%	4.31%	4.65%	4.90%
RoA (%)	1.98%	2.06%	2.20%	2.34%
GNPA (%)	3.41%	3.19%	3.07%	2.81%
NNPA (%)	0.70%	0.61%	0.55%	0.48%
CASA (%)	45.80%	45.00%	44.60%	43.60%
Total Advances	8,95,625	9,38,563	9,74,047	10,19,636
Total Deposits	10,50,349	10,90,008	11,22,049	11,80,841
Cost to Income Ratio	42.30%	41.10%	38.20%	39.20%

## Stock

Nifty	18,666
CMP (INR)	924
52WeekH/L(INR)	959/685
Market Cap (INR bn)	6,448
Face Value (INR)	2
NSE Symbol	ICICIBANK
BSE Code	532174
Bloomberg	ICICIB IN
Reuters	ICBK.BO

## Relative Price Chart



# Private Sector Bank Performance Review - Q4FY23



## Axis Bank

Axis Bank reported a loss of Rs. 5,728.4 crores in Q4FY23. The huge loss came due to one-time non-recurring items of Rs. 12,490 crores comprising full amortization of intangibles and goodwill, which is equal to the value of purchase consideration paid on the acquisition of Citibank India's consumer business. However, the bank was able to achieve healthy loan growth across all its business segments, with domestic corporate loans growing 24% YoY, mid-corporate up 38% YoY and SME loans rising 23% YoY. The bank's NIM improvement was led by structural drivers such as an improvement in the balance sheet mix, a reduction in the share of low-yielding RIDF bonds and an improvement in the composition of CASA. Further, despite the optically higher loss in 4QFY23, we believe that the bank's consistent efforts along with Citibank's acquisition would reflect on key parameters such as RoA and RoE going ahead. In regard to the recent Citi acquisition, the management has highlighted that there will be some additional provisions in FY24 which will be marginal in the expenditure part. After the acquisition, the bank is in a better position with its deposits, but still lagging in the race to be at par with peers like HDFC Bank and ICICI Bank. The bank through its acquisition will focus on retail deposits for further business growth. Thus, we'll be watchful for a few quarters in order to gauge the benefits on the financial performance of the bank post the acquisition.

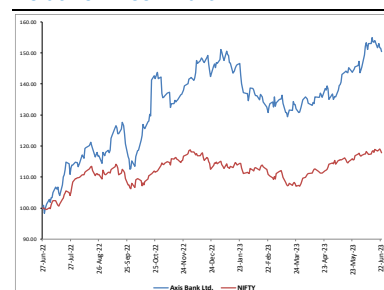
## Key Highlights

Particulars (Rs. crores)	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Net Interest Income	9,384	10,360	11,459	11,742
PPOP	5,887	7,716	9,277	9,168
Net Profit	4,125	5,330	5,853	6,625
NIM (%)	3.60%	3.96%	4.26%	4.22%
RoA (%)	0.36%	0.45%	0.48%	0.53%
GNPA (%)	2.76%	2.50%	2.38%	2.02%
NNPA (%)	0.64%	0.51%	0.47%	0.39%
CASA (%)	43.00%	46.00%	44.00%	47.00%
Total Advances	7,01,130	7,30,875	7,62,075	8,45,303
Total Deposits	8,03,572	8,10,807	8,48,173	9,46,945
Credit Cost	0.79%	0.74%	0.95%	0.60%

## Stock

Nifty	18,666
CMP (INR)	958
52WeekH/L(INR)	990/618
Market Cap (INR bn)	2624
Face Value (INR)	2
NSE Symbol	AXISBANK
BSE Code	532215
Bloomberg	AXSB IN
Reuters	AXBK.BO

## Relative Price Chart



# Private Sector Bank Performance Review - Q4FY23



## Kotak Mahindra Bank

Kotak Mahindra Bank reported healthy results in FY23, encashing the opportunity presented by interest rate hikes which started in May 2022. It was the major beneficiary amongst the large banks as its loan book comprised around 70% of floating rate loans. Also, the profitability was extraordinary not only on account of improved NIMs but also due to its strategic focus on unsecured loans which yielded higher rates in comparison to other segments. It is interesting to note that the bank made a bold move by selling its corporate books which were earning low interest and focusing more on the retail segment disbursements.

