

# Banks

India

Sector View: **Attractive** NIFTY-50: **22,122**

February 19, 2024

## Trends on expected lines across BFSI

Earnings for the quarter across banks, NBFCs, capital market players and insurance did not show any worrying signs—(1) Banks: Earnings growth is slowing down led by slower NII growth due to NIM compression that slows down operating profits. Asset quality, despite concerns raised on unsecured loans, is still showing improving/stable trends. (2) NBFCs reported strong loan growth along with NIM compression. Asset quality performance was mixed across segments (tractors and unsecured loans under the scanner). (3) Capital market companies benefited from strong sector tailwinds spilling over into 4Q.

### NIM compression and slowdown in operating profits on expected lines

Banks under coverage delivered 13% yoy earnings growth, led by 11% yoy NII growth and ~45% yoy provision decline. Operating profit growth was lower due to higher staff costs for SBI, but the overall trend has slowed, led by NIM compression across banks. Loan growth is still showing stable trends (adjusted for the HDFC Bank merger) at ~15% yoy. Credit costs are still running well below the long-term average, led by lower slippages and we have not seen any worrying trends on slippages, especially from unsecured loans this quarter. RoE is closer to long-term averages for all banks. The impact of CET-1 across banks due to changes in RWA was negligible. In the near term, we expect NIM compression to continue, as deposit growth is still yet to catch up with loan growth. We have seen a re-rating in public banks and would have a more cautious approach to build an investment theme on credit costs, but would shift our preference to large banks over mid and small tier banks.

### NBFCs: Growth peaking, NIMs flattening

Non-banks under coverage continued to report strong loan growth, offset by NIM compression. While sequential trends in NIM are encouraging (reflecting near bottoming), loan growth may moderate on a high base and softening momentum in select segments. Asset quality performance has been mixed with segments such as tractors and unsecured loans under the scanner. We remain assertive with Shriram Finance and LIC Housing Finance as favored picks in large names and Aavas and Home First in affordable HFCs. Price correction makes valuations reasonable, warranting a relook at Bajaj Finance.

### Capital markets: Earnings follow strong sector tailwinds

Capital market-oriented names enjoyed a quarter of strong sector tailwinds of retail equity flows, primary market issuances and trading volumes. Among AMCs, HDFC AMC and Nippon AMC delivered ~25% yoy core earnings growth, led by strong revenue growth (~20%), with operating leverage benefits. Intermediaries (CAMS/Kfin) also benefited from strong equity AUM growth, stable yields and pick-up in non-MF revenues (20/25% yoy core earnings growth). 360 One had muted performance (8% earnings growth), reflecting expected compression in yields and higher expenses. Among rating agencies, CRISIL reported stronger earnings growth (~30% yoy), led by lower costs.

[Full sector coverage on KINSITE](#)

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**Low provisions supported healthy earnings growth as revenue growth was modest**

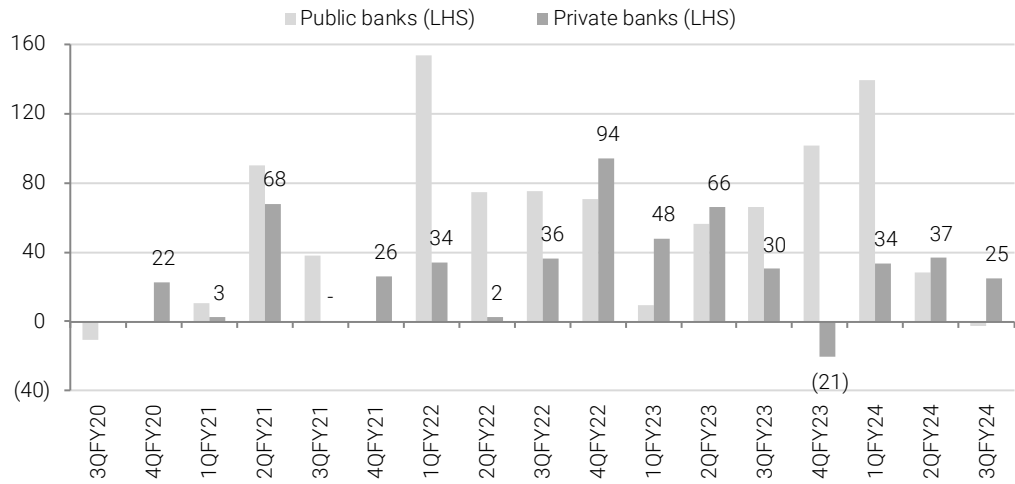
**Exhibit 1: Consolidated earnings for banks under coverage, March fiscal year-ends (Rs bn)**

	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	QoQ (%)	YoY (%)
NII	1,411	1,468	1,466	1,526	1,564	3	11
Non interest income	498	557	531	540	543	1	9
Total income	1,909	2,024	1,997	2,066	2,107	2	10
Provisions	299	226	209	170	168	(1)	(44)
Loan loss provisions	189	195	208	182	175	(4)	(7)
PAT	548	496	620	654	619	(5)	13

Source: Company, Kotak Institutional Equities

**PSU banks saw a marginal yoy decline in earnings, primarily led by certain one-off expenses for SBI**

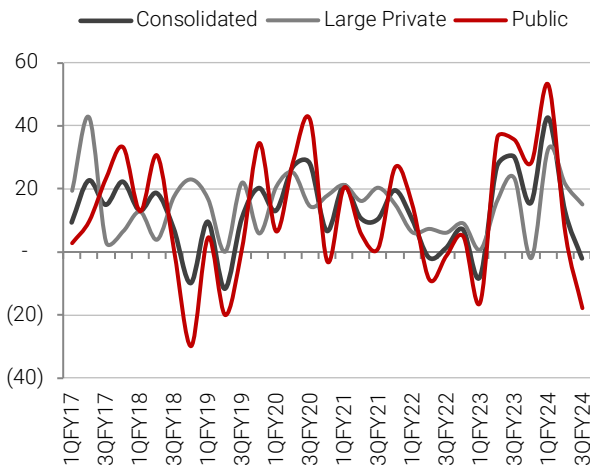
**Exhibit 2: Growth in PAT, March fiscal year-ends (%)**



Source: Company, Kotak Institutional Equities

**PPoP growth stayed sluggish**

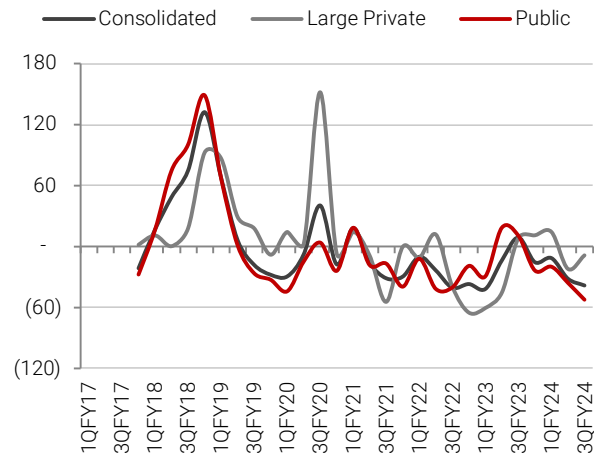
**Exhibit 3: PPoP growth for banks (consolidated), March fiscal year-ends, 1QFY17-3QFY24 (%)**



Source: Company, Kotak Institutional Equities

**Provisions declined yoy**

**Exhibit 4: Provisions growth for banks (consolidated), March fiscal year-ends, 1QFY17-3QFY24 (%)**



Source: Company, Kotak Institutional Equities

**Low credit cost has supported earnings growth, as PPOP growth has been sluggish for most banks**

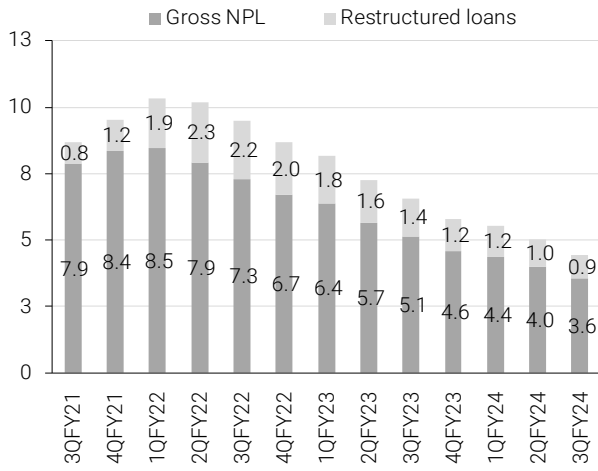
**Exhibit 5: Key earnings-related metrics for banks under coverage, March fiscal year-ends (Rs bn)**

	Net interest income					Pre-provisioning profit					PAT				
	3QFY23 (Rs mn)	2QFY24 (Rs mn)	3QFY24 (Rs mn)	YoY (%)	QoQ (%)	3QFY23 (Rs mn)	2QFY24 (Rs mn)	3QFY24 (Rs mn)	YoY (%)	QoQ (%)	3QFY23 (Rs mn)	2QFY24 (Rs mn)	3QFY24 (Rs mn)	YoY (%)	QoQ (%)
<b>Banks</b>															
<b>Public banks</b>															
Bank of Baroda	108,183	108,307	111,013	3	2	82,322	80,197	70,151	(15)	(13)	38,527	42,529	45,793	19	8
Canara Bank	86,000	89,030	94,171	10	6	69,521	76,156	68,055	(2)	(11)	28,815	36,061	36,561	27	1
PNB	91,794	99,229	102,928	12	4	57,159	62,164	63,307	11	2	6,289	17,561	22,228	253	27
State Bank of India	380,686	395,000	398,157	5	1	252,193	194,166	132,361	(48)	(32)	142,053	143,300	91,639	(35)	(36)
Union Bank	86,281	91,261	91,680	6	0	66,192	72,208	72,776	10	1	22,448	35,114	35,899	60	2
<b>Old private banks</b>															
City Union Bank	5,557	5,384	5,159	(7)	(4)	4,973	3,866	3,640	(27)	(6)	2,178	2,806	2,530	16	(10)
Federal Bank	19,565	20,564	21,234	9	3	12,742	13,245	14,373	13	9	8,036	9,538	10,067	25	6
Karur Vysya Bank	8,890	9,154	10,013	13	9	6,889	6,379	6,759	(2)	6	2,893	3,785	4,116	42	9
<b>New private banks</b>															
Axis Bank	114,593	123,146	125,322	9	2	92,775	86,319	91,412	(1)	6	58,531	58,636	60,711	4	4
Bandhan Bank	20,804	24,434	25,254	21	3	19,222	15,834	16,553	(14)	5	2,906	7,212	7,327	152	2
DCB Bank	4,460	4,757	4,740	6	(0)	1,941	2,105	2,115	9	0	1,139	1,268	1,266	11	(0)
HDFC Bank	229,878	273,852	284,713	24	4	190,241	226,939	236,473	24	4	122,595	159,761	163,725	34	2
ICICI Bank	164,650	183,079	186,786	13	2	132,712	142,293	147,236	11	3	83,119	102,610	102,715	24	0
IndusInd Bank	44,953	50,767	52,956	18	4	36,804	38,809	40,022	9	3	19,592	21,815	22,979	17	5
Yes Bank	19,706	19,251	20,169	2	5	9,136	8,013	8,640	(5)	8	515	2,252	2,315	349	3
<b>Small finance banks</b>															
AU	11,527	12,490	13,249	15	6	5,557	6,477	6,571	18	1	3,928	4,018	3,752	(4)	(7)
Equitas SFB	6,475	7,656	7,851	21	3	2,791	3,302	3,603	29	9	1,701	1,981	2,020	19	2
Ujjivan SFB	6,970	8,233	8,599	23	4	3,889	4,834	4,573	18	(5)	2,932	3,277	3,001	2	(8)
<b>Total banks</b>	<b>1,410,973</b>	<b>1,525,593</b>	<b>1,563,994</b>	<b>11</b>	<b>3</b>	<b>1,047,059</b>	<b>1,043,306</b>	<b>988,622</b>	<b>(6)</b>	<b>(5)</b>	<b>548,197</b>	<b>653,525</b>	<b>618,646</b>	<b>13</b>	<b>(5)</b>
<b>Public banks</b>	<b>752,943</b>	<b>782,826</b>	<b>797,949</b>	<b>6</b>	<b>2</b>	<b>527,386</b>	<b>484,892</b>	<b>406,650</b>	<b>(23)</b>	<b>(16)</b>	<b>238,133</b>	<b>274,566</b>	<b>232,121</b>	<b>(3)</b>	<b>(15)</b>
<b>Private banks</b>	<b>658,030</b>	<b>742,767</b>	<b>766,044</b>	<b>16</b>	<b>3</b>	<b>519,673</b>	<b>558,414</b>	<b>581,972</b>	<b>12</b>	<b>4</b>	<b>310,064</b>	<b>378,959</b>	<b>386,525</b>	<b>25</b>	<b>2</b>
<b>Diversified financials</b>															
<b>Auto finance</b>															
Cholamandalam	15,983	20,153	21,709	36	8	10,797	14,206	15,157	40	7	6,843	7,625	8,762	28	15
Mahindra Finance	15,528	15,870	16,983	9	7	9,983	9,428	10,625	6	13	6,290	2,352	5,528	(12)	135
Shriram Finance	40,620	45,947	49,110	21	7	33,016	34,808	36,893	12	6	17,770	17,508	18,183	2	4
<b>Housing finance</b>															
Aavas	2,082	2,223	2,208	6	(1)	1,415	1,631	1,577	11	(3)	1,073	1,217	1,166	9	(4)
Aptus	2,002	2,285	2,400	20	5	1,762	1,951	2,131	21	9	1,256	1,480	1,576	25	6
Home First	1,083	1,321	1,344	24	2	817	1,044	1,097	34	5	587	743	788	34	6
LIC Housing Finance	16,059	21,066	20,972	31	(0)	13,557	18,993	18,845	39	(1)	4,804	11,881	11,629	142	(2)
<b>Gold loans</b>															
Muthoot Finance	17,043	18,584	19,057	12	3	12,624	13,422	13,942	10	4	9,017	9,910	10,273	14	4
<b>Multi-product NBFCs/others</b>															
Bajaj Finance	59,222	71,970	76,553	29	6	48,529	58,347	61,422	27	5	29,729	35,508	36,390	22	2
L&T Finance Holdings	16,930	17,290	18,330	8	6	11,620	13,150	13,380	15	2	4,540	5,950	6,400	41	8
SBI Cards	11,446	12,969	13,870	21	7	12,174	15,509	16,205	33	4	5,095	6,030	5,491	8	(9)
Five Star	3,197	3,982	4,208	32	6	2,062	2,775	3,001	46	8	1,510	1,994	2,168	44	9
<b>Total NBFCs/HFCs</b>	<b>201,193</b>	<b>233,660</b>	<b>246,744</b>	<b>23</b>	<b>6</b>	<b>158,356</b>	<b>185,265</b>	<b>194,276</b>	<b>23</b>	<b>5</b>	<b>88,512</b>	<b>102,198</b>	<b>108,353</b>	<b>22</b>	<b>6</b>
<b>Wealth management/ AMCs/CRAAs</b>															
360 One WAM	4,150	4,275	4,395	6	3	2,344	2,223	2,080	(11)	(6)	1,801	1,853	1,940	8	5
HDFC AMC	5,596	6,431	6,713	20	4	3,971	4,658	4,940	24	6	3,692	4,365	4,879	32	12
UTI AMC	2,836	2,916	2,900	2	(1)	1,098	1,058	1,005	(8)	(5)	600	1,828	2,034	239	11
Nippon AMC	3,538	3,975	4,233	20	7	2,045	2,325	2,510	23	8	2,048	2,443	2,840	39	16
Aditya Birla AMC	3,140	3,350	3,415	9	2	1,736	1,811	1,920	11	6	1,663	1,781	2,093	26	18
CAMS	2,436	2,751	2,897	19	5	998	1,143	1,208	21	6	737	845	893	21	6
Kfintech	1,881	2,090	2,187	16	5	652	779	833	28	7	534	614	668	25	9
CRISIL	8,223	7,359	9,177	12	25	1,900	1,652	2,438	28	48	1,580	1,520	2,101	33	38
ICRA	1,030	1,049	1,146	11	9	336	312	399	19	28	87	151	83	(4)	(45)
<b>Total wealth/asset managers/CR</b>	<b>32,830</b>	<b>34,194</b>	<b>37,063</b>	<b>13</b>	<b>8</b>	<b>15,078</b>	<b>15,961</b>	<b>17,332</b>	<b>15</b>	<b>9</b>	<b>12,741</b>	<b>15,400</b>	<b>17,532</b>	<b>38</b>	<b>14</b>
<b>Total diversified financials</b>	<b>234,023</b>	<b>267,854</b>	<b>283,807</b>	<b>21</b>	<b>6</b>	<b>173,434</b>	<b>201,227</b>	<b>211,609</b>	<b>22</b>	<b>5</b>	<b>101,254</b>	<b>117,597</b>	<b>125,885</b>	<b>24</b>	<b>7</b>
<b>Grand total</b>	<b>1,644,996</b>	<b>1,793,448</b>	<b>1,847,800</b>	<b>12</b>	<b>3</b>	<b>1,220,493</b>	<b>1,244,532</b>	<b>1,200,230</b>	<b>(2)</b>	<b>(4)</b>	<b>649,451</b>	<b>771,122</b>	<b>744,531</b>	<b>15</b>	<b>(3)</b>

Source: Company, Kotak Institutional Equities

**GNPL and restructured advances have declined for PSU banks**

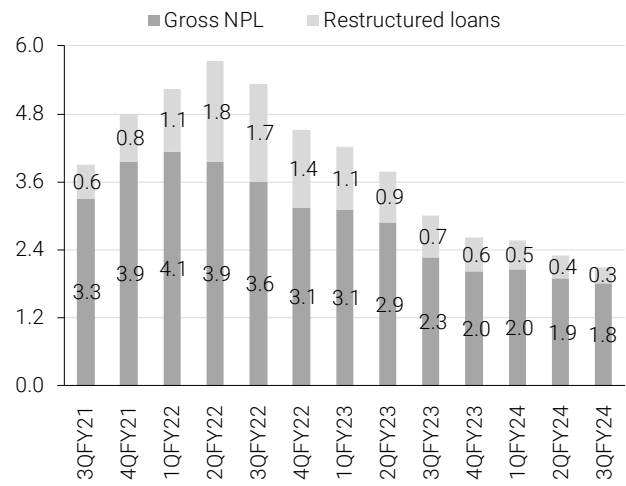
**Exhibit 6: Public sector banks (under coverage), March fiscal year-ends (%)**



Source: Company, Kotak Institutional Equities

**...and private banks as well**

**Exhibit 7: Private banks (under coverage), March fiscal year-ends (%)**



Source: Company, Kotak Institutional Equities

## Banks: Good quarter, but weak operating profit growth

### Asset quality stays robust, with NPL ratios near all-time low

3QFY24 was another quarter where asset quality for banks continued to improve. The proportion of delinquent loans on the balance sheet continued to decline. The stock of NPLs has been steadily coming down sequentially for PSU banks (Exhibit 7). Even the non-NPL stress book (restructured advances) has been broadly under control and not a source of worry.

Gross slippages for the sector continued to be in control. Slippages have shown a decline qoq. We understand that incremental stress formation in the banking system is low and majority of the stressed restructured loans have already slipped. Slippages for frontline banks are near or even below pre-Covid levels. At the same time, recoveries and upgradations continued to be healthy, resulting in a simultaneous write-back of provisions as well. Banks are also seeing healthy recoveries from written-off accounts, which are further supporting profitability. Note that most recoveries are now coming from granular exposures in retail and MSME, as most lumpy recoveries are already behind us. Many banks have been offering various settlement schemes to delinquent customers to resolve stress on the balance sheet.

Asset quality is unlikely to be a concern for most banks in the medium term, unless there is a sharp macroeconomic downturn—a relatively low probability event, in our view. Recently, there have been some concerns around the sharp growth in unsecured credit (primarily, personal loans and credit cards) over the past couple of years. We do not find the situation to be alarming yet, as the share of unsecured credit in banking sector credit is still fairly low. Furthermore, we understand that banks have a relatively low exposure to the riskier segment of small ticket personal loans (which has seen higher delinquencies recently). Our conversations with industry participants indicate that banks have already begun to tighten their credit filters as a response to potential risk building up. As a consequence, the growth in unsecured loans has cooled off a bit for most lenders.

We expect incremental slippages to be low and recoveries/upgradations to stay strong, resulting in low credit cost in the near term. We do not see any immediate reason to change our view on asset quality or credit cost for the banking system. We believe that we are in a period where slippages and credit cost for the banking system will stay low for some more time. Nevertheless, we continue to be watchful about how the situation evolves.

### Gross NPL declined ~25 bps qoq and net NPL declined ~10 bps qoq

Exhibit 8: Reported gross NPLs and net NPLs for banks under coverage, March fiscal year-ends

	Gross NPL (Rs bn)					Gross NPLs (%)					Net NPLs (Rs bn)					Net NPLs (%)				
	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
<b>Public banks</b>																				
BoB	419	368	348	340	323	4.5	3.8	3.5	3.3	3.1	89	84	75	76	72	1.0	0.9	0.8	0.8	0.7
Canara	501	462	457	440	417	5.9	5.4	5.2	4.8	4.4	160	143	135	126	122	2.0	1.7	1.6	1.4	1.3
PNB	836	773	709	656	604	9.8	8.7	7.7	7.0	6.2	264	226	171	131	88	3.3	2.7	2.0	1.5	1.0
SBI	983	909	913	870	867	3.1	2.8	2.8	2.6	2.4	235	215	230	214	224	0.8	0.7	0.7	0.6	0.6
Union	638	610	601	540	433	7.9	7.5	7.3	6.4	4.8	162	129	121	104	94	2.1	1.7	1.6	1.3	1.1
<b>Old private</b>																				
CUBK	20	19	21	20	20	4.6	4.4	4.9	4.7	4.5	11	10	10	10	9	2.7	2.4	2.5	2.3	2.2
Federal	41	42	44	44	46	2.4	2.4	2.4	2.3	2.3	12	12	13	12	13	0.7	0.7	0.7	0.6	0.6
KVB	17	15	13	12	12	2.7	2.3	2.0	1.7	1.6	6	5	4	3	3	0.9	0.7	0.6	0.5	0.4
<b>New private</b>																				
Axis	200	186	182	168	159	2.4	2.0	2.0	1.7	1.6	38	36	37	34	35	0.5	0.4	0.4	0.4	0.4
Bandhan	70	53	70	79	81	7.2	4.9	6.8	7.3	7.0	17	12	21	24	24	1.9	1.2	2.2	2.3	2.2
DCB	12	11	12	13	14	3.6	3.2	3.3	3.4	3.4	5	4	4	5	5	1.4	1.0	1.2	1.3	1.2
HDFC Bank	188	180	191	316	310	1.2	1.1	1.2	1.3	1.3	50	44	48	81	77	0.3	0.3	0.3	0.4	0.3
ICICI	325	312	318	298	288	3.1	2.8	2.8	2.5	2.3	57	52	54	50	54	0.6	0.5	0.5	0.5	0.5
IndusInd	57	58	59	62	64	2.1	2.0	1.9	1.9	1.9	17	17	17	18	19	0.6	0.6	0.6	0.6	0.6
Yes	39	44	41	43	45	2.0	2.2	2.0	2.0	2.0	20	17	21	19	19	1.0	0.8	1.0	0.9	0.9
<b>Small finance banks</b>																				
AU SFB	10	10	11	12	13	1.8	1.7	1.8	1.9	2.0	3	2	3	4	5	0.5	0.4	0.6	0.6	0.7
Equitas SFB	9	7	8	7	8	3.6	2.8	2.8	2.3	2.5	4	3	3	3	3	1.8	1.2	1.2	1.0	1.1
Ujjivan SFB	7	6	6	6	6	3.6	2.9	2.6	2.4	2.2	0	0	0	0	0	0.1	0.0	0.1	0.1	0.2
<b>Total</b>	<b>4,372</b>	<b>4,065</b>	<b>4,004</b>	<b>3,925</b>	<b>3,708</b>	<b>4.0</b>	<b>3.5</b>	<b>3.4</b>	<b>3.1</b>	<b>2.8</b>	<b>1,148</b>	<b>1,010</b>	<b>969</b>	<b>914</b>	<b>866</b>	<b>1.1</b>	<b>0.9</b>	<b>0.9</b>	<b>0.7</b>	<b>0.7</b>
Public banks	3,377	3,122	3,029	2,845	2,644	5.1	4.6	4.4	4.0	3.6	909	797	732	650	600	1.4	1.2	1.1	0.9	0.8
Private banks	995	943	975	1,080	1,064	2.3	2.0	2.0	1.9	1.8	239	213	237	263	267	0.6	0.5	0.5	0.5	0.5

Source: Company, Kotak Institutional Equities

**GNPL ratios continued to decline for the overall banking system**

**Exhibit 9: Reported gross NPLs and net NPLs, March fiscal year-ends (%)**

	GNPL (%)											3QFY24	NNPL (%)											3QFY24
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
<b>PSU banks</b>																								
Bank of Baroda	2.4	2.9	3.7	10.0	10.5	12.3	9.6	9.4	8.9	6.6	3.8	1.3	1.5	1.9	5.1	4.7	5.5	3.3	3.1	3.1	1.7	0.9		
Bank of India	3.0	3.2	5.4	13.1	13.2	16.6	15.8	14.8	13.8	10.0	7.3	2.1	2.0	3.4	7.8	6.9	8.3	5.6	3.9	3.4	2.3	1.7		
Bank of Maharashtra	1.5	3.1	6.2	9.1	16.2	19.5	16.4	12.8	7.2	3.9	2.5	0.5	2.0	4.2	6.4	11.8	11.2	5.5	4.8	2.5	1.0	0.3		
Canara Bank	2.6	2.5	3.9	9.4	9.6	11.8	8.8	8.2	8.9	7.5	5.4	2.2	2.0	2.6	6.4	6.3	7.5	5.4	4.2	3.8	2.7	1.7		
Central Bank of India	4.8	6.3	6.1	12.0	17.9	21.5	19.3	18.9	16.6	14.8	8.4	2.9	3.7	3.6	7.4	10.2	11.1	7.7	7.6	5.8	4.0	1.8		
IDBI Bank	3.2	4.9	5.9	11.0	21.3	28.0	27.5	27.5	22.4	19.1	6.4	1.6	2.5	2.9	6.8	13.2	16.7	10.1	4.2	2.0	1.3	0.9		
Indian Bank	3.3	3.7	4.4	6.7	7.5	7.4	7.1	6.9	9.9	8.5	6.0	2.3	2.3	2.5	4.2	4.4	3.8	3.8	3.1	3.4	2.3	0.9		
Indian Overseas Bank	4.0	5.1	8.5	18.0	23.8	25.3	22.0	14.8	11.7	9.8	7.4	2.5	3.2	5.7	11.9	14.1	15.3	10.8	5.4	3.6	2.7	1.8		
Punjab & Sind Bank	1.6	3.0	4.4	4.8	6.5	11.2	11.8	14.2	13.8	12.2	7.0	1.2	2.2	3.4	3.5	4.6	6.9	7.2	8.0	4.0	2.7	1.8		
Punjab National Bank	4.2	5.1	6.3	12.2	11.6	18.4	15.5	14.2	14.1	11.8	8.7	2.3	2.8	4.0	8.6	7.8	11.2	6.6	5.8	5.7	4.8	2.7		
State Bank of India	4.8	5.0	4.3	6.5	9.1	10.9	7.5	6.2	5.0	4.0	2.8	2.1	2.6	2.1	3.8	5.2	5.7	3.0	2.2	1.5	1.0	0.7		
UCO Bank	5.4	4.3	6.8	15.4	17.1	24.6	25.0	16.8	9.6	7.9	4.8	3.2	2.4	4.3	9.1	8.9	13.1	9.7	5.5	3.9	2.7	1.3		
Union Bank of India	2.9	4.0	4.9	8.5	10.9	15.7	15.0	14.2	13.7	11.1	7.5	1.6	2.3	2.7	5.2	6.6	8.4	6.9	5.5	4.6	3.7	1.7		
<b>PSU banks</b>	<b>3.6</b>	<b>4.3</b>	<b>5.0</b>	<b>9.4</b>	<b>11.5</b>	<b>14.6</b>	<b>12.0</b>	<b>10.7</b>	<b>9.4</b>	<b>7.6</b>	<b>5.0</b>	<b>2.0</b>	<b>2.5</b>	<b>3.0</b>	<b>6.0</b>	<b>7.0</b>	<b>8.0</b>	<b>5.0</b>	<b>3.8</b>	<b>3.1</b>	<b>2.2</b>	<b>1.2</b>		
<b>Private banks</b>																								
Axis Bank	1.2	1.3	1.4	1.7	5.0	6.8	5.3	4.9	3.7	2.8	2.0	0.4	0.4	0.5	0.7	2.1	3.4	2.1	1.6	1.1	0.7	0.4		
Bandhan Bank				0.2	0.5	1.3	2.0	1.5	6.8	6.5	4.9				0.1	0.4	0.6	0.6	0.6	3.5	1.7	1.2		
City Union Bank	1.1	1.8	1.9	2.4	2.8	3.0	3.0	4.1	5.1	4.7	4.4	0.6	1.2	1.3	1.5	1.7	1.7	1.8	2.3	3.0	3.0	2.4		
DCB Bank	3.2	1.7	1.8	1.5	1.6	1.8	1.8	2.5	4.1	4.3	3.2	0.7	0.9	1.0	0.8	0.8	0.7	0.7	1.2	2.3	2.0	1.0		
Dhanlaxmi Bank	4.8	6.0	7.0	6.4	4.8	7.4	7.5	5.9	9.2	6.3	5.2	3.4	3.8	3.3	2.8	2.6	3.2	2.4	1.6	4.8	2.9	1.2		
Federal Bank	3.4	2.5	2.0	2.8	2.3	3.0	2.9	2.8	3.4	2.8	2.4	1.0	0.7	0.7	1.6	1.3	1.7	1.5	1.3	1.2	1.0	0.7		
HDFC Bank	1.0	1.0	0.9	0.9	1.1	1.3	1.4	1.3	1.3	1.2	1.1	0.2	0.3	0.2	0.3	0.3	0.4	0.4	0.4	0.4	0.3	0.3		
ICICI Bank	3.2	3.0	3.7	5.7	8.5	9.5	7.4	6.0	5.3	3.8	2.9	0.8	1.0	1.6	3.0	5.4	5.4	2.3	1.5	1.2	0.8	0.5		
IndusInd Bank	1.0	1.1	0.8	0.9	0.9	1.2	2.1	2.5	2.7	2.3	2.0	0.3	0.3	0.3	0.4	0.4	0.5	1.2	0.9	0.7	0.6	0.6		
J&K Bank	1.6	1.6	5.9	8.2	10.9	10.0	9.0	11.0	9.7	8.7	6.0	0.1	0.2	2.8	4.3	5.0	4.9	4.9	3.5	3.0	2.5	1.6		
Karnataka Bank	2.4	2.8	2.9	3.3	4.0	4.7	4.4	4.8	4.9	3.9	3.7	1.5	1.9	2.0	2.3	2.6	3.0	3.0	3.1	3.2	2.4	1.7		
Karur Vysya Bank	1.0	0.8	1.9	1.3	3.6	6.6	8.8	8.7	7.9	6.0	2.3	0.4	0.4	0.8	0.6	2.5	4.2	5.0	3.9	3.4	2.3	0.7		
Kotak Mahindra Bank	1.3	1.6	1.6	2.1	2.3	2.0	1.9	2.2	3.2	2.4	1.8	0.6	0.9	0.8	0.9	1.1	0.9	0.7	0.7	1.2	0.7	0.4		
RBL Bank	0.4	0.8	0.8	1.0	1.2	1.4	1.4	3.6	4.3	4.4	3.4	0.1	0.3	0.3	0.6	0.6	0.8	0.7	2.1	2.1	1.3	1.1		
South Indian Bank	1.4	1.2	1.7	3.8	2.5	3.6	4.9	5.0	7.0	5.9	5.1	0.8	0.8	1.0	2.9	1.5	2.6	3.5	3.3	4.7	3.0	1.9		
Yes Bank	0.2	0.3	0.4	0.8	1.5	1.3	3.2	16.8	15.4	13.9	2.2	0.0	0.0	0.1	0.3	0.8	0.6	1.9	5.0	5.9	4.5	0.8		
<b>Private banks</b>	<b>1.8</b>	<b>1.7</b>	<b>2.1</b>	<b>2.7</b>	<b>4.0</b>	<b>4.5</b>	<b>4.0</b>	<b>4.1</b>	<b>3.3</b>	<b>2.2</b>	<b>0.5</b>	<b>0.6</b>	<b>0.9</b>	<b>1.3</b>	<b>2.1</b>	<b>2.3</b>	<b>1.6</b>	<b>1.4</b>	<b>1.4</b>	<b>0.9</b>	<b>0.5</b>			
<b>Grand total</b>	<b>3.2</b>	<b>3.7</b>	<b>4.3</b>	<b>7.7</b>	<b>9.5</b>	<b>11.5</b>	<b>9.4</b>	<b>8.6</b>	<b>7.5</b>	<b>6.0</b>	<b>3.9</b>	<b>1.7</b>	<b>2.1</b>	<b>2.5</b>	<b>4.7</b>	<b>5.6</b>	<b>6.2</b>	<b>3.8</b>	<b>3.0</b>	<b>2.4</b>	<b>1.7</b>	<b>1.0</b>		