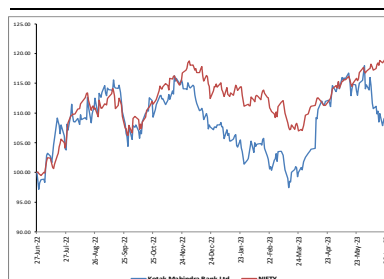
## Key Highlights

Particulars (Rs. crores)	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Net Interest Income	4,697	5,099	5,653	6,103
PPOP	2,783	3,568	3,850	4,647
Net Profit	2,032	2,581	2,792	3,496
NIM (%)	4.90%	5.20%	5.50%	5.75%
RoA (%)	2.04%	2.61%	2.76%	3.06%
GNPA (%)	2.24%	2.08%	1.90%	1.78%
NNPA (%)	0.62%	0.55%	0.43%	0.37%
CASA (%)	58.10%	56.20%	53.30%	52.80%
Total Advances	2,80,171	2,94,023	3,44,666	3,19,861
Total Deposits	3,16,483	3,25,203	3,10,734	3,63,096
Cost to Income Ratio	53.20%	49.40%	50.30%	43.90%

## Stock

Nifty	18,666
CMP (INR)	1,829
52WeekH/L(INR)	2,064/1,631
Market Cap (INR bn)	2,688
Face Value (INR)	5
NSE Symbol	KOTAKBANK
BSE Code	500247
Bloomberg	KMB IN
Reuters	KTKM.BO

## Relative Price Chart



# Private Sector Bank Performance Review - Q4FY23



## IndusInd Bank

IndusInd Bank for the first time crossed the mark of Rs. 2,000 crores in terms of profitability in FY23, achieving the strategic focus it adopted in Planning Cycle-5. They have been successful in building robust retail deposit franchise and its share of retail deposits is now at 43% compared to 31% earlier. Scaling granular franchise with lower risk intensity was one of the key focus areas for the bank at the start of PC-5 and the bank has realigned the corporate bank approach and steadily pivoted towards growth. The bank continues to leverage on deep rural distribution network with holistic offerings via BFIL & bank. IndusInd has been able to meet its targets on loan and revenue growth, CASA, profitability and distribution. However, customer growth was slower due to cautious growth in microfinance and somewhat delayed digital launch. One important thing to observe in the coming quarters will be whether the bank is able to reduce its gross slippages which have been around 2.4%. Also, the Cost-to-Income ratio is expected to remain at an elevated level for some time as the company wants to open new branches and focus on increasing its granular deposits. Hence, we are optimistic that the bank will continue to be fundamentally strong.

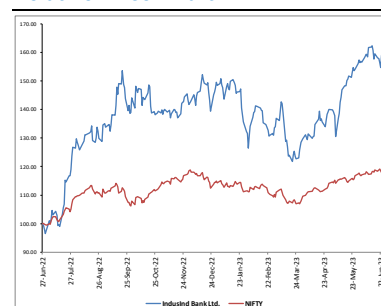
## Key Highlights

Particulars (Rs. crores)	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Net Interest Income	4,125	4,302	4,495	4,669
PPOP	3,431	3,544	3,686	3,758
Net Profit	1,631	1,805	1,964	2,043
NIM (%)	4.21%	4.24%	4.27%	4.28%
RoA (%)	1.73%	1.80%	1.87%	1.90%
GNPA (%)	2.35%	2.11%	2.06%	1.98%
NNPA (%)	0.67%	0.61%	0.62%	0.59%
CASA (%)	43.00%	42.00%	42.00%	40.00%
Total Advances	2,47,960	2,60,129	2,72,754	2,89,924
Total Deposits	3,02,719	3,15,532	3,25,278	3,36,120
Cost to Income Ratio	43.40%	43.90%	43.90%	44.90%

## Stock

Nifty	18,666
CMP (INR)	1,309
52WeekH/L(INR)	1,343/763
Market Cap (INR bn)	853
Face Value (INR)	10
NSE Symbol	INDUSINDBK
BSE Code	532187
Bloomberg	IIB IN
Reuters	INBK.BO