Source: Company, Kotak Institutional Equities

**Restructured book has been on a declining trend**

**Exhibit 10: Restructured advances, March fiscal year-ends (Rs bn)**

	Restructured advances outstanding (Rs bn)												Restructured (% of advances)											
	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
<b>Large private banks</b>																								
Axis Bank	18.5	32.4	44.6	46.4	40.3	34.0	30.0	24.8	20.5	19.1	17.6	16.4	0.3	0.5	0.7	0.7	0.6	0.5	0.4	0.3	0.2	0.2	0.2	0.2
HDFC Bank	65.1	91.8	203.4	209.6	157.0	107.5	78.5	64.0	60.2	50.0	50.0	NA	0.6	0.8	1.7	1.7	1.1	0.8	0.5	0.4	0.4	0.3	0.2	NA
ICICI Bank	39.3	48.6	96.8	96.8	82.7	73.6	67.1	49.9	45.1	39.5	35.4	33.2	0.5	0.7	1.3	1.2	1.0	0.8	0.7	0.5	0.4	0.4	0.3	0.3
<b>Mid and small private banks</b>																								
Bandhan	6.0	52.8	83.2	66.0	54.2	58.3	NA	NA	NA	NA	NA	NA	0.7	7.1	11.2	8.2	5.8	6.4	NA	NA	NA	NA	NA	NA
City Union	18.4	19.8	22.5	22.0	21.8	20.3	19.6	17.3	12.6	11.4	11.0	10.3	5.1	5.6	6.1	5.8	5.4	5.1	4.7	4.1	2.9	2.8	2.6	2.4
DCB Bank	9.7	13.7	18.3	18.8	18.7	18.2	17.1	16.3	15.5	14.1	12.7	11.6	3.7	5.4	6.8	6.8	6.4	6.1	5.5	4.9	4.5	4.0	3.4	3.0
Federal	16.2	25.7	35.5	37.2	35.4	33.7	32.7	30.4	28.3	25.7	24.2	22.0	1.2	2.0	2.6	2.6	2.4	2.2	2.0	1.8	1.6	1.4	1.3	1.1
IndusInd	42.7	56.5	79.5	75.4	62.2	52.1	39.0	34.1	24.4	19.9	17.0	15.7	2.0	2.7	3.6	3.3	2.6	2.1	1.5	1.3	0.8	0.7	0.5	0.5
KVB	9.6	10.3	15.8	16.2	16.4	15.3	12.3	11.6	9.8	8.9	8.5	8.0	1.9	2.1	3.1	3.0	3.0	2.6	2.0	1.9	1.5	1.4	1.2	1.1
Yes Bank	12.4	49.8	61.8	68.8	67.5	68.8	59.3	58.6	47.1	46.8	45.0	39.6	0.7	3.0	3.6	3.9	3.7	3.7	3.1	3.0	2.3	2.3	2.2	1.8
<b>Small Finance Banks</b>																								
AU SFB	6.4	12.7	13.0	12.6	11.8	10.5	8.9	7.9	7.1	6.4	5.2	4.7	1.9	3.7	3.6	3.1	2.6	2.2	1.7	1.4	1.2	1.0	0.8	0.7
Equitas SFB	4.3	12.7	17.6	17.6	15.0	11.9	9.9	7.3	2.4	2.1	NA	NA	2.6	7.6	9.9	9.6	7.7	5.8	4.5	3.1	0.9	0.8	NA	NA
Ujivan SFB	7.7	7.7	10.8	7.8	4.8	2.9	1.8	1.0	0.7	0.5	0.4	0.3	5.7	5.3	8.1	5.7	3.1	1.8	1.1	0.6	0.3	0.2	0.2	0.1
<b>PSU banks</b>																								
Bank of Baroda	178.8	191.0	205.0	206.5	190.0	196.6	177.0	167.0	110.0	130.0	110.0	99.0	2.4	2.7	2.8	2.7	2.3	2.3	2.0	1.8	1.1	1.3	1.1	0.9
Canara Bank	74.0	226.8	218.5	223.6	222.7	205.0	200.0	160.0	NA	160.0	NA	120.0	1.2	3.5	3.4	3.2	3.2	2.7	2.5	2.0	NA	1.9	NA	1.3
SBI	178.5	203.0	303.1	329.0	309.6	287.9	273.4	260.4	243.0	226.7	208.5	188.8	0.7	0.8	1.2	1.3	1.1	1.0	0.9	0.9	0.8	0.7	0.6	0.5
FNB	82.6	163.1	202.7	203.3	181.7	157.2	149.0	132.0	109.3	105.5	101.4	97.2	1.3	2.4	3.1	3.0	2.6	2.2	2.0	1.7	1.4	1.3	1.2	1.1
Union Bank	90.3	187.8	239.1	241.4	235.8	227.0	200.0	191.2	178.3	163.7	145.2	140.7	1.5	3.2	4.1	3.9	3.6	3.4	2.7	2.5	2.3	2.1	1.8	1.6
<b>Overall</b>	<b>860</b>	<b>1,406</b>	<b>1,871</b>	<b>1,899</b>	<b>1,727</b>	<b>1,581</b>	<b>1,375</b>	<b>1,234</b>	<b>914</b>	<b>1,030</b>	<b>792</b>	<												

**Slippages for public and private banks declined qoq**

**Exhibit 11: Slippages (% of opening advances, annualized), March fiscal year-ends**

	Slippages (Rs mn)					Slippages (%)				
	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
Bank of Baroda	28,810	27,440	27,610	47,510	26,180	1.2	1.1	1.1	1.9	1.0
Canara Bank	32,100	29,730	34,280	29,870	31,760	1.5	1.4	1.5	1.3	1.3
Punjab National Bank	40,710	39,960	23,900	18,260	17,920	2.0	1.9	1.1	0.8	0.8
State Bank of India	32,090	34,590	78,720	40,810	50,460	0.4	0.4	1.0	0.5	0.6
Union Bank	25,670	27,940	32,410	26,320	26,810	1.4	1.5	1.7	1.3	1.2
Axis Bank	38,070	37,710	39,900	32,540	37,150	2.0	1.8	1.9	1.5	1.6
ICICI Bank	57,230	42,970	53,180	46,870	57,140	2.4	1.7	2.0	1.7	2.0
IndusInd Bank	14,670	16,030	13,760	14,650	17,650	2.2	2.2	1.8	1.9	2.2
Yes Bank	16,070	11,960	14,300	11,990	12,330	3.3	2.4	2.9	2.3	2.3
City Union Bank	4,391	3,582	3,822	2,247	1,872	4.1	3.3	3.6	2.1	1.7
DCB	4,030	2,690	3,420	3,950	4,280	4.9	3.1	3.9	4.2	4.4
Federal Bank	4,120	4,360	5,010	3,730	4,960	1.0	1.0	1.1	0.8	1.0
Karur Vysya Bank	1,620	2,220	1,500	1,550	1,970	1.0	1.4	0.9	0.9	1.1
HDFC Bank	66,000	49,000	58,000	203,000	70,000	1.8	1.2	1.4	3.5	1.1
Bandhan Bank	32,650	11,180	19,418	13,200	13,900	14.2	4.3	7.9	5.2	5.0
AU SFB	2,310	1,910	3,170	3,490	4,030	1.7	1.3	2.0	2.2	2.4
Equitas SFB	2,865	1,906	2,139	2,568	3,122	4.9	3.0	3.1	3.6	4.3
Ujjivan SFB	1,100	190	1,030	1,130	1,310	2.3	0.4	1.9	1.9	2.0
<b>Total</b>	<b>404,506</b>	<b>345,368</b>	<b>415,569</b>	<b>503,685</b>	<b>382,844</b>	<b>1.5</b>	<b>1.2</b>	<b>1.5</b>	<b>1.6</b>	<b>1.2</b>
<b>Total - PSU banks</b>	<b>159,380</b>	<b>159,660</b>	<b>196,920</b>	<b>162,770</b>	<b>153,130</b>	<b>1.0</b>	<b>1.0</b>	<b>1.2</b>	<b>0.9</b>	<b>0.8</b>
<b>Total - private banks</b>	<b>245,126</b>	<b>185,708</b>	<b>218,649</b>	<b>340,915</b>	<b>229,714</b>	<b>2.3</b>	<b>1.7</b>	<b>1.9</b>	<b>2.5</b>	<b>1.6</b>

Source: Company, Kotak Institutional Equities

**Write-offs/sale of NPAs stood at ~1.0% (annualized)**

**Exhibit 12: Write-off of loans, March fiscal year-ends**

	Write-offs (Rs mn)					Write-offs (% of advances, annualized)				
	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
Bank of Baroda	47,250	49,350	27,300	34,020	25,010	2.0	2.0	1.1	1.3	1.0
Canara Bank	28,360	43,170	19,340	28,890	39,360	1.3	2.0	0.9	1.3	1.7
Punjab National Bank	18,200	25,750	19,230	21,790	18,280	0.9	1.2	0.9	1.0	0.8
State Bank of India	100,240	66,770	38,650	44,200	34,730	1.3	0.8	0.5	0.5	0.4
Union Bank	12,490	26,790	19,570	60,180	93,180	0.7	1.4	1.0	3.0	4.3
Axis Bank	16,535	24,290	21,310	26,710	19,810	0.9	1.1	1.0	1.2	0.8
ICICI Bank	11,600	11,580	11,690	19,220	13,890	0.5	0.5	0.4	0.7	0.5
Yes Bank	238,524	2,481	10,859	2,966	4,356	49.0	0.5	2.2	0.6	0.8
City Union Bank	1,389	1,367	1,000	334	300	1.3	1.2	0.9	0.3	0.3
DCB	540	630	730	60	20	0.7	0.7	0.8	0.1	0.0
Federal Bank	82	11	40	127	133	0.0	0.0	0.0	0.0	0.0
Karur Vysya Bank	7,540	2,570	1,510	1,510	1,510	4.7	1.6	0.9	0.9	0.8
Equitas SFB	812	1,175	310	837	500	1.4	1.8	0.4	1.2	0.7
Ujjivan SFB	1,790	669	601	557	931	3.7	1.3	1.1	0.9	1.5
<b>Total</b>	<b>483,562</b>	<b>255,934</b>	<b>171,539</b>	<b>240,845</b>	<b>251,078</b>	<b>2.2</b>	<b>1.1</b>	<b>0.7</b>	<b>1.0</b>	<b>1.0</b>

Note: Higher write-offs/sale of NPA for Yes Bank in 3QFY23 due to transfer of stressed assets to ARC.

Source: Company, Kotak Institutional Equities

**Recoveries and upgrades as a percentage of advances rose slightly qoq**

**Exhibit 13: Recoveries and upgradation of loans, March fiscal year-ends**

	Recovery and upgradation (Rs mn)					Recovery/upgradation (% of advances)				
	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
Bank of Baroda	26,350	28,020	19,370	22,070	16,970	1.1	1.2	0.8	0.9	0.6
Canara Bank	27,160	26,390	19,270	18,690	14,740	1.3	1.2	0.9	0.8	0.6
Punjab National Bank	31,480	41,570	35,950	34,980	30,450	1.6	2.0	1.7	1.6	1.3
State Bank of India	16,430	42,000	36,070	40,150	17,980	0.2	0.5	0.4	0.5	0.2
Union Bank	29,390	28,980	21,670	27,060	41,130	1.6	1.5	1.1	1.3	1.9
Axis Bank	20,880	26,990	23,050	19,850	25,980	1.1	1.3	1.1	0.9	1.1
ICICI Bank	46,040	42,830	35,110	45,710	53,510	1.9	1.7	1.3	1.6	1.9
City Union Bank	1,733	2,900	1,213	2,378	2,237	1.6	2.6	1.1	2.2	2.0
DCB	3,750	3,060	2,110	2,890	3,390	4.6	3.6	2.4	3.1	3.5
Federal Bank	2,870	3,990	2,460	3,590	2,900	0.7	0.9	0.5	0.7	0.6
Karur Vysya Bank	1,902	1,812	1,275	1,146	1,132	1.2	1.1	0.8	0.7	0.6
Yes Bank	12,700	4,570	6,660	6,560	6,590	2.6	0.9	1.3	1.3	1.2
Equitas SFB	2,142	2,105	1,368	2,828	1,725	3.7	3.3	2.0	3.9	2.4
Ujjivan SFB	1,223	590	770	680	530	2.5	1.1	1.4	1.1	0.8
<b>Total</b>	<b>224,050</b>	<b>255,807</b>	<b>206,346</b>	<b>228,581</b>	<b>219,264</b>	<b>1.0</b>	<b>1.1</b>	<b>0.9</b>	<b>1.0</b>	<b>0.9</b>
<b>Total (ex-SBI)</b>	<b>207,620</b>	<b>213,807</b>	<b>170,276</b>	<b>188,431</b>	<b>201,284</b>	<b>1.5</b>	<b>1.5</b>	<b>1.1</b>	<b>1.2</b>	<b>1.2</b>

Source: Company, Kotak Institutional Equities

**Credit costs for the frontline banks continue to be low**

**Exhibit 14: Credit cost, March fiscal year-ends (%)**

	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
<b>Public banks</b>					
Bank of Baroda	1.0	0.6	0.8	0.8	0.3
Canara Bank	1.5	1.4	1.2	1.1	0.8
Punjab National Bank	2.4	1.8	1.8	1.5	1.2
State Bank of India	0.8	0.4	0.3	0.0	0.1
Union Bank	1.6	1.5	1.0	0.9	0.8
<b>Old private banks</b>					
City Union Bank	2.1	1.4	1.4	0.5	0.4
Federal Bank	0.5	0.3	0.3	0.1	0.2
Karur Vysya Bank	2.3	1.8	1.0	0.7	0.8
<b>New private banks</b>					
Axis Bank	0.8	0.3	0.5	0.4	0.4
Bandhan	6.7	2.8	2.5	2.5	2.5
DCB	0.5	0.6	0.4	0.4	0.4
HDFC Bank	0.7	0.7	0.7	0.5	0.7
ICICI Bank	0.9	0.6	0.5	0.2	0.4
IndusInd Bank	1.6	1.4	1.3	1.2	1.1
Yes Bank	1.7	1.2	0.7	1.0	1.0
<b>Small finance banks</b>					
AU	0.2	0.3	0.2	0.7	1.0
Equitas SFB	0.9	1.9	0.9	0.9	1.2
Ujjivan SFB	(0.0)	(0.0)	0.5	0.8	1.0

Source: Company, Kotak Institutional Equities



**Most banks have fortified their balance sheets, with high coverage on NPLs**

Exhibit 15: Provision coverage ratio, March fiscal year-ends (%)

	Ex technical write-off					Including technical write-off				
	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
<b>Public banks</b>										
BoB	78.8	77.2	78.5	77.6	77.7	92.3	92.4	93.2	91.7	93.4
Canara	68.1	68.9	70.6	71.4	70.8	86.3	87.3	88.0	88.7	89.0
PNB	68.5	70.8	75.8	80.0	85.4	85.2	86.9	89.9	91.9	94.3
SBI	76.1	76.4	74.8	75.4	74.2	91.5	91.9	90.1	91.9	91.5
Union	74.6	78.8	79.8	80.7	78.4	88.5	90.3	90.9	92.0	92.5
<b>Old private banks</b>										
City Union Bank	43.5	47.0	50.1	50.9	52.2	67.0	69.0	70.0	71.0	71.0
Federal Bank	70.4	71.2	71.3	72.3	72.3					
Karur Vysya Bank	67.1	67.9	70.7	73.5	73.5	90.9	92.1	93.4	94.5	94.8
<b>New private banks</b>										
Axis Bank	80.8	80.9	79.6	79.5	77.8					
Bandhan	75.4	76.8	69.2	70.0	70.0					
DCB	63.0	68.2	64.1	62.8	65.1					
HDFC Bank	73.2	75.8	74.9	74.4	75.3					
ICICI Bank	82.6	83.5	83.1	83.1	81.3					
Yes	49.4	62.3	48.4	56.4	56.6					
IndusInd Bank	70.6	70.6	70.6	70.6	70.6					
<b>Small finance banks</b>										
AU SFB	72.1	75.0	69.0	69.1	66.0					
Equitas SFB	50.8	56.9	57.8	57.7	56.0					
Ujjivan SFB	98.7	98.6	97.9	96.3	92.5					

Source: Company, Kotak Institutional Equities

**Share of unsecured credit stands at ~9-10% for banks under coverage**

**Exhibit 16: Share of unsecured credit in loan mix across select banks, March fiscal year-ends (%)**

	4QFY19	4QFY20	4QFY21	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
<b>PSU banks</b>											
Bank of Baroda	-	-	0.7	1.3	1.5	1.8	1.9	2.1	2.3	2.6	2.7
PNB	0.6	1.1	1.6	1.7	1.7	1.8	2.0	2.2	2.2	2.2	2.3
SBI	4.8	6.1	7.9	9.1	9.2	9.2	9.4	9.5	9.6	9.6	9.5
Union	0.5	0.7	0.8	0.8	1.0	1.2	1.4	1.5	1.5	1.4	1.3
Indian				1.4	1.4	1.4	1.6	1.7	1.8	1.8	1.8
<b>Total</b>	<b>3.0</b>	<b>3.7</b>	<b>4.5</b>	<b>5.3</b>	<b>5.5</b>	<b>5.5</b>	<b>5.7</b>	<b>5.8</b>	<b>5.9</b>	<b>5.9</b>	<b>5.9</b>
<b>Private banks</b>											
HDFC	17.0	17.4	16.5	15.8	16.3	16.0	16.5	16.1	16.5	11.6	11.4
ICICI	7.4	9.4	9.1	10.2	10.8	11.5	11.9	12.3	12.8	13.3	13.8
Axis	8.4	9.6	8.6	8.6	9.3	9.5	9.3	10.2	10.7	10.8	11.3
IIB	2.4	14.0	14.5	15.1	14.5	15.7	15.5	15.9	15.6	16.0	16.4
Federal	0.7	1.2	1.4	1.2	1.1	2.1	1.2	1.4	2.6	4.1	4.6
YES	-	-	3.6	6.1	7.7	7.6	7.6	8.9	10.1	10.8	10.0
IDFC First	10.4	13.6	14.2	16.4	17.1	16.0	15.8	15.4	15.7	15.7	17.5
RBL	19.0	29.2	32.9	30.4	29.5	30.5	30.7	32.1	33.1	33.2	32.9
Bandhan	114.0	76.2	76.0	77.7	61.9	59.3	58.5	61.7	49.0	55.0	56.9
DCB	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>10.9</b>	<b>13.4</b>	<b>13.4</b>	<b>13.6</b>	<b>13.9</b>	<b>13.9</b>	<b>14.0</b>	<b>14.3</b>	<b>14.5</b>	<b>12.9</b>	<b>13.1</b>
<b>Regional banks</b>											
CUBK			2.2	2.3	2.3	2.2	2.2	2.2	2.3	2.3	2.8
KVB	0.8	1.2	1.2	0.7	1.0	0.6	0.5	1.0	1.0	1.1	1.8
<b>Total</b>	<b>0.5</b>	<b>0.7</b>	<b>1.6</b>	<b>1.4</b>	<b>1.5</b>	<b>1.2</b>	<b>1.2</b>	<b>1.5</b>	<b>1.5</b>	<b>1.6</b>	<b>2.2</b>
<b>Small Finance Banks</b>											
AU	-	-	-	1.6	2.0	2.5	3.0	3.6	4.2	4.7	5.3
Equitas	26.5	26.3	19.2	20.2	19.6	19.0	19.8	20.3	20.4	20.4	20.7
Ujjivan	86.9	76.6	73.5	74.6	80.9	83.1	79.2	81.6	82.6	78.7	77.2
<b>Total</b>	<b>27.2</b>	<b>26.2</b>	<b>21.1</b>	<b>20.6</b>	<b>21.4</b>	<b>21.9</b>	<b>22.1</b>	<b>23.4</b>	<b>23.6</b>	<b>23.9</b>	<b>24.2</b>
<b>Grand total</b>	<b>6.4</b>	<b>7.9</b>	<b>8.1</b>	<b>8.8</b>	<b>9.0</b>	<b>9.1</b>	<b>9.2</b>	<b>9.4</b>	<b>9.6</b>	<b>9.2</b>	<b>9.3</b>

Note: For this analysis, unsecured credit includes credit card receivables, personal loans and microfinance loans.

Source: Company, Kotak Institutional Equities

**Credit growth is quite broadbased and stood at ~22% yoy for banks under coverage**

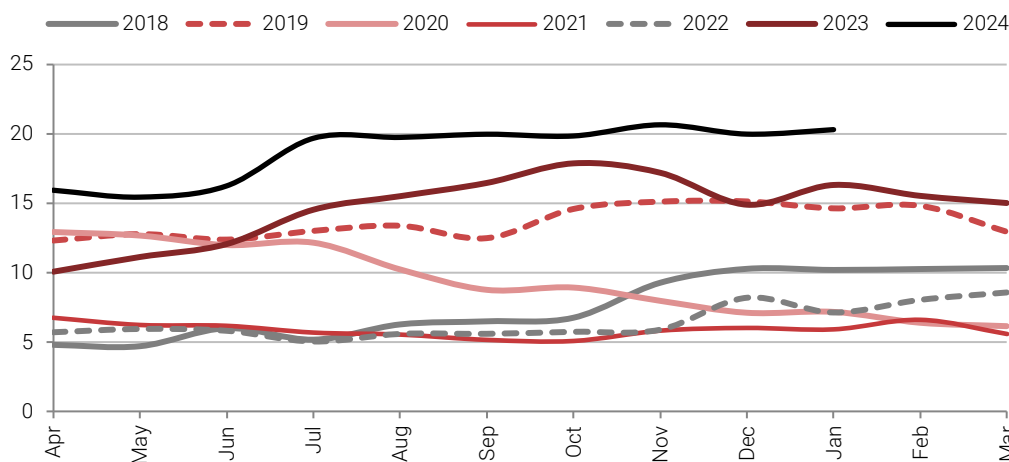
For banks under coverage, credit growth stayed healthy at ~22% yoy in 3QFY24—up marginally from ~21% yoy at the end of the previous quarter. Growth was strong for private banks (~35% yoy) and healthy for PSU (~14% yoy) banks. According to the latest RBI data, overall credit growth for the banking system has stayed healthy at ~20% yoy in January 2024, supported by the merger of HDFC Ltd into HDFC Bank, while it stood at ~16% yoy adjusted for the impact of the merger.

Growth in loans to large corporates has seen a modest improvement (up 9% yoy in December 2023). The MSME industry segment has been seeing robust credit growth over the past few quarters, but growth has moderated now to ~13% yoy. Retail credit growth has stayed healthy at ~30% yoy, with housing credit up ~36% yoy and vehicle loans up ~20% yoy. Credit card balance growth has also stayed strong at 33% yoy, whereas loans against gold jewelry were up 19% yoy.

We saw credit growth staying broadbased during 3QFY24. While frontline private banks continued on a robust growth trajectory, even the large PSU banks showed very healthy growth. At the same time, some regional private banks also showed meaningful recovery in credit growth, indicating a change in the stance from asset quality management toward growth. Segmental credit growth data reported by individual banks also indicates that credit growth has been relatively more broadbased across sectors of retail, MSME and large corporate, but has been led by retail. We expect retail and MSME to continue to drive growth as well. In the case of some PSU banks, the international loan book saw robust growth in FY2023, but that growth is also cooling off.

**Industry loan growth stands at ~20% yoy**

**Exhibit 17: Growth in loans yoy, March fiscal year-ends (%)**



Source: Company, Kotak Institutional Equities

**Loan growth at ~22% yoy in 3QFY24 for banks under coverage, with most banks showing healthy growth trend**

**Exhibit 18: Growth in loans for banks under coverage yoy, March fiscal year-ends (%)**

	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
<b>Public banks</b>													
Bank of Baroda	6.3	1.8	(3.4)	2.1	3.6	8.9	18.0	19.0	19.7	18.5	18.0	17.3	13.6
Canara Bank	5.8	3.7	5.2	5.8	9.3	9.8	14.5	20.0	16.7	16.4	13.3	12.1	11.7
PNB	1.1	(3.2)	0.8	3.2	4.9	8.0	12.3	14.9	15.5	14.1	16.3	15.1	14.5
SBI	7.6	5.3	5.8	6.5	8.9	11.6	15.8	20.8	18.6	17.0	14.9	13.3	15.1
Union Bank	(0.4)	(1.5)	0.5	0.3	5.8	11.8	15.7	25.2	22.6	15.3	13.9	10.5	14.0
<b>Old private banks</b>													
CUBK	7.9	7.1	5.4	9.2	5.2	11.2	12.5	12.3	12.0	6.8	3.6	2.3	2.3
Federal Bank	5.3	7.9	8.7	11.7	14.4	12.0	17.1	20.0	19.1	20.1	22.0	19.0	21.0
KVB	5.0	8.9	7.6	6.8	7.1	9.0	13.9	14.8	15.0	11.5	12.3	13.9	13.3
<b>New private banks</b>													
Axis Bank	3.6	7.5	12.0	10.1	16.7	15.2	14.0	17.6	14.7	19.4	22.4	22.7	22.3
Bandhan	26.7	22.5	7.2	1.6	4.6	15.1	21.6	21.1	14.7	11.5	8.0	13.1	19.6
DCB	(0.5)	2.4	1.7	7.9	9.3	12.1	16.9	16.5	19.2	18.2	19.0	19.1	18.2
HDFC Bank	15.6	14.0	14.4	15.5	16.5	20.8	21.6	23.4	19.5	16.9	15.8	57.5	62.3
ICICI Bank	10.0	13.7	17.0	17.2	16.4	17.1	21.3	22.7	19.7	18.7	18.1	18.3	18.5
Yes Bank	(8.8)	(2.7)	(0.5)	3.5	3.8	8.5	13.9	11.3	10.4	12.3	7.4	8.7	11.8
IndusInd Bank	(0.1)	2.8	6.4	9.7	10.4	12.4	17.7	17.8	19.3	21.3	21.5	21.3	19.9
<b>Small finance banks</b>													
AU	14.0	28.2	29.4	31.6	32.6	33.2	43.3	44.4	38.4	26.7	29.2	24.0	20.0
Equitas SFB	22.7	22.6	16.2	12.0	8.9	15.0	22.5	22.4	27.1	33.2	34.4	31.7	25.5
Ujjivan SFB	(0.2)	3.2	(6.9)	(2.1)	13.6	12.5	24.3	29.3	27.2	30.6	34.5	39.5	31.2
<b>Public sector</b>	5.3	2.6	3.1	4.6	7.3	10.5	15.4	20.2	18.6	16.6	15.2	13.6	14.2
<b>Private sector</b>	8.6	10.7	12.4	13.0	14.8	16.9	19.2	20.9	18.2	17.9	17.7	33.0	34.6
<b>Total</b>	6.6	5.6	6.5	7.8	10.1	13.0	16.9	20.5	18.4	17.1	16.2	21.3	22.3

Source: Company, Kotak Institutional Equities

**Retail loan growth has seen a pick-up to ~30% yoy; credit to large industries has seen some improvement (up 9% yoy)**

**Exhibit 19: Segment-wise loan share and growth across banking system, March fiscal year-ends (%)**

	Proportion of loans													Growth yoy																
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Dec-23	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Dec-23	
Agriculture & Allied	13.7	13.1	12.7	12.1	12.0	12.8	13.5	14.0	13.4	12.9	12.6	13.2	13.3	13.3	13.1	16	13	8	13	15	15	12	4	8	9	10	10	15	19	
Industry	43.1	43.8	45.2	45.8	45.5	44.3	41.7	37.8	35.1	33.4	31.0	29.2	28.6	26.2	24.0	23	20	15	13	6	3	(2)	1	7	3	(1)	8	6	9	
Micro, small and medium	11.2	8.9	8.6	8.4	8.6	8.4	7.4	6.7	6.2	5.6	4.8	5.3	6.3	6.3	6.2	(3)	12	11	16	4	4	(4)	(2)	—	1	3	15	31	14	13
Large	32.0	34.8	36.6	37.4	36.9	35.8	34.3	31.1	28.9	27.8	25.8	23.5	21.9	19.5	17.5	32	22	16	12	5	4	(2)	1	8	3	(5)	2	3	7	
Sector-wise:																														
Mining & Quarrying	0.6	0.7	0.8	0.7	0.6	0.6	0.6	0.5	0.5	0.5	0.5	0.4	0.4	0.5	0.4	41	28	7	3	—	9	(12)	20	1	8	(4)	13	20	3	
Food processing	2.2	2.1	2.2	2.4	2.6	2.9	2.3	2.1	2.0	1.8	1.5	1.6	1.6	1.4	1.3	18	22	24	25	17	(12)	(3)	7	1	(8)	8	11	6	10	
Textiles	4.0	4.0	3.7	3.8	3.7	3.4	3.1	2.8	2.7	2.4	2.0	2.0	2.0	1.8	1.7	20	9	15	10	(0)	2	(5)	7	(3)	(4)	5	9	2	13	
Paper & Paper Products	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.4	0.4	0.3	0.4	0.4	0.3	0.3	12	17	13	16	4	4	(8)	(6)	(1)	1	23	7	6	4	
Petroleum and others	2.6	1.4	1.4	1.3	1.2	0.9	0.8	0.8	0.8	0.7	0.8	0.8	1.0	1.2	0.9	(35)	20	5	1	(13)	(9)	16	9	(3)	20	4	36	39	(19)	
Chemicals	2.8	3.0	3.0	3.3	3.0	2.6	2.5	2.4	2.1	2.2	2.2	1.8	1.8	1.7	1.6	27	17	25	4	(7)	7	5	(5)	17	10	(13)	6	10	10	
Basic metals	5.4	5.8	6.1	6.5	6.5	6.4	6.4	5.9	5.4	4.3	3.6	3.0	2.6	2.7	2.6	32	22	20	15	7	8	1	(1)	(11)	(6)	(12)	(6)	19	15	
Engineering	2.4	2.5	2.6	2.6	2.6	2.6	2.4	2.1	2.0	2.0	1.7	1.5	1.5	1.4	1.3	26	21	13	14	5	—	(3)	4	9	(4)	(5)	9	4	8	
Vehicles, and others	1.3	1.2	1.2	1.2	1.2	1.1	1.1	1.0	1.0	0.9	0.9	0.9	0.8	0.8	0.7	18	13	13	13	3	1	7	7	1	6	1	5	7	8	
Gems & jewellery	1.0	1.1	1.2	1.3	1.3	1.2	1.1	1.0	0.9	0.8	0.7	0.7	0.7	0.6	0.6	26	29	19	14	3	1	(5)	5	(1)	(8)	12	8	(3)	11	
Construction	1.5	1.2	1.1	1.1	1.1	1.2	1.1	1.2	1.2	1.2	1.2	1.1	1.0	0.9	(2)	12	7	20	19	—	10	10	10	11	8	(2)	4	11		
Infrastructure	12.5	14.2	14.7	15.0	15.1	15.4	14.7	12.8	11.6	12.2	11.3	10.9	10.8	9.3	8.5	38	21	16	15	11	4	(6)	(2)	19	3	1	9	(1)	6	
Power	6.2	7.3	7.7	8.5	8.8	9.3	8.9	7.4	6.8	6.6	5.9	5.7	5.5	4.8	4.2	42	24	26	17	15	4	(9)	(1)	9	—	—	7	(1)	4	
Telecom	2.0	2.5	2.2	1.8	1.6	1.5	1.4	1.2	1.1	1.3	1.5	1.1	1.2	0.9	0.9	58	1	(7)	1	4	(1)	(7)	(1)	37	27	(22)	13	(15)	25	
Roads	2.4	2.5	2.6	2.7	2.9	2.8	2.7	2.5	2.2	2.0	1.9	2.3	2.5	2.2	2.0	24	22	18	20	7	5	1	(7)	5	4	25	19	5	6	
Other Infrastructure	1.9	1.9	2.2	1.9	1.9	1.8	1.8	1.6	1.6	2.3	1.9	1.8	1.7	1.5	1.3	21	32	—	9	3	(0)	4	63	(6)	(0)	(0)	1	1	1	
Other Industries	4.1	3.7	4.2	3.7	3.4	3.1	3.0	2.8	2.5	2.3	2.6	2.3	2.3	2.0	1.9	9	32	1	4	(2)	6	1	(4)	7	26	(10)	11	1	23	
Services	23.9	24.2	23.7	23.7	24.2	23.5	23.5	25.4	26.7	28.0	28.2	27.6	27.3	28.4	28.9	23	14	13	16	6	9	17	14	18	12	2	9	20	23	
Transport operators	1.7	1.9	1.8	1.6	1.7	1.5	1.5	1.6	1.6	1.5	1.4	1.4	1.4	1.4	1.5	33	9	4	16	(1)	9	11	10	6	3	8	9	13	25	
Computer Software	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	11	3	18	10	(7)	11	(6)	4	(0)	3	4	5	3	8	
Tourism, Hotels & Restaurants	0.6	0.8	0.8	0.7	0.7	0.6	0.6	0.5	0.5	0.5	0.6	0.6	0.6	0.5	0.5	43	16	9	13	(7)	—	1	(3)	7	38	10	8	3	14	
Shipping	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	(13)	(0)	3	25	(1)	3	(20)	(25)	23	(19)	29	5	(21)	(10)	
Aviation										0.3	0.2	0.3	0.2	0.2	0.3										(14)	17	(13)	18	56	
Professional Services	1.4	1.2	1.1	1.2	1.4	1.4	1.6	1.9	2.0	2.0	1.8	1.1	1.1	1.1	1.0	4	5	19	41	6	24	32	13	10	(1)	(36)	8	15	20	
Trade	5.4	5.0	5.2	5.7	5.9	6.1	5.8	6.0	6.1	6.1	5.8	6.3	6.3	6.4	6.2	13	21	22	18	12	4	12	9	13	5	13	11	18	17	
—Wholesale Trade (other than I	2.8	2.6	2.8	3.1	3.0	3.0	2.6	2.7	2.7	2.9	2.8	3.3	3.2	3.1	3.1	10	27	25	12	7	(6)	15	6	22	7	22	7	13	17	
—Retail Trade	2.6	2.5	2.4	2.6	2.9	3.1	3.2	3.3	3.4	3.2	3.0	3.0	3.1	3.3	3.1	17	15	20	26	17	14	10	12	6	4	4	15	23	17	
Real Estate	3.0	2.6	2.6	2.6	2.8	2.8	2.7	2.6	2.4	2.3	3.0	2.9	2.6	2.5	2.9	6	16	12	22	9	7	4	—	9	43	—	0.6	8	38	
NBFCs	3.7	5.0	5.3	5.3	5.3	5.2	5.4	5.5	6.5	8.1	10.0	9.4	9.3	10.5	10.0	62	24	14	13	6	13	11	27	41	36	(1)	8	30	15	
HFCs										1.6	2.0	2.8	2.6	2.5	2.2											41	47	(1)	12	4
Other Services	7.2	7.0	6.4	6.0	5.9	5.5	5.5	6.8	7.3	6.9	5.2	5.4	5.6	5.6	6.4	17	6	7	11	2	9	35	16	5	(16)	8	14	16	38	
Personal Loans	19.3	19.0	18.4	18.4	18.3	19.4	21.3	22.8	24.8	25.7	28.3	30.0	30.7	32.1	34.0	19	13	14	12	16	19	16	18	16	22	11	13	21	29	
Consumer Durables	0.3	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.1	0.2	0.2	0.3	0.3	0.2	(24)	13	17	53	19	16	17	(5)	(68)	155	7	60	35	14	
Housing	9.9	9.7	9.4	9.4	9.7	10.5	11.4	12.1	12.7	13.4	14.2	14.9	15.3	15.2	17.3	19	12	13	18	17	19	15	13	19	18	10	13	15	36	
Credit card	0.7	0.5	0.5	0.5	0.4	0.5	0.6	0.7	0.9	1.0	1.2	1.3	1.3	1.5	1.7	(10)	13	22	(0)	23	24	38	32	29	36	10	13	31	33	
Education	1.2	1.2	1.2	1.1	1.1	1.1	1.0	1.0	0.9	0.8	0.7	0.8	0.8	0.8	0.8	17	16	10	9	6	8	3	(1)	(2)	(4)	19	6	17	22	
Vehicle	2.1	2.0	2.1	2.3	1.9	2.1	2.3	2.4	2.5	2.3	2.9	3.7	3.7	4.0	3.8	14	22	24	(4)	17	23	12	11	7	38	32	9	25	20	
Loans against gold jewellery										0.3	0.4	0.7	0.7	0.7	0.7											36	122	(1)	20	19
Other Personal Loans	3.4	4.0	3.7	3.6	3.6	3.9	4.5	5.3	6.6	6.8	7.9	7.6	8.0	8.7	8.7	42	8	11	13	18	25	27	35	15	30	1	15	25	23	
Loans against FD	1.6	1.3	1.3	1.3	1.2	1.0	1.0	0.9	0.9	1.0	0.8	0.8	0.8	1.0	0.8	2	15	7	4	(2)	7	(1)	10	14	(13)	8	7	46	7	

Source: Company, Kotak Institutional Equities

**Margins stay under some pressure, as deposit re-pricing continues**

We saw most banks showing a declining trend on NIM during 3QFY24. Yields were either flat or slightly higher qoq, with some amount of re-pricing of MCLR-linked loans. However, re-pricing of deposits was relatively faster. Most banks have indicated that a further increase in cost of deposits is unlikely to be sharp from here.