## Relative Price Chart



# Private Sector Bank Performance Review - Q4FY23



## IDFC First Bank

First of all, looking at the past five year numbers, it is commendable to see that IDFC First Bank has been able to contain its past high-cost legacy borrowings. The bank has been able to reduce the legacy book by Rs. 7,500 odd crores during the last one year and the residual amount left is now Rs. 17,673 crores which will run down in the next 2 to 3 years. About Rs. 5,100 crores are scheduled for rundown in FY24. The overall profitability of the bank increased to Rs. 2,437 crores in FY23 as against a mere Rs. 145 crores in FY22 on account of the increase in treasury gains by 50% and lower provisioning by 46%. The bank has been able to significantly reduce its Cost-to-Income ratio from around 90% in FY19 to around 70% in FY23 and the management is focusing to reduce it further as per industry standards. Looking ahead, the bank is optimistic that as the business scales up, the Cost-to - Income would further reduce. The management is continuing its guidance of the 2-1-2 formula, which says 2% GNPA, 1% NNPA, and 2% credit cost. Due to the less contribution of the home loan segment, we expect the bank to not sustain the NIIIs consistently. Thus, we believe that at the current juncture, the bank has to be seen on a sequential basis and then evaluated further.

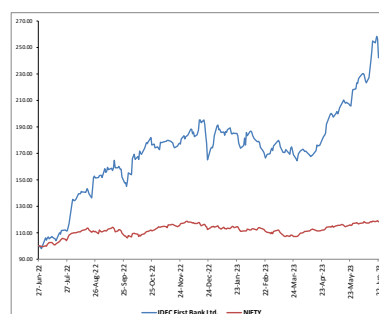
## Key Highlights

Particulars (Rs. crores)	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Net Interest Income	2,751	3,002	3,285	3,597
PPOP	944	1,052	1,261	1,559
Net Profit	474	556	605	803
NIM (%)	5.89%	5.98%	6.13%	6.41%
RoA (%)	0.97%	1.07%	1.11%	1.13%
GNPA (%)	3.36%	3.18%	2.96%	1.65%
NNPA (%)	1.30%	1.09%	1.03%	0.55%
CASA (%)	50.04%	51.28%	50.00%	49.80%
Total Advances	1,37,663	1,45,362	1,52,152	1,60,599
Total Deposits	1,02,868	1,14,004	1,23,578	1,36,812
Credit Cost	0.90%	1.20%	1.20%	1.16%
Cost to Income Ratio	72.95%	72.95%	72.17%	72.54%

## Stock

Nifty	18,666
CMP (INR)	78
52WeekH/L(INR)	85/29
Market Cap (INR bn)	242
Face Value (INR)	10
NSE Symbol	IDFCFIRSTB
BSE Code	539437
Bloomberg	IDFCFB IN
Reuters	IDFB.BO

## Relative Price Chart





# Private Sector Bank Performance Review - Q4FY23



## Bandhan Bank

Bandhan Bank reported a decent profit in FY23. However, there was some declining profit on a quarterly basis which was observed in Q2FY23 and Q3FY23. This was on account of some challenges as the bank shifted their LoS on Housing loans from erstwhile Gruh to their new LoS which is linked to the new CBS. So, there were challenges leading to some hit on the growth of the housing loan. However, this was a one off thing and they are back on track in terms of growth in housing loans. The management has given a guidance to grow their housing book by 22-25% YoY in FY24. The bank's focus on growing retail deposits has led to growth and the retail-to-total deposits ratio has also improved sequentially from 69% to 71%. The bank has the strategy to drive cross-sell and branch-led sales to grow the retail assets and liabilities portfolio. It will fully utilize its branch presence to increase the liability and asset portfolio, and also increase productivity per employee supported by digital & analytics. For FY24, the management is endeavouring to maintain CASA ratio above 40% and margins in the range of 7-7.5%, with credit cost expected to remain around 2% with a variance of 20 basis points. Overall, the bank aims to achieve a RoA of 2.6-2.8% and a RoE of 18-20% in FY24. We believe that the bank's dominant position in eastern India with a gradually growing pan-India presence will be a positive factor and we, thus, remain optimistic on Bandhan Bank's performance going ahead.

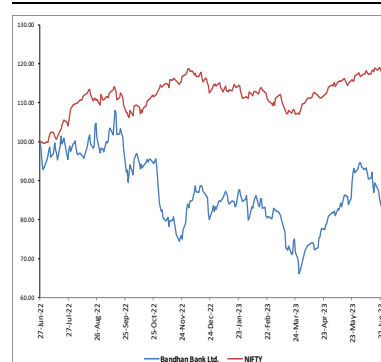
## Key Highlights

Particulars (Rs. crores)	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Net Interest Income	2,514	2,190	2,080	2,470
PPOP	1,821	1,550	1,920	1,800
Net Profit	887	210	290	810
NIM (%)	2.00%	1.75%	1.63%	1.83%
RoA (%)	2.50%	0.60%	0.80%	0.55%
GNPA (%)	7.30%	7.20%	7.20%	4.90%
NNPA (%)	1.90%	1.90%	1.90%	1.20%
CASA (%)	43.20%	40.80%	36.40%	39.30%
Total Advances	90,883	95,830	97,790	1,09,120
Total Deposits	93,057	99,370	1,02,280	1,08,070
Credit Cost	2.70%	5.30%	6.40%	2.90%
Cost to Income Ratio	36.00%	41.80%	38.30%	42.10%

## Stock

Nifty	18,666
CMP (INR)	236
52WeekH/L(INR)	315/182
Market Cap (INR bn)	175
Face Value (INR)	10
NSE Symbol	BANDHANBNK
BSE Code	541153
Bloomberg	BANDHAN IN
Reuters	BANH.BO

## Relative Price Chart



# Private Sector Bank Performance Review - Q4FY23



## Federal Bank

Federal Bank reported its highest quarterly profit in Q4FY23, showing its strong footing and ready to leap forward to the next level of the growth journey. The bank's success was seen due to the best recovery numbers ever, and all of this has resulted in robust improvements in its key return ratios which are at multi-quarters high. The peak increase in the cost of deposits has already been factored during the quarter as 80% of the deposit book is already repriced. We believe new business lines which are higher-yielding assets will support NIMs going forward. The bank's focus is to gain a share in domestic savings, which through the branch expansions and fintech partnerships has begun to see traction. In FY23, the bank opened 75 branches and is looking to open additional 100 branches in FY24. Federal Bank is evolving as one of the leading private banks by improving its asset-quality and profitability trends. The bank is transforming and establishing itself as a next-generation bank in the private mid-segment through digitization and has been spearheading digital initiatives through tie-ups with various payment platforms, neo banks, and fintech companies across its assets and liabilities. In addition, the bank has a well-diversified loan book with a continued focus on increasing the retail mix. Thus, we have a positive outlook on the bank's fundamentals.

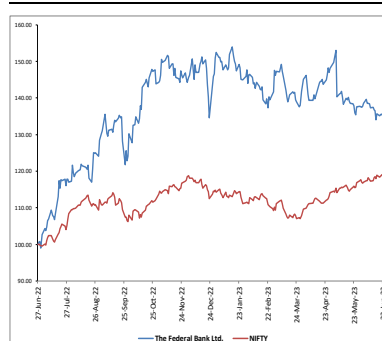
## Key Highlights

Particulars (Rs. crores)	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Net Interest Income	1,605	1,762	1,957	1,909
PPOP	973	1,212	1,274	1,335
Net Profit	601	704	804	903
NIM (%)	3.22%	3.30%	3.49%	3.31%
RoA (%)	1.10%	1.21%	1.33%	1.45%
GNPA (%)	2.69%	2.46%	2.43%	2.36%
NNPA (%)	0.94%	0.78%	0.73%	0.69%
CASA (%)	36.84%	36.41%	34.24%	32.68%
Total Advances	1,51,689	1,61,240	1,47,639	1,77,377
Total Deposits	1,83,355	1,89,146	1,81,701	2,13,386
Credit Cost	0.41%	0.53%	0.38%	0.19%
Cost to Income Ratio	52.68%	48.88%	48.84%	49.51%