At a system level, deposit growth stood at ~13.2% yoy (~12.5% yoy adjusted for the HDFC merger). Thus, deposit growth continues to be outpaced by credit growth at 20% yoy, resulting in almost complete utilization of excess liquidity. We note that PSU banks stand with relatively lower CD ratio and hence, better positioned on the liquidity front.

According to the latest data from the RBI, term deposit rates (on outstanding term deposits) were up ~180 bps to ~6.8% from the bottom of ~5.0%. Both private and PSU banks had kept their term deposit rates stable for almost a year. Wholesale deposit costs (as measured by CD rates) seemed to have stabilized at ~7.1-7.2%, but it has inched up again in the past few months to ~7.9%. We have also seen some large private banks hiking term deposit rates by 10-15 bps in the past couple of months. In our view, the outlook on NIM for the banking system stays uncertain, as the competition for deposits to fund business growth could exert further upward pressure on deposit rates.

**NIM has declined from recent peak level for most banks under coverage**

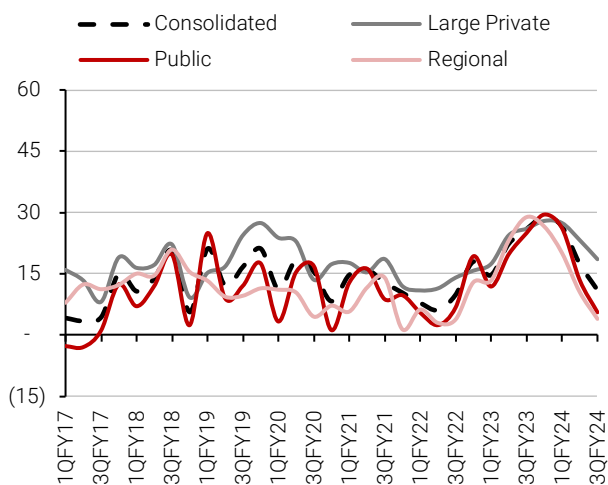
Exhibit 20: NIM and yoy growth in NII for banks, March fiscal year-ends (%)

	NIM (% calculated)					NII yoy growth (%)				
	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
<b>Public banks</b>										
Bank of Baroda	3.5	3.5	3.3	3.2	3.2	26.5	33.8	24.4	6.4	2.6
Canara Bank	3.1	3.0	3.0	2.9	3.0	23.8	23.0	27.7	19.8	9.5
Punjab National Bank	3.1	3.1	3.0	3.1	3.1	17.6	30.0	26.0	20.0	12.1
State Bank of India	3.3	3.4	3.2	3.2	3.1	24.1	29.5	24.7	12.3	4.6
Union Bank	3.2	3.0	3.2	3.2	3.1	20.3	21.9	16.6	9.9	6.3
<b>Old private banks</b>										
City Union Bank	3.5	3.2	3.3	3.4	3.2	13.4	2.7	(0.5)	(5.2)	(7.2)
Federal Bank	3.5	3.2	3.1	3.1	3.1	27.1	25.2	19.6	16.7	8.5
Karur Vysya Bank	3.9	3.9	3.8	3.7	3.9	29.4	25.7	20.3	11.4	12.6
<b>New private banks</b>										
Axis Bank	4.1	3.9	3.9	4.0	3.9	32.4	33.1	27.4	18.9	9.4
Bandhan	6.1	6.9	6.7	6.6	6.7	(2.1)	(2.7)	(0.9)	11.4	21.4
DCB	3.9	4.0	3.7	3.6	3.4	29.3	27.7	25.9	15.7	6.3
HDFC Bank	4.3	4.2	4.1	3.9	3.5	24.6	23.7	21.1	30.3	23.9
ICICI Bank	4.7	4.8	4.8	4.6	4.5	34.6	40.2	38.0	23.8	13.4
IndusInd Bank	4.1	4.1	4.2	4.3	4.4	18.5	17.2	18.0	18.0	17.8
Yes Bank	3.1	3.1	2.9	2.8	2.8	11.7	15.7	8.1	(3.3)	2.3
<b>Small finance banks</b>										
AU	6.0	5.8	5.6	5.5	5.5	40.5	29.5	27.7	15.3	14.9
Equitas SFB	9.1	9.1	8.8	8.5	8.4	19.7	28.0	28.0	25.6	21.3
Ujjivan SFB	10.1	9.6	9.6	9.3	9.1	53.6	35.7	32.2	24.1	23.4

Source: Company, Kotak Institutional Equities

**NII growth appears to have peaked in 4QFY23**

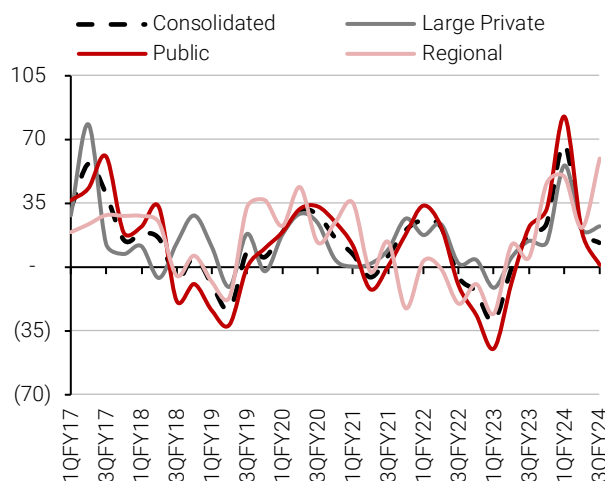
Exhibit 21: NII growth for banks (consolidated), March fiscal year-ends, 1QFY17-3QFY24(%)



Source: Company, Kotak Institutional Equities

**The quarter has seen a decline in non-interest income growth for most bank groups**

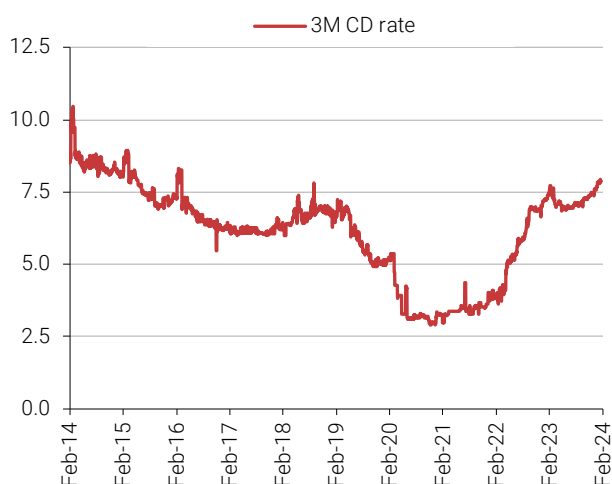
Exhibit 22: Non-interest income growth for banks (consolidated), March fiscal year-ends, 1QFY17-3QFY24 (%)



Source: Company, Kotak Institutional Equities

**CD rates moved up a bit recently**

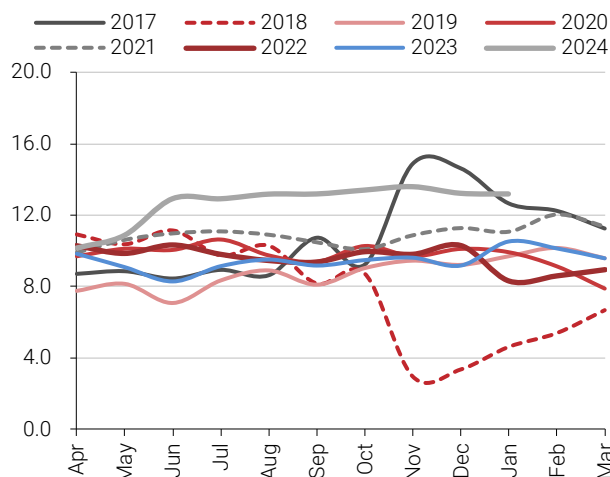
Exhibit 23: 3-month CD rate (%)



Source: Bloomberg, Kotak Institutional Equities

**Deposit growth at ~13% yoy**

Exhibit 24: Growth in deposits yoy, March fiscal year-ends (%)



Source: RBI

**Deposit growth has been relatively weaker for PSU banks as compared with private banks**

Exhibit 25: CASA ratio and yoy growth in deposits, March fiscal year-ends (%)

	Deposit growth (%)					CASA ratio (%)				
	2QFY23	3QFY23	4QFY23	1QFY24	3QFY24	2QFY23	3QFY23	4QFY23	1QFY24	3QFY24
<b>Public banks</b>										
Bank of Baroda	13.6	17.5	15.1	16.2	14.6	42.8	41.6	42.3	40.3	39.9
Canara Bank	9.8	11.5	8.5	6.6	8.7	34.0	32.6	33.5	33.0	32.2
Punjab National Bank	7.0	7.4	11.8	14.2	9.8	44.9	43.7	43.0	41.9	42.2
State Bank of India	10.0	9.5	9.2	12.0	11.9	44.6	44.5	43.8	42.9	41.9
Union Bank	14.1	13.6	8.3	13.6	9.0	35.6	35.3	35.3	34.1	34.1
<b>Old private banks</b>										
City Union Bank	7.7	7.0	9.9	5.9	5.7	31.3	29.2	29.9	30.8	29.6
Federal Bank	10.0	14.8	17.4	21.3	23.1	36.4	34.2	32.7	31.9	31.2
Karur Vysya Bank	12.5	13.5	11.6	13.4	12.8	35.0	34.0	33.0	33.0	32.0
<b>New private banks</b>										
Axis Bank	10.1	9.9	15.2	17.2	17.8	46.2	44.5	47.2	45.5	44.4
Bandhan	21.3	21.0	12.2	16.6	12.8	40.8	36.4	39.3	36.0	38.5
DCB	16.3	22.6	18.9	22.6	23.1	29.3	27.6	28.0	26.0	25.0
HDFC Bank	19.0	19.9	20.8	19.2	29.8	45.4	44.0	44.4	42.5	37.6
ICICI Bank	11.5	10.3	10.9	17.9	18.8	46.6	45.4	45.8	43.3	40.8
IndusInd Bank	14.7	14.3	14.6	14.6	13.9	42.3	41.9	40.0	39.9	39.3
Yes Bank	13.2	15.9	10.3	13.5	17.2	31.0	29.9	30.8	29.4	29.4
<b>Small finance banks</b>										
AU	49.4	38.0	31.9	26.9	29.8	42.3	38.4	38.4	35.0	33.9
Equitas SFB	20.1	30.8	33.9	35.9	41.9	48.0	46.2	42.3	38.4	33.6
Ujjivan SFB	44.8	49.1	39.6	44.5	42.9	26.9	26.2	26.4	24.6	24.1

Source: Company, Kotak Institutional Equities

**Yields have been broadly flat or marginally higher qoq**

**Exhibit 26: Yield on advances, March fiscal year-ends (%)**

	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
<b>Public banks</b>									
Bank of Baroda	6.9	6.8	6.6	7.2	7.8	8.5	8.4	8.4	8.5
Canara Bank	7.2	7.2	7.0	7.2	7.5	7.7	8.4	8.6	8.6
Punjab National Bank	7.1	6.6	6.5	6.9	7.2	7.9	8.1	8.2	8.5
State Bank of India	7.6	7.6	7.4	7.7	7.9	8.1	8.8	8.9	8.9
Union Bank	7.2	7.0	7.1	7.7	7.8	8.0	8.4	8.8	8.8
<b>Old private banks</b>									
City Union Bank	9.3	9.3	9.0	9.4	9.2	9.3	9.5	9.8	9.6
Federal Bank	7.8	7.6	7.6	8.1	8.5	8.7	8.8	9.1	9.1
Karur Vysya Bank	8.4	8.3	8.3	8.6	9.1	9.6	9.7	9.8	10.2
<b>New private banks</b>									
Axis Bank	7.9	7.6	7.9	8.5	9.2	9.1	9.5	9.7	9.8
Bandhan	6.9	7.7	7.3	6.4	6.1	6.9	6.7	6.6	6.7
DCB	10.7	11.0	10.7	10.8	11.0	11.7	11.6	11.6	11.4
HDFC Bank	8.1	7.9	7.9	8.5	9.0	9.2	9.5	11.0	9.5
ICICI Bank	8.2	8.1	8.0	8.7	9.3	9.7	10.0	10.0	10.1
IndusInd Bank	11.4	11.3	11.4	11.5	11.8	12.0	12.2	12.3	12.5
Yes Bank	8.1	8.2	8.1	8.5	9.0	10.2	10.1	10.1	10.1
<b>Small finance banks</b>									
AU	13.7	13.4	13.3	13.3	13.4	13.4	13.4	13.3	13.2
Equitas SFB	18.1	17.2	17.2	17.1	17.0	17.1	17.1	17.4	17.6
Ujjivan SFB	16.7	17.5	17.4	17.8	17.9	18.0	18.3	18.7	18.9

Source: Company, Kotak Institutional Equities

**Cost of funds has increased qoq for most banks**

**Exhibit 27: Cost of funds/deposits, March fiscal year-ends (%)**

	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
<b>Public banks</b>									
Bank of Baroda (calc.)	3.5	3.4	3.5	3.8	4.2	4.5	4.7	5.1	5.1
Canara Bank	3.6	3.6	3.6	3.8	3.9	4.0	4.8	4.9	4.9
PNB (calc.)	4.0	3.8	3.8	3.9	4.2	4.4	4.7	4.8	4.9
SBI (calc.)	3.6	3.6	3.7	3.9	4.1	4.3	4.6	4.9	5.1
Union Bank (calc.)	4.0	4.0	4.0	4.2	4.4	4.8	5.0	5.3	5.4
<b>Old private banks</b>									
City Union Bank	3.8	3.7	3.7	3.8	4.0	4.3	4.6	4.6	4.8
Federal Bank (calc.)	4.2	4.1	4.1	4.4	4.6	5.0	5.2	5.5	5.7
Karur Vysya Bank	4.2	4.1	4.1	4.1	4.3	4.6	5.0	5.2	5.3
<b>New private banks</b>									
Axis Bank	3.8	3.8	3.9	4.1	4.3	4.8	5.0	5.2	5.4
Bandhan	5.2	5.1	5.3	5.5	5.8	5.8	6.4	6.5	6.6
DCB	6.1	6.0	6.0	6.0	6.1	6.4	6.7	6.9	7.0
HDFC Bank (calc.)	3.5	3.4	3.6	3.8	4.1	4.3	4.7	6.4	5.8
ICICI Bank	3.7	3.7	3.7	3.8	4.0	4.3	4.6	4.8	5.0
IndusInd Bank	4.3	4.1	4.1	4.4	4.7	4.9	5.3	5.4	5.5
Yes Bank	5.1	5.1	5.1	5.3	5.7	5.9	6.2	6.3	6.4
<b>Small finance banks</b>									
AU SFB	5.9	5.7	5.7	5.8	6.0	6.3	6.6	6.7	6.9
Equitas SFB	6.9	6.5	6.5	6.7	6.6	6.6	6.8	7.3	7.6
Ujjivan SFB	6.2	6.1	5.9	6.1	6.6	6.9	7.2	7.4	7.5

Source: Company, Kotak Institutional Equities

**1-year TD rate for SBI has been unchanged yoy**

**Exhibit 28: Retail term deposit rates across tenors for SBI (%)**

	Mar-19	Mar-20	Mar-22	Jun-22	Sep-22	Dec-22	Jan-23	Mar-23	Jun-23	Sep-23	Dec-23	Jan-24	Yoy change (bps)
7-14 days	5.75	3.50	2.90	2.90	2.90	3.00	3.00	3.00	3.00	3.00	3.50	3.50	50
15-30 days	5.75	3.50	2.90	2.90	2.90	3.00	3.00	3.00	3.00	3.00	3.50	3.50	50
31-45 days	5.75	3.50	2.90	2.90	2.90	3.00	3.00	3.00	3.00	3.00	3.50	3.50	50
46-90 days	6.25	4.50	3.90	3.90	3.90	4.50	4.50	4.50	4.50	4.50	4.75	4.75	25
91-120days	6.25	4.50	3.90	3.90	3.90	4.50	4.50	4.50	4.50	4.50	4.75	4.75	25
120-180 days	6.25	4.50	3.90	3.90	3.90	4.50	4.50	4.50	4.50	4.50	4.75	4.75	25
181-210 days	6.35	5.00	4.40	4.40	4.55	4.55	4.55	5.25	5.25	5.25	5.75	5.75	120
211 days -1 year	6.40	5.00	4.40	4.60	4.60	4.60	4.60	5.75	5.75	5.75	6.00	6.00	140
1 year-2 year	6.80	5.70	5.10	5.30	5.45	6.75	6.80	6.80	6.80	6.80	6.80	6.80	—
2 year-3 year	6.80	5.70	5.20	5.35	5.50	6.75	6.75	7.00	7.00	7.00	7.00	7.00	25
3 years-5 years	6.80	5.70	5.30	5.45	5.45	5.45	5.45	6.50	6.50	6.50	6.75	6.75	130
5 years-8 years	6.85	5.70	5.40	5.50	5.50	5.50	5.50	6.50	6.50	6.50	6.50	6.50	100