## Stock

Nifty	18,666
CMP (INR)	122
52WeekH/L(INR)	143/86
Market Cap (INR bn)	259
Face Value (INR)	2
NSE Symbol	FEDERALBNK
BSE Code	500469
Bloomberg	FB IN
Reuters	FED.BO

## Relative Price Chart



# Private Sector Bank Performance Review - Q4FY23



## Karur Vysya Bank

Karur Vysya Bank showed a healthy performance in terms of profitability and asset quality amongst the private sector banks. The bank has been operating prudently in the past few years to clean up its books and leverage its strong presence in the Southern part of India. Amongst the small-cap banking space, the bank has shown good performance with RoE of 16.04% and RoA of 1.50% in Q4FY23. This has shown that the management of the bank is efficient when it comes to reducing the stress on its assets at the same time focusing on profitability. As indicated earlier, the bank has created a consumer banking department by merging personal banking liabilities and personal banking assets. A set of senior and experienced officers have already joined to head the CASA acquisition, corporate salary accounts, government business, third-party products, etc. The structure is in line with large private sector banks having sizable CASA books. KVB's majority of the working capital loans are linked to MCLR on an ongoing basis. Hence, some headroom is still available for the MCLR loans to be re-priced which will probably help the bank to maintain a NIM of 4% plus for the next two quarters. Based on the above, if the bank does not surprise with any unknown expenditure or any decline in asset quality management, the bank will be able to have good performance in FY24 too. Thus, our outlook remains positive.

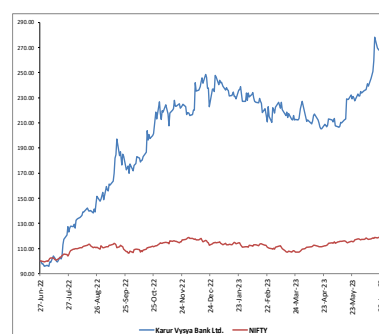
## Key Highlights

Particulars (Rs. crores)	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Net Interest Income	746	821	889	893
PPOP	475	572	689	739
Net Profit	229	250	289	338
NIM (%)	3.82%	4.07%	4.32%	4.37%
RoA (%)	1.09%	1.16%	1.32%	1.50%
GNPA (%)	5.21%	3.97%	2.66%	2.27%
NNPA (%)	1.91%	1.36%	0.89%	0.74%
CASA (%)	36.00%	35.00%	34.00%	33.00%
Total Advances	59,612	61,846	62,081	64,168
Total Deposits	71,168	73,614	75,932	76,638
Credit Cost	1.09%	1.18%	1.03%	1.45%
Cost to Income Ratio	49.68%	46.16%	42.90%	42.86%

## Stock

Nifty	18,666
CMP (INR)	120
52WeekH/L(INR)	130/48
Market Cap (INR bn)	94
Face Value (INR)	2
NSE Symbol	KARURVYSYA
BSE Code	590083
Bloomberg	KVB IN
Reuters	KARU.BO

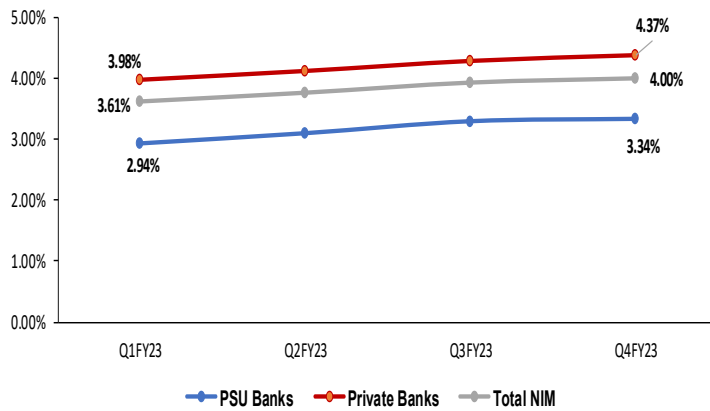
## Relative Price Chart



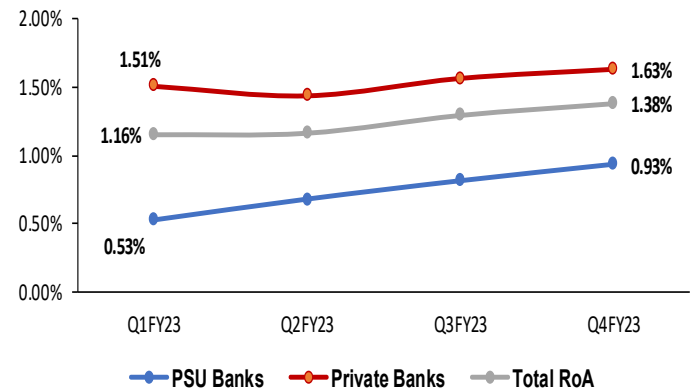
# Key Parameters



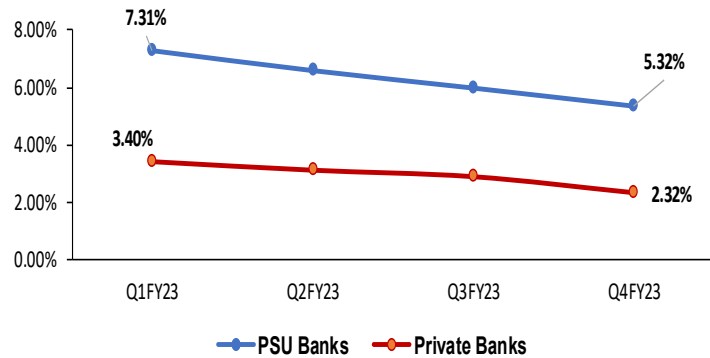
## NIM



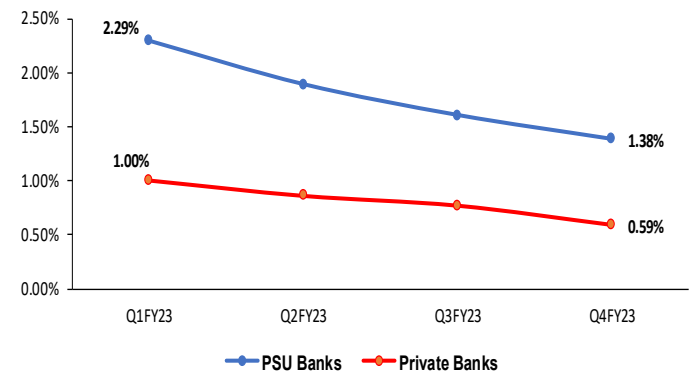
## RoA



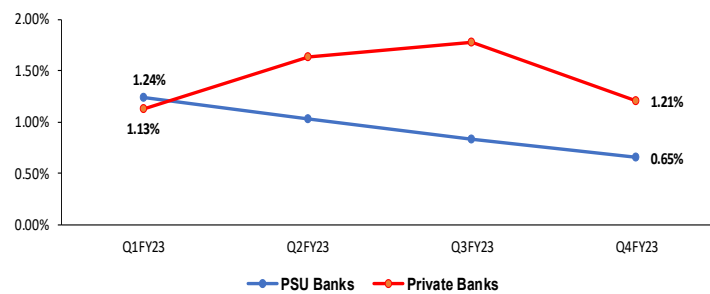
## GNPA



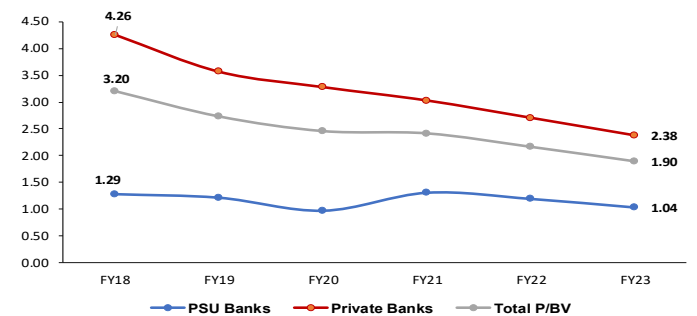
## NNPA



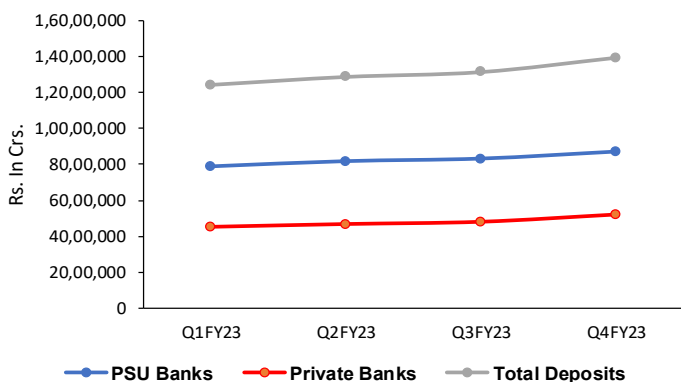
## Credit Costs



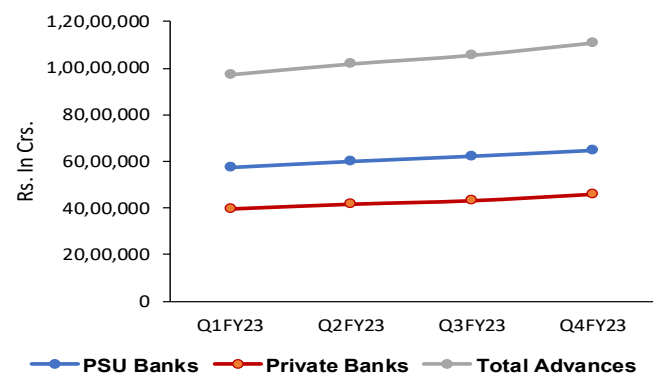
## P/BV



## Total Deposits



## Total Advances



**BP WEALTH**

Tel: +91 22 61596138

Research Desk

Institutional Sales Desk

Tel: +91 22 61596403/04/05

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

We analysts and the authors of this report, hereby certify that all of the views expressed in this research report accurately reflect our personal views about any and all of 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 aren't registered as research analysts by FINRA and might not be an associated person of the BP Equities Pvt. Ltd. (Institutional Equities).

**General Disclaimer**

This report has been prepared by the research department of BP EQUITIES Pvt. Ltd, is for information purposes only. This report is not construed as an offer to sell or the solicitation of an offer to buy or sell any security in any jurisdiction where such an offer or solicitation would be illegal.

BP EQUITIES Pvt. Ltd have exercised due diligence in checking the correctness and authenticity of the information contained herein, so far as it relates to current and historical information, but do not guarantee its accuracy or completeness. The