Source: Company, Kotak Institutional Equities

**MCLR rates are now higher by ~40 bps yoy for frontline private banks and ~30 bps yoy for PSU banks**

**Exhibit 29: MCLR rates (%)**

	Mar-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	(% change (Jan-23 to Jan-24))
<b>Public sector banks</b>															
BoB	7.30	8.50	8.55	8.55	8.60	8.60	8.65	8.65	8.70	8.70	8.70	8.75	8.75	8.75	0.25
Canara	7.25	8.35	8.50	8.60	8.65	8.65	8.65	8.65	8.70	8.70	8.70	8.75	8.75	8.75	0.40
PNB	7.25	8.30	8.40	8.50	8.50	8.50	8.60	8.60	8.60	8.65	8.65	8.65	8.65	8.65	0.35
SBI	7.00	8.40	8.50	8.50	8.50	8.50	8.50	8.55	8.55	8.55	8.55	8.55	8.65	8.65	0.25
Union	7.25	8.40	8.65	8.65	8.65	8.65	8.65	8.65	8.65	8.70	8.70	8.70	8.80	8.80	0.40
<b>Old private banks</b>															
CUBK	7.50	8.25	8.40	8.40	8.40	8.40	8.15	8.10	8.10	8.10	8.10	8.10	8.25	8.25	-
FB	7.90	9.20	9.20	9.30	9.30	9.40	9.30	9.40	9.40	9.40	9.50	9.50	9.60	9.60	0.40
KVB	8.35	9.05	9.05	9.35	9.35	9.35	9.35	9.35	9.60	9.60	9.65	9.85	9.85	9.85	0.80
<b>New private banks</b>															
Axis	7.35	8.80	8.90	8.95	8.95	9.10	9.10	9.10	9.15	9.15	9.15	9.20	9.25	9.25	0.45
Bandhan	9.25	10.80	10.96	11.13	11.05	11.05	11.10	11.17	11.23	11.18	11.16	11.16	11.32	11.32	0.52
HDFC Bank	7.25	8.85	8.90	8.95	8.95	9.05	9.05	9.05	9.10	9.15	9.20	9.20	9.20	9.20	0.35
ICICI	7.25	8.55	8.65	8.75	8.75	8.75	8.85	8.90	8.90	8.95	8.95	9.00	9.00	9.00	0.45
IndusInd	8.50	9.95	10.05	10.15	10.20	10.20	10.20	10.25	10.25	10.30	10.30	10.35	10.35	10.35	0.40
Yes	8.50	9.85	9.90	10.10	10.15	10.15	10.05	10.10	10.15	10.25	10.25	10.40	10.50	10.50	0.65
<b>Small finance banks</b>															
AU	10.15	11.35	11.35	11.75	11.25	11.45	11.65	11.60	11.65	11.90	11.70	11.85	11.85	11.85	0.50
Equitas	13.70	13.90	13.90	14.05	14.10	14.15	14.25	14.15	14.00	13.85	13.70	13.80	13.60	13.60	(0.30)
Ujjivan	12.10	11.90	12.70	12.20	12.20	14.10	12.80	12.70	12.60	12.80	12.40	12.50	12.70	12.70	0.80

Source: Company, Kotak Institutional Equities

**Healthy trends in non-interest income**

Most banks reported modest treasury income during 3QFY24. We remain optimistic on the outlook for treasury income, as bond yields are not expected to move up much from here. At the same time, fee income trend should be healthy, given the momentum in business. Similarly, card spends have been on a steady growth path, which also supported fee income growth for card issuers.



Share of non-interest income in revenue has remained relatively stable

Exhibit 30: Non-interest income, March fiscal year-ends (Rs mn)

	Other Income					Total Income					Non interest income to total income (%)				
	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
<b>Public banks</b>															
Bank of Baroda	35,520	34,661	33,223	41,712	28,105	143,703	149,909	143,189	150,019	139,118	25	23	23	28	20
Canara Bank	39,864	47,752	48,190	46,345	42,951	125,864	133,920	134,847	135,375	137,122	32	36	36	34	31
PNB	33,380	34,203	34,338	30,283	26,738	125,173	129,191	129,381	129,512	129,666	27	26	27	23	21
State Bank of India	114,677	139,614	120,634	107,906	114,589	495,364	543,539	509,683	502,906	512,746	23	26	24	21	22
Union Bank	32,708	52,692	39,033	36,952	37,743	118,989	135,198	127,430	128,212	129,423	27	39	31	29	29
<b>Old private banks</b>															
City Union	2,243	1,950	1,915	1,821	1,929	7,801	7,093	7,140	7,205	7,088	29	27	27	25	27
Federal Bank	5,340	7,339	7,324	7,304	8,626	24,905	26,432	26,510	27,868	29,859	21	28	28	26	29
KVB	3,175	4,008	3,332	3,389	3,578	12,065	12,934	12,302	12,543	13,591	26	31	27	27	26
<b>New private banks</b>															
Axis Bank	46,654	48,953	50,873	50,341	55,548	161,248	166,375	170,460	173,486	180,870	29	29	30	29	31
Bandhan	10,333	6,291	3,851	5,403	5,452	31,137	31,009	28,757	29,836	30,705	33	20	13	18	18
DCB	954	1,223	1,069	1,074	1,237	5,414	6,083	5,777	5,831	5,977	18	20	19	18	21
HDFC Bank	84,998	87,312	92,299	107,078	111,370	314,877	320,830	328,289	380,931	396,084	27	27	28	28	28
ICICI Bank	50,236	50,878	54,353	57,767	60,971	214,886	227,545	236,617	240,846	247,756	23	22	23	24	25
IndusInd Bank	20,763	21,505	22,098	22,818	23,959	65,717	68,200	70,769	73,585	76,915	32	32	31	31	31
Yes Bank	11,432	10,823	11,411	12,100	11,946	31,138	31,876	31,408	31,351	32,115	37	34	36	39	37
<b>Small finance banks</b>															
AU	2,949	3,331	3,151	4,255	4,497	14,476	15,463	15,613	16,744	17,746	20	22	20	25	25
Equitas SFB	1,526	2,387	1,714	1,814	2,055	8,001	9,457	9,145	9,470	9,906	19	25	19	19	21
Ujivan	1,389	1,791	1,772	1,886	1,848	8,359	9,171	9,699	10,120	10,447	17	20	18	19	18
<b>Public banks</b>	256,149	308,922	275,418	263,197	250,126	1,009,092	1,091,757	1,044,530	1,046,024	1,048,076	25	28	26	25	24
<b>Private banks</b>	241,995	247,790	255,161	277,048	293,014	900,024	932,466	952,487	1,019,815	1,059,058	27	27	27	27	28
<b>Total</b>	498,144	556,712	530,579	540,245	543,140	1,909,116	2,024,222	1,997,017	2,065,838	2,107,134	26	28	27	26	26

Source: Company, Kotak Institutional Equities

Treasury gains were modest in 3QFY24

Exhibit 31: Treasury income and treasury-to-PBT of banks, March fiscal year-ends

	Income from treasury (Rs mn)					Income from treasury (% of PBT)					PBT (Rs mn)				
	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
<b>Public banks</b>															
Bank of Baroda	9,630	1,220	9,560	4,780	380	17	2	16	8	1	58,283	66,522	58,775	58,592	63,488
Canara Bank	3,860	1,510	2,940	3,560	3,100	10	4	6	7	6	38,309	41,573	48,851	50,076	49,066
PNB	(1,070)	(1,960)	4,150	2,050	(7,860)	(11)	(10)	21	7	(22)	10,026	20,359	20,027	27,723	35,916
State Bank of India	29,380	18,000	38,470	20,210	25,050	15	8	17	10	20	194,587	213,054	227,956	193,013	125,482
Union Bank	2,650	3,910	5,140	4,470	3,260	7	10	10	8	6	35,832	38,878	51,743	54,530	55,298
<b>Old private banks</b>															
City Union Bank	353	221	405	268	242	13	9	15	8	8	2,728	2,580	2,623	3,306	3,180
Federal Bank	70	400	330	180	1,540	1	3	3	1	11	10,755	12,179	11,468	12,806	13,461
<b>New private banks</b>															
Axis Bank	4,280	830	5,190	(1,010)	2,910	5	NM	7	(1)	4	78,398	(36,280)	77,795	78,173	81,129
DCB Bank	20	10	30	40	140	1	1	2	2	8	1,534	1,915	1,709	1,708	1,705
HDFC Bank	2,614	(377)	5,520	10,410	14,700	2	(0)	3	5	8	162,176	159,655	159,120	197,901	194,307
ICICI Bank	360	(400)	2,520	(850)	1,230	0	(0)	2	(1)	1	110,138	122,066	128,467	136,466	136,743
IndusInd Bank	1,353	635	908	1,618	2,309	5	2	3	6	8	26,157	27,227	28,385	29,071	30,680
Yes Bank	1,370	(730)	1,610	380	480	199	(27)	35	13	16	689	2,713	4,581	3,010	3,093
<b>Total</b>	52,220	19,359	71,633	41,636	44,221	8	3	9	5	6	693,779	633,563	769,757	791,844	738,250
<b>Public banks</b>	41,800	18,770	55,120	30,600	20,670	14	5	16	9	8	301,204	341,507	355,610	329,404	273,952
<b>Private banks</b>	10,420	589	16,513	11,036	23,551	3	0	4	2	5	392,575	292,056	414,147	462,440	464,298

Source: Company, Kotak Institutional Equities

**Fee income, as percentage of other income, has risen slightly**

Exhibit 32: Fee income, March fiscal year-ends (Rs mn)

	Fee income (Rs mn)					Fee income (% of other income)				
	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
<b>PSU banks</b>										
BOB	7,280	8,980	7,450	11,040	6,830	20.5	25.9	22.4	26.5	24.3
Canara	3,330	3,870	2,630	3,290	3,830	8.4	8.1	5.5	7.1	8.9
PNB	13,310	12,220	17,850	13,750	13,110	39.9	35.7	52.0	45.4	49.0
SBI	59,280	80,030	66,250	65,360	62,410	51.7	57.3	54.9	60.6	54.5
Union	17,100	16,990	21,330	19,030	21,320	52.3	32.2	54.6	51.5	56.5
<b>Old private banks</b>										
CUBK	803	885	883	866	912	35.8	45.4	46.1	47.6	47.3
Federal	4,640	5,170	5,050	5,780	5,830	86.9	70.4	69.0	79.1	67.6
KVB	1,840	2,020	2,040	1,970	2,260	58.0	50.4	61.2	58.1	63.2
<b>New private banks</b>										
Axis	40,080	46,760	44,880	49,630	51,690	85.9	95.5	88.2	98.6	93.1
DCB	700	910	750	970	980	73.4	74.4	70.1	90.4	79.2
HDFC	60,526	66,281	62,900	69,360	69,400	71.2	75.9	68.1	64.8	62.3
ICICI	44,480	48,300	48,430	52,040	53,130	88.5	94.9	89.1	90.1	87.1
IndusInd	19,410	20,870	21,190	21,200	21,650	93.5	97.0	95.9	92.9	90.4
Yes	7,210	8,900	7,130	8,570	8,730	63.1	82.2	62.5	70.8	73.1
<b>Total</b>	<b>279,989</b>	<b>322,186</b>	<b>308,763</b>	<b>322,856</b>	<b>322,082</b>	<b>56.5</b>	<b>58.3</b>	<b>58.6</b>	<b>60.2</b>	<b>59.7</b>
Public banks	100,300	122,090	115,510	112,470	107,500	39.2	39.5	41.9	42.7	43.0
Private	179,689	200,096	193,253	210,386	214,582	74.3	80.8	75.7	75.9	73.2

Source: Company, Kotak Institutional Equities

**Operating costs continue to inch up swiftly**

Most PSU banks saw a swift increase qoq in operating costs, led by the staff expense line. This was mainly owing to wage provisions toward the 12<sup>th</sup> bipartite settlement. Private banks also continued to see their operating costs inch up swiftly, primarily led by higher business volume and continued investment in technology.

**Operating expenses of banks have risen yoy**

Exhibit 33: Operating expenses, March fiscal year-ends (Rs mn)

	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	YoY (%)
<b>Public banks</b>										
Bank of Baroda	55,880	54,988	54,929	59,693	61,381	69,180	64,946	69,821	68,967	12.4
Canara Bank	61,090	52,655	53,538	53,536	56,343	61,397	58,806	59,219	69,067	22.6
PNB	54,275	44,894	47,006	55,507	68,014	70,527	69,701	67,348	66,359	(2.4)
State Bank of India	208,392	233,612	207,556	229,377	243,171	297,328	256,714	308,740	380,386	56.4
Union Bank	46,003	44,923	49,510	50,042	52,798	66,964	55,637	56,004	56,648	7.3
<b>Old private banks</b>										
City Union	2,804	2,638	2,953	2,849	2,827	2,922	2,998	3,339	3,448	21.9
Federal Bank	11,088	11,920	10,838	11,591	12,163	13,086	13,487	14,624	15,486	27.3
KVB	4,813	4,741	4,695	4,906	5,175	5,570	5,818	6,164	6,832	32.0
<b>New private banks</b>										
Axis Bank	63,314	65,765	64,254	64,995	68,473	197,276	82,317	87,168	89,457	30.6
Bandhan	8,868	9,829	10,235	11,165	11,916	13,053	13,134	14,002	14,152	18.8
DCB	2,645	2,744	3,002	3,278	3,473	3,643	3,690	3,725	3,862	11.2
HDFC Bank	98,511	101,528	105,018	112,246	124,636	134,321	140,569	153,992	159,611	28.1
ICICI Bank	70,749	70,490	75,663	81,614	82,174	89,282	95,226	98,553	100,520	22.3
IndusInd Bank	24,653	25,587	26,603	27,932	28,913	30,672	32,468	34,776	36,893	27.6
Yes Bank	17,670	19,269	20,016	21,207	22,002	22,987	23,223	23,337	23,474	6.7
<b>Small finance banks</b>										
AU SFB	6,376	7,656	7,411	8,319	8,919	9,753	10,153	10,267	11,175	25.3
Equitas SFB	4,502	4,167	4,456	5,124	5,210	5,593	6,024	6,168	6,303	21.0
Ujjivan SFB	4,034	4,293	4,237	4,249	4,470	5,065	5,120	5,286	5,874	31.4
Public banks	425,640	431,072	412,539	448,155	481,706	565,396	505,804	561,132	641,426	33.2
Private banks	320,026	330,627	339,381	359,474	380,351	533,223	434,226	461,401	477,086	25.4
<b>Total</b>	<b>745,666</b>	<b>761,698</b>	<b>751,920</b>	<b>807,629</b>	<b>862,058</b>	<b>1,098,619</b>	<b>940,031</b>	<b>1,022,533</b>	<b>1,118,512</b>	<b>29.7</b>

Source: Company, Kotak Institutional Equities

**Cost-income ratio for private banks has been broadly flat qoq, but increased for PSU banks owing to provisions for the bipartite settlement**

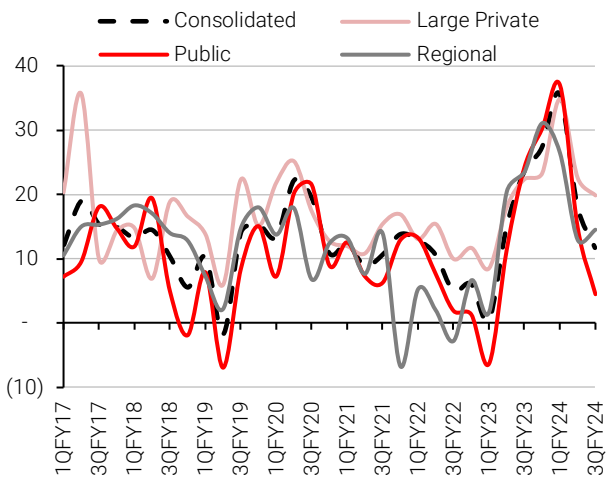
**Exhibit 34: Operating expense-to-income ratio of banks, March fiscal year-ends (%)**

	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
<b>Public banks</b>									
Bank of Baroda	50.5	49.4	54.8	49.7	42.7	46.1	45.4	46.5	49.6
Canara Bank	57.9	45.9	44.8	43.7	44.8	45.8	43.6	43.7	50.4
Punjab National Bank	51.7	46.0	46.6	49.9	54.3	54.6	53.9	52.0	51.2
State Bank of India	52.9	54.2	61.9	52.1	49.1	54.7	50.4	61.4	74.2
Union Bank	47.4	44.9	47.6	43.2	44.4	49.5	43.7	43.7	43.8
<b>Old private banks</b>									
City Union	43.1	37.5	39.8	38.4	36.2	41.2	42.0	46.3	48.6
Federal Bank	54.8	59.9	52.7	48.9	48.8	49.5	50.9	52.5	51.9
KVB	54.5	51.8	49.7	46.2	42.9	43.1	47.3	49.1	50.3
<b>New private banks</b>									
Axis Bank	50.7	50.4	52.2	45.7	42.5	118.6	48.3	50.2	49.5
Bandhan	31.3	28.0	36.0	41.8	38.3	42.1	45.7	46.9	46.1
DCB	57.1	55.4	64.4	64.2	64.1	59.9	63.9	63.9	64.6
HDFC Bank	37.0	38.3	40.6	39.2	39.6	41.9	42.8	40.4	40.3
ICICI Bank	41.1	40.6	42.3	41.1	38.2	39.2	40.2	40.9	40.6
IndusInd Bank	43.5	43.5	43.9	44.2	44.0	45.0	45.9	47.3	48.0
Yes Bank	70.7	71.3	77.2	72.8	70.7	72.1	73.9	74.4	73.1
<b>Small finance banks</b>									
AU	58.2	61.3	65.3	62.5	61.6	63.1	65.0	61.3	63.0
Equitas	66.7	59.5	62.4	67.9	65.1	59.1	65.9	65.1	63.6
Ujjivan SFB	72.3	66.4	58.5	52.5	53.5	55.2	52.8	52.2	56.2
Public banks	52.4	50.4	54.3	49.2	47.7	51.8	48.4	53.6	61.2
Private banks	42.8	43.0	45.0	43.1	41.7	56.5	44.9	44.6	44.4
Total	47.8	46.9	49.7	46.3	44.9	54.0	46.7	49.1	52.7

Source: Company, Kotak Institutional Equities

**Revenue growth has declined**

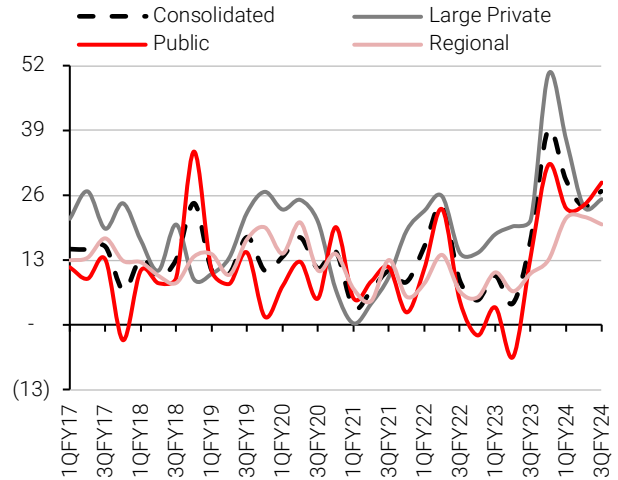
**Exhibit 35: Revenue growth for banks (consolidated), March fiscal year-ends, 1QFY17-3QFY24 (%)**



Source: Company, Kotak Institutional Equities

**Operating expense growth has declined from peak**

**Exhibit 36: Operating expenses growth for banks (consolidated), March fiscal year-ends, 1QFY17-3QFY24 (%)**



Source: Company, Kotak Institutional Equities

**Share of employee expenses has decreased qoq for most frontline banks**

**Exhibit 37: Employee expenses to total expenses, March fiscal year-ends (%)**

	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
<b>PSU banks</b>					
BOB	55	55	58	53	55
Canara	62	61	62	64	66
PNB	66	65	64	62	63
SBI	61	59	65	61	70
Union	54	62	57	55	58
<b>Old private banks</b>					
CUBK	45	44	44	47	45
Federal	46	46	46	43	45
KVB	49	50	55	53	55
<b>New private banks</b>					
Axis	33	11	33	30	30
Bandhan	58	56	62	62	64
DCB	52	51	53	51	51
HDFC	33	32	34	34	34
ICICI	36	38	41	38	38
IndusInd	28	27	27	28	28
Yes	55	55	58	53	55
<b>Small finance banks</b>					
AU	52	49	50	50	47
Equitas SFB	56	54	54	54	55
Ujjivan SFB	50	50	52	52	53

Source: Company, Kotak Institutional Equities

**All private banks have moved to the lower tax regime**

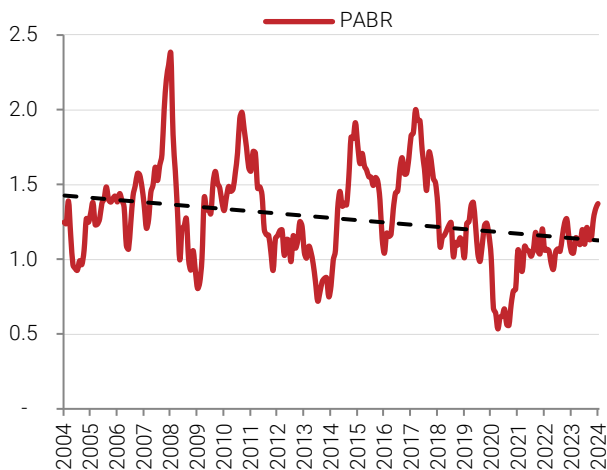
**Exhibit 38: Tax rate for banks, March fiscal year-ends (%)**

	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
<b>Public sector banks</b>					
Bank of Baroda	34	28	31	27	28
Canara	25	24	28	28	25
PNB	37	43	37	37	38
SBI	27	22	26	26	27
Union	37	28	37	36	35
<b>Old private banks</b>					
CUBK	20	16	13	15	20
Federal bank	25	26	26	26	25
KVB	11	24	27	26	22
<b>New private banks</b>					
Axis	25	(58)	25	25	25
Bandhan	24	24	25	24	25
DCB	26	26	26	26	26
HDFC	24	24	25	19	16
ICICI	25	25	25	25	25
IndusInd	25	25	25	25	25
Yes	25	25	25	25	25
<b>Small Finance banks</b>					
AU	25	20	25	25	25
Equitas SFB	26	27	24	26	27
Ujjivan SFB	25	25	25	25	24

Source: Company, Kotak Institutional Equities

**Public bank valuations have recovered**

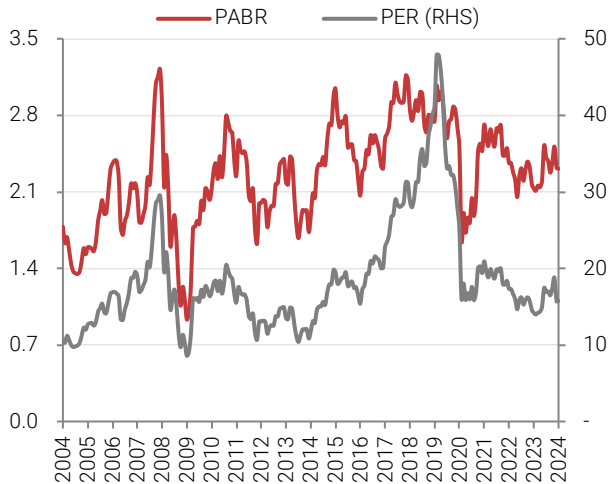
Exhibit 39: Rolling 12-month forward PBR (adjusted) for PSU banks (X)



Source: Company, Bloomberg, Kotak Institutional Equities estimates

**Private bank valuations are well below peak**

Exhibit 40: Rolling 12-month forward PBR (adjusted) and PER for private banks (X)



Source: Company, Bloomberg, Kotak Institutional Equities estimates

**Trading discount of public banks has declined meaningfully**

Exhibit 41: Adjusted PBR of private banks relative to public banks (X)



Source: Company, Bloomberg, Kotak Institutional Equities estimates

## NBFCs: Growth peaking, NIMs flattening

**Non-banks under coverage continued to report strong loan growth, offset by NIM compression. While sequential trends in NIM are encouraging (reflecting near bottoming), loan growth may moderate on a high base and softening momentum in select segments. Asset quality performance has been mixed with segments such as tractors and unsecured loans under the scanner. We remain assertive with Shriram Finance and LIC Housing Finance as favored picks in large names, and Aavas and Home First in affordable HFCs. Price correction makes valuations reasonable, warranting a relook at Bajaj Finance.**

### Loan growth may top off

NBFCs under coverage (excluding LICHF) reported 21-35% yoy loan growth, with 3-8% qoq growth. We believe that loan growth has topped off for most and expect some moderation, though not significant. NBFCs reported 5-12% qoq loan growth in 4QFY23; on a higher base, we expect yoy growth to moderate by 4QFY24E, even as monthly momentum is holding well. We model 20-40% yoy loan growth (excluding LICHF) for 4QFY24E. Overall, growth guidance for FY2025E will also remain constructive. Red flags in select segments such as unsecured and tractor loans (discussed later) would likely prompt companies to be a bit watchful.

### Mixed trends in asset quality

NBFCs have seen some red flags in select segments of unsecured loans; tractor loans in select cohorts have been weak. Bajaj Finance guided for higher credit costs, SBI Cards remains a bit cautious in the near term. NBFCs are slowing down in fintech partnerships. Mahindra Finance reported weakness in select tractor cohorts in 2QFY24, with no meaningful improvement in 3Q; its collection trends in January 2024 seem average and the company may miss its FY2024E credit cost guidance. Other segments (cars, CVs, housing and LAP) have not shown any major rise in NPLs; while this may be partially masked by higher loan growth, even early delinquencies (from NBFCs that report these datapoints) do not show any sign of concern.

Overall, asset quality is holding on better than envisaged. 9MFY24 trends on ECL coverage suggest a decline in coverage for most. FY2023 was the best year, with a sharp decline in ECL (on a high base), boosting earnings. While gross stage-2 and gross stage-3 reduced this year as well, the pace of improvement is lower. On a low base, yoy growth in provisions/credit costs was higher than loan growth in 9MFY24 for most players. We will continue to conservatively build some increase in ECL in FY2025E. Nevertheless, considering better-than-expected asset quality performance, we have reduced our credit cost estimates in most cases during the quarter.

### NIM bottoming out as NBFCs focus on yields

NBFCs continue to report NIM compression, reflecting rate transmission on the liability side, which is not fully passed on to assets. Interest rates have been sticky versus the expectation of rate cuts by most CFOs in 2HFY24, leading to pressure on NIM. Rate transmission, though sluggish, is gradually taking shape. Overall, yields for most NBFCs were better than our estimates for the quarter. While we do not see any major blanket rate hikes (other than unsecured loans) on loan assets, change in business mix and focus on fees and other income will improve income/realizations. With an increase in commissions in credit protect policies, non-interest and insurance income are set to improve for almost all players.

Increase in risk weights for bank loans to NBFCs is driving up cost of borrowing. Incremental cost of funds is a tad higher than average cost, leading to some inch-up in overall borrowings costs. Rate transmission, reflecting an increase in MCLR, is already reflected in current borrowings costs. We expect costs to inch up marginally from 3QFY24 levels. We find tough negotiations between banks and NBFCs on funding rates; while the former are arguing for higher rates due to an increase in risk weights, the latter are keen to hold on. Competitive intensity within the banking system is keeping borrowings costs low for NBFCs. Large and fast-growing players (Bajaj Finance, LTFH, Muthoot, Shriram Finance and others) may have relatively lower negotiating power and hence, guided for a rise in costs.

### Bajaj Finance's upgrade was key change in the quarter

With significant correction in Bajaj Finance's stock price, we upgraded the stock to ADD from REDUCE. We believe that most concerns (inching up of credit costs, change in management and eventual conversion to bank) are in the price at current levels. The company expects a rise in delinquencies to be transitional and has toggled across products in the past; we bake in lower loan growth (~25%) to reflect the same.

Exhibit 42: Breakup of overall credit, March fiscal year-ends, 2019-2023, 1HFY23-1HFY24, 9MFY23-9MFY24 (Rs bn)

	2019	2020	2021	2022	2023	YoY (%)	9MFY23	9MFY24	YoY (%)	1HFY23	1HFY24	YoY (%)
NBFC loan book (1)	22,954	24,606	26,987	29,087	33,370	14.7	31,062	36,955	19.0	29,371	35,546	21.0
HFC loan book (2)	6,961	7,134	7,347	7,830	8,571	9.5	8,356	9,162	9.6	8,176	8,889	8.7
Total NBFC/HFC loan book (3:1+2)	29,915	31,740	34,333	36,918	41,941	13.6	39,418	46,117	17.0	37,547	44,435	18.3
PSU NBFCs loan book (4)	8,270	9,614	11,222	12,097	13,710	13.3	12,905	14,630	13.4	12,468	14,152	13.5
NBFC ex-PSU loan book (5:1-4)	14,684	14,992	15,765	16,991	19,661	15.7	18,157	22,326	23.0	16,903	21,394	26.6

Source: RBI, Company, Kotak Institutional Equities

Exhibit 43: Loan book of NBFCs across segments, March fiscal year-ends, 2019-2023, 9MFY23-9MFY24 (Rs bn)

	2019	2020	2021	2022	2023	YoY (%)	9MFY23	9MFY24	YoY (%)	QoQ (%)
<b>HFCs</b>	<b>6,961</b>	<b>7,134</b>	<b>7,347</b>	<b>7,830</b>	<b>8,571</b>	<b>9.5</b>	<b>8,356</b>	<b>9,162</b>	<b>9.6</b>	<b>3.1</b>
Aadhar	100	114	133	148	172	16.5	166	197	19.0	4.4
Aavas	59	78	95	114	142	24.8	131	161	22.9	5.0
Aditya Birla Housing	114	121	119	120	138	15.0	129	165	28.5	7.1
Aptus	22	32	41	52	67	30.1	63	81	28.0	6.2
CanFin Homes	184	207	221	267	316	18.2	301	341	13.1	2.1
GIC Housing	131	132	128	112	103	(7.7)	110	102	(7.2)	2.5
Home First	24	36	41	54	72	33.8	68	90	33.5	7.8
LIC Housing Finance	1,930	2,080	2,281	2,453	2,750	12.1	2,684	2,812	4.8	1.2
Shriram Housing	19	23	39	54	80	50.3	72	120	67.5	11.2
<b>Diversified</b>	<b>3,879</b>	<b>3,998</b>	<b>4,051</b>	<b>4,651</b>	<b>5,653</b>	<b>21.6</b>	<b>5,266</b>	<b>6,661</b>	<b>26.5</b>	<b>6.1</b>
Aditya Birla Capital	517	471	487	552	806	46.0	730	986	35.1	5.4
Bajaj Finance	1,159	1,472	1,529	1,975	2,474	25.3	2,308	3,110	34.7	7.1
Edelweiss	361	191	196	168	120	(28.7)	146	108	(26.0)	2.0
IIFL	349	380	447	512	646	26.2	579	774	33.7	6.0
L&TFH	991	984	940	883	810	(8.3)	880	818	(7.1)	4.0
Tata Capital	502	502	451	562	798	42.1	623	866	39.0	5.6
<b>Vehicle Finance</b>	<b>2,804</b>	<b>2,974</b>	<b>3,123</b>	<b>3,316</b>	<b>4,095</b>	<b>23.5</b>	<b>3,839</b>	<b>4,872</b>	<b>26.9</b>	<b>5.8</b>
Mahindra Finance	631	681	646	650	828	27.4	773	970	25.5	3.5
Shriram Finance	1,341	1,388	1,468	1,602	1,857	15.9	1,775	2,142	20.7	5.7
Sundaram Finance	290	299	309	295	346	17.0	336	422	25.7	5.2
<b>Gold loans</b>	<b>472</b>	<b>586</b>	<b>717</b>	<b>782</b>	<b>830</b>	<b>6.1</b>	<b>763</b>	<b>919</b>	<b>20.4</b>	<b>2.4</b>
Manappuram Financ	130	170	191	202	197	(2.1)	186	208	11.5	(0.2)
Muthoot Finance	342	416	526	581	632	8.9	577	712	23.3	3.2
<b>MFI</b>	<b>684</b>	<b>731</b>	<b>800</b>	<b>966</b>	<b>1,241</b>	<b>28.5</b>	<b>1,160</b>	<b>1,566</b>	<b>35.0</b>	<b>6.4</b>

Notes:

(a) Loan book of Aditya Birla Capital and Tata Capital are ex-housing.

Source: RBI, Company, Kotak Institutional Equities

Earnings growth was strong in 3QFY24

Exhibit 44: PAT yoy growth, March fiscal year-ends, 3QFY22-3QFY24 (%)

	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
<b>Affordable housing</b>									
Aavas Financiers	4	32	49	16	20	10	23	14	9
Aptus	47	45	62	45	24	23	20	20	25
Home First	189	92	46	21	28	6	35	37	34
<b>Other NBFCs and HFCs</b>									
Bajaj Finance	85	80	159	88	40	31	32	28	22
Cholamandalam	28	184	73	(7)	31	24	28	35	28
Five Star	NA	NA	40	22	28	43	32	38	44
LICHF	6	180	503	23	(37)	6	43	290	142
L&T Finance Holdings	12	28	47	81	39	46	103	47	41
Mahindra Finance	NM	301	NM	(56)	(30)	14	58	(48)	(12)
Muthoot Finance	4	(4)	(17)	(13)	(12)	(6)	22	14	14
SBFC	NA	NA	(68)	(70)	197	248	66	48	63
Shriram Finance	(3)	34	254	48	83	(6)	25	13	2

Source: Company, Kotak Institutional Equities

**Strong NII growth driven by loan growth, margin compression tempers**

Exhibit 45: NII yoy growth, March fiscal year-ends, 3QFY22-3QFY24 (%)

	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
<b>Affordable housing</b>									
Aavas Financiers	12	37	20	15	32	23	26	18	6
Aptus	47	42	45	40	29	27	19	20	20
Home First	40	45	43	44	43	36	34	32	24
<b>Other NBFCs and HFCs</b>									
Bajaj Finance	41	25	43	29	25	30	27	30	29
Cholamandalam	6	9	17	17	17	29	24	35	36
Five Star	NA	NA	31	37	38	39	36	34	32
LICHF	14	9	26	(0)	10	22	37	81	31
L&T Finance Holdings	(10)	(8)	1	13	24	18	15	11	8
Mahindra Finance	13	(1)	34	0	1	10	5	10	9
Muthoot Finance	6	(6)	(9)	(13)	(10)	8	23	18	12
SBFC	NA	NA	(61)	(57)	45	65	52	40	62
Shriram Finance	6	17	31	24	27	20	12	22	21

Source: Company, Kotak Institutional Equities

**AUM growth remains strong in 3QFY24**

Exhibit 46: AUM qoq growth, March fiscal year-ends, 3QFY22-3QFY24 (%)

	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
<b>Affordable housing</b>									
Aavas Financiers	4.6	7.0	4.8	5.5	4.3	8.2	3.4	4.6	5.0
Aptus	7.2	7.8	6.6	7.5	6.3	6.8	5.7	6.8	6.2
Home First	8.2	7.7	8.4	7.6	7.6	6.6	8.0	7.6	7.8
<b>Other NBFCs and HFCs</b>									
Bajaj Finance	8.6	8.9	3.3	7.0	5.7	7.2	9.2	7.5	7.1
Cholamandalam	3.9	5.8	6.5	7.0	8.9	11.6	7.8	8.2	7.7
Five Star	2.8	6.3	4.5	8.2	8.9	10.8	9.7	9.0	8.1
LICHF	2.4	3.2	1.8	2.6	2.3	2.5	0.5	0.6	-
L&T Finance Holdings	(1.6)	3.2	(0.2)	2.3	(1.9)	(8.5)	(2.9)	0.2	3.9
Mahindra Finance	0.5	1.6	4.2	9.0	4.8	7.0	4.8	8.1	3.5
Muthoot Finance	(0.8)	6.2	(2.3)	1.0	0.9	9.5	7.0	2.0	3.2
SBFC		12.3	13.7	12.2	9.9	10.5	7.8	8.9	8.0
Shriram Finance	3.1	2.2	1.7	3.9	4.8	4.6	4.1	4.9	5.7