opinions expressed are our current opinions as of the date appearing in the material and may be subject to change from time to time. Prospective investors are cautioned that any forward looking statement are not predictions and are subject to change without prior notice.

Recipients of this material should rely on their own investigations and take their own professional advice. BP EQUITIES Pvt. Ltd or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. BP EQUITIES Pvt. Ltd. or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

BP EQUITIES Pvt. Ltd and/or its affiliates and/or employees may have interests/ positions, financial or otherwise in the securities mentioned in this report. Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This report is not directed to or intended for display, downloading, printing, reproducing or for distribution to or use by any person in any locality, state and country or other jurisdiction where such distribution, publication or use would be contrary to the law or regulation or would subject to BP EQUITIES Pvt. Ltd or any of its affiliates to any registration or licensing requirement within such jurisdiction.

**Week Gone****Corporate Office:**

4th floor,  
Rustom Bldg,  
29, Veer Nariman Road, Fort,  
Mumbai-400001  
Phone- +91 22 6159 6464  
Fax-+91 22 6159 6160  
Website- [www.bpwealth.com](http://www.bpwealth.com)

**Registered Office:**

24/26, 1st Floor, Cama Building,  
Dalal street, Fort,  
Mumbai-400001  
  
BP Wealth Management Pvt. Ltd.  
CIN No: U67190MH2005PTC154591  
  
BP Equities Pvt. Ltd.  
CIN No: U67120MH1997PTC107392