Source: Company, Kotak Institutional Equities

**AUM growth remains strong for most players**

Exhibit 47: AUM yoy growth, March fiscal year-ends, 3QFY22-3QFY24 (%)

	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
<b>Affordable housing</b>									
Aavas Financiers	20	20	24	24	23	25	23	22	23
Aptus	27	27	30	32	31	30	29	28	28
Home First	27	30	36	36	35	34	33	33	34
<b>Other NBFCs and HFCs</b>									
Bajaj Finance	25	29	28	31	27	25	32	33	35
Cholamandalam	6	10	21	25	31	38	40	42	40
Five Star				24	31	36	43	44	43
LICHF	11	8	10	10	10	10	8	6	4
L&T Finance Holdings	(15)	(6)	(0)	4	3	(8)	(11)	(13)	(8)
Mahindra Finance	(4)	1	6	16	21	27	28	27	25
Muthoot Finance	9	10	8	4	6	9	19	21	23
SBFC					57	55	47	43	40
Shriram Finance	9	9	9	11	13	16	19	20	21

Source: Company, Kotak Institutional Equities



Exhibit 48: Repayment rate, March fiscal year-ends, 3QFY22-3QFY24 (%)

	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
<b>Affordable housing</b>									
Aavas Financiers	19.2	20.7	19.4	16.7	21.0	15.9	16.5	16.1	15.7
Aptus	11.7	12.0	14.3	13.8	15.5	14.5	15.5	14.8	15.8
Home First	16.7	20.4	15.6	17.7	19.4	25.0	17.6	19.0	17.2
<b>Other NBFCs and HFCs</b>									
Cholamandalam	44.2	46.9	43.2	43.4	44.5	41.9	44.0	42.1	41.3
Five Star	25.7	29.0	26.8	27.7	27.9	28.0	26.8	27.6	26.3
LICHF	20.2	19.1	16.9	15.9	15.2	14.0	13.8	19.0	17.2
Mahindra Finance	49.7	52.7	43.0	35.5	61.3	45.0	41.1	30.7	53.4

Source: Company, Kotak Institutional Equities

**Disbursement growth slowed down for most players**

Exhibit 49: Disbursements qoq growth, March fiscal year-ends, 3QFY22-3QFY24 (%)

	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
<b>Affordable housing</b>									
Aavas Financiers	5	35	(15)	5	5	33	(33)	18	8
Aptus	8	14	1	15	0	9	(2)	15	3
Home First	11	13	3	6	11	11	3	7	5
<b>Other NBFCs and HFCs</b>									
Cholamandalam	20	22	5	10	20	20	(5)	8	4
Five Star	21	NA	NA	41	13	22	2	6	0
LICHF	10	9	(21)	10	(4)	(0)	(32)	35	4
Mahindra Finance	24	15	3	25	22	(5)	(12)	9	16

Source: Company, Kotak Institutional Equities

**Slowdown in disbursements of LICHF and MMFS**

Exhibit 50: Disbursements yoy growth, March fiscal year-ends, 3QFY22-3QFY24 (%)

	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
<b>Affordable housing</b>									
Aavas Financiers	24	27	136	27	26	24	(2)	10	13
Aptus	12	28	113	43	33	27	23	23	27
Home First	63	42	117	36	37	36	35	37	29
<b>Other NBFCs and HFCs</b>									
Cholamandalam	32	58	267	68	68	65	50	47	27
Five Star	NA	NA	NA	127	114	72	99	50	33
LICHF	5	(14)	76	4	(9)	(17)	(29)	(13)	(6)
Mahindra Finance	25	50	138	83	80	50	28	13	7

Source: Company, Kotak Institutional Equities

**Lending rate have been stable in the past two quarters**

Exhibit 51: Lending rate hikes, March fiscal year-ends, 1QFY23-2QFY24 (bps)

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	Cummulative
<b>Repo rate</b>	<b>90</b>	<b>100</b>	<b>35</b>	<b>25</b>	<b>—</b>	<b>—</b>	<b>250</b>
<b>HFCs</b>							
Aavas	25	50	50	35	50	—	210
Aptus	—	—	50	—	50	—	100
Home First	—	25	50	50	—	—	125
REPCO	—	30	30	85	—	—	145
Can Fin	—	80	55	—	25	—	160
LICHF	90	100	35	25	—	—	250
<b>NBFCs</b>							
Bajaj Finance			60-70	—	—	—	60-70
Cholamandalam	40	40	40-80	—	100	—	140-180
IIFL Finance	NA	NA	NA	25	—	—	150
Mahindra Finance	30-40		40	—	—	—	80
Piramal	NA	NA	50	20	50	—	120
Poonawalla		100	50-100	—	—	—	150-200
Shriram Finance	—	25-50	—	—	—	—	25-50

Source: Company, Kotak Institutional Equities

**NIM compression for most players**

Exhibit 52: NIM, March fiscal year-ends, 3QFY22-3QFY24 (%)

	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
<b>Affordable housing</b>									
Aavas	7.6	8.2	7.7	7.6	8.1	8.0	7.7	7.3	7.0
Aptus	13.4	13.5	13.4	13.3	13.1	13.1	12.2	12.4	12.2
Home First	7.9	8.2	8.2	8.1	8.0	7.9	7.9	7.7	7.3
<b>Other NBFCs and HFCs</b>									
Bajaj Finance	10.9	10.1	10.5	10.5	10.5	10.5	10.4	10.3	10.2
Cholamandalam	8.0	7.6	7.7	7.2	7.1	7.1	6.8	6.8	6.8
Five Star	19.7	20.3	20.9	21.5	21.4	21.0	20.3	20.1	19.6
L&T Finance Holdings	6.3	6.6	6.5	7.0	7.6	7.9	8.2	8.8	9.1
LIC Housing Finance	2.4	2.6	2.5	1.8	2.4	2.9	3.2	3.0	3.0
Mahindra Finance	9.6	9.0	9.1	8.2	8.2	8.0	7.5	7.0	7.1
Muthoot Finance	13.7	12.2	10.7	11.0	11.9	12.3	11.6	10.9	10.9
SBFC	9.8	9.5	10.1	10.6	9.7	10.4	10.7	10.7	11.6
Shriram Finance	9.7	10.2	10.7	10.5	10.7	10.5	10.2	10.7	10.8

Source: Company, Kotak Institutional Equities

**Most players reported rise in cost of borrowings**

Exhibit 53: Cost of borrowings, March fiscal year-ends, 3QFY22-3QFY24 (%)

	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
<b>Affordable housing</b>									
Aavas Financiers	7.1	6.5	6.6	6.7	6.8	6.9	7.3	7.5	7.7
Aptus	8.6	8.1	7.7	8.0	8.3	8.3	8.5	9.1	8.8
Home First	7.2	6.6	6.7	7.2	7.2	7.8	8.2	8.1	8.1
<b>Other NBFCs and HFCs</b>									
Bajaj Finance	6.8	6.4	6.3	6.7	7.0	6.9	7.3	7.4	7.5
Cholamandalam	6.5	6.3	6.3	7.0	7.3	7.4	7.8	7.8	8.0
Five Star	NA	9.7	10.2	9.7	8.9	8.3	9.0	9.3	9.7
L&T Finance Holdings	6.8	6.6	6.8	6.9	7.0	6.8	6.9	7.0	7.1
LIC Housing Finance	6.7	6.5	6.5	6.8	7.2	7.2	7.4	7.6	7.6
Mahindra Finance	6.7	6.6	6.5	6.7	7.2	7.3	7.5	7.6	7.8
Muthoot Finance	7.9	7.6	7.9	7.8	8.0	8.0	8.4	8.7	8.6
SBFC	8.5	8.0	8.3	8.0	8.9	8.8	9.3	9.4	9.3
Shriram Finance	8.8	8.6	7.9	8.3	8.0	8.3	8.7	8.9	8.7

Source: Company, Kotak Institutional Equities

**23-92 bps yoy rise in cost of borrowing across most NBFCs**

**Exhibit 54: Cost of borrowings for select NBFCs, March fiscal year-ends, 1QFY23-3QFY24 (%)**

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	YoY (bps)	QoQ (bps)
<b>Aavas</b>									
Calculated	6.62	6.69	6.78	6.95	7.28	7.46	7.66	88	20
Reported	6.86	6.99	7.29	7.61	7.66	7.86	7.95	66	9
<b>Aptus</b>									
Calculated	7.66	8.00	8.34	8.33	8.55	9.12	8.83	48	(29)
Reported	7.68	7.70	7.90	8.10	8.30	8.41	8.55	65	14
<b>Bajaj Finance</b>									
Calculated	6.15	6.56	6.97	6.90	7.28	7.44	7.51	54	7
Reported	6.64	6.91	7.14	7.39	7.61	7.67	7.67	53	0
<b>Can fin homes</b>									
Calculated	5.69	6.24	6.74	6.97	7.34	7.29	7.32	59	3
Reported	5.80	6.19	6.25	6.34	7.32	7.32	7.35	110	3
<b>Cholamandalam</b>									
Calculated	6.32	7.00	7.32	7.43	7.81	7.75	8.04	72	29
Reported	6.00	6.50	6.90	7.10	7.30	7.10	7.30	40	20
<b>Five Star</b>									
Calculated	10.21	9.66	8.86	8.34	8.98	9.27	9.70	85	43
Reported	10.50	10.50	10.30	9.90	9.80	9.71	9.64	(66)	(7)
<b>Home First</b>									
Calculated	6.70	7.17	7.19	7.81	8.18	8.05	8.11	92	6
Reported	6.93	7.13	7.43	7.90	8.00	8.10	8.20	77	10
<b>IIFL Finance</b>									
Calculated	9.38	9.29	9.26	9.11	9.10	9.46	9.49	23	3
Reported	8.70	8.63	8.79	8.93	9.10	9.03	9.10	31	7
<b>L&amp;TFH</b>									
Calculated	6.77	6.88	7.00	6.83	6.89	6.98	6.92	(8)	(5)
Reported	7.27	7.33	7.54	7.71	7.77	7.79	7.81	27	2
<b>LICHF</b>									
Calculated	6.47	6.78	7.15	7.24	7.40	7.59	7.61	45	2
Reported	6.70	7.10	7.40	7.63	7.62	7.66	7.70	30	4
<b>Mahindra Finance</b>									
Calculated	6.47	6.73	7.16	7.29	7.49	7.60	7.78	62	18
<b>Manappuram</b>									
Calculated	8.39	8.33	8.42	8.49	9.10	9.08	9.33	92	26
Reported	8.10	8.05	8.45	8.24	8.86	8.85	9.10	65	25
<b>MAS Financial</b>									
Reported	8.77	8.83	9.15	9.26	9.65	9.79	9.79	64	0
<b>Muthoot</b>									
Calculated	7.90	7.83	8.03	8.00	8.42	8.69	8.57	54	(12)
Reported	6.56	6.34	6.40	6.22	6.55	6.77	6.92	52	15
<b>Poonawalla</b>									
Calculated	6.62	7.15	7.53	7.09	7.76	7.24	7.55	3	32
Reported	6.97	7.16	7.54	7.90	8.04	7.98	7.99	45	1
<b>PNBHF</b>									
Calculated	7.08	7.40	7.60	7.60	7.88	7.96	8.15	55	19
Reported	7.21	7.32	7.55	7.76	7.97	7.99	8.07	52	8
<b>Piramal</b>									
Calculated	7.81	8.11	8.16	8.30	8.64	8.59	8.53	37	(6)
Reported	8.80	8.80	8.40	8.70	8.60	8.60	8.70	30	10
<b>Shriram Finance</b>									
Calculated	7.91	8.30	7.99	8.33	8.72	8.85	8.65	66	(20)

Source: Company, Kotak Institutional Equities

**Yields of NBFCs inched up due to lagged effect of rate hikes**

**Exhibit 55: Yields, March fiscal year-ends, 3QFY22-3QFY24 (%)**

	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
<b>Affordable housing</b>									
Aavas Financiers	13.6	13.9	13.5	13.4	13.9	14.0	14.1	14.0	13.8
Aptus	17.5	17.4	17.4	18.0	18.1	17.8	17.1	17.6	17.3
Home First	13.6	13.3	13.5	13.8	13.9	14.3	14.7	14.6	14.4
<b>Other NBFCs and HFCs</b>									
Bajaj Finance	16.7	15.6	15.8	16.1	16.5	16.5	16.7	16.8	16.7
Cholamandalam	14.2	13.6	13.6	13.6	14.0	14.1	14.1	14.3	14.4
Five Star	NA	25.5	25.9	25.9	25.6	25.7	25.6	25.4	25.6
L&T Finance Holdings	12.9	13.0	12.9	13.5	14.3	14.8	15.1	15.5	15.9
LIC Housing Finance	8.3	8.4	8.3	7.8	8.8	9.4	9.7	9.7	9.7
Mahindra Finance	15.6	14.8	14.7	14.2	14.8	14.7	14.3	14.0	14.1
Muthoot Finance	20.7	18.7	17.3	17.4	18.2	18.5	18.1	17.7	17.8
SBFC	NA	15.2	15.7	16.1	16.0	16.4	16.5	16.8	17.2
Shriram Finance	16.2	16.6	16.5	16.9	16.5	16.4	16.2	16.6	16.5

Source: Company, Kotak Institutional Equities

**We build in stable margins over FY2025-26E**

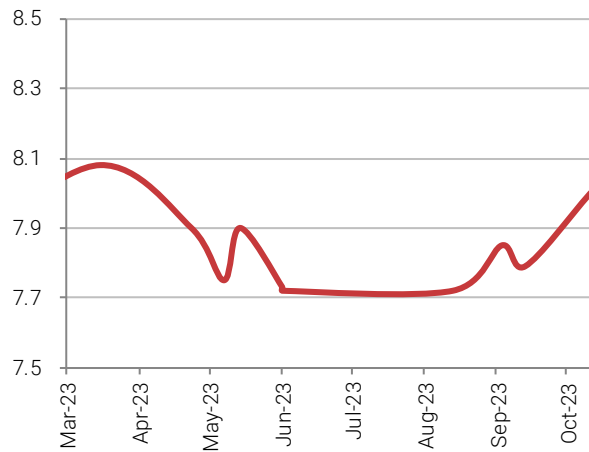
**Exhibit 56: Yields, cost of funds and NIM, March fiscal year-ends, 2020-2026E (%)**

	Yield on loans (%)						Cost of funds (%)						NIM (%)								
	2020	2021	2022	2023	2024E	2026E	2020	2021	2022	2023	2024E	2026E	2020	2021	2022	2023	2024E	2025E	2026E		
<b>Affordable housing</b>																					
Aavas	14.4	14.2	13.5	13.4	13.5	13.6	13.6	7.9	7.8	6.7	6.6	7.7	7.6	7.9	7.5	7.8	7.7	7.0	7.0	6.9	
Aptus	17.9	17.2	17.1	17.8	17.2	17.1	16.8	10.2	9.1	8.0	8.5	8.7	8.8	8.6	11.1	11.5	12.6	13.1	12.1	11.8	11.5
Home First	13.7	13.4	13.3	13.9	14.5	14.4	14.3	8.8	7.8	6.6	7.3	8.4	8.4	8.2	6.2	6.6	7.7	8.0	7.5	7.1	7.0
<b>Other NBFCs and HFCs</b>																					
Bajaj Finance	17.9	15.8	15.8	16.1	17.0	17.0	16.9	8.2	7.2	6.6	6.6	7.5	7.6	7.5	10.5	9.4	10.1	10.4	10.4	10.5	10.4
Cholamandalam	15.0	15.2	13.7	13.5	14.4	14.4	14.2	8.7	7.7	6.5	6.9	8.1	8.1	8.1	6.5	7.7	7.5	7.1	6.8	6.9	6.8
Five Star	24.9	24.3	25.3	25.0	25.5	25.3	25.1	13.1	11.2	10.0	7.8	8.9	9.0	9.0	17.6	16.5	19.0	20.6	19.7	19.0	18.5
L&TFH	13.6	13.5	12.5	14.4	15.1	15.8	15.8	7.9	8.0	7.0	7.3	6.7	7.2	7.2	6.1	6.1	6.3	7.5	8.6	9.2	9.3
LIC Housing Finance	9.7	8.9	8.1	8.6	9.6	9.2	8.9	8.2	7.2	6.6	6.9	7.5	7.3	7.3	2.4	2.4	2.3	2.4	3.0	2.7	2.6
Mahindra Finance	15.2	15.5	14.6	14.5	14.2	14.4	14.5	8.6	8.0	6.8	7.0	7.7	7.8	7.8	7.8	8.3	8.6	8.3	7.2	7.2	7.4
Muthoot Finance	22.6	21.9	19.8	17.1	18.1	18.2	18.1	8.7	8.9	8.0	7.4	8.8	8.9	8.7	15.2	14.1	12.9	11.0	11.2	11.3	11.3
Shriram Finance	14.7	14.7	14.8	17.6	15.9	16.1	16.0	9.1	9.0	8.8	9.2	8.7	8.9	8.7	7.5	7.2	7.4	10.5	9.2	9.2	9.3

Source: Company, Kotak Institutional Equities

**Bond yields are stabilizing for Bajaj Finance...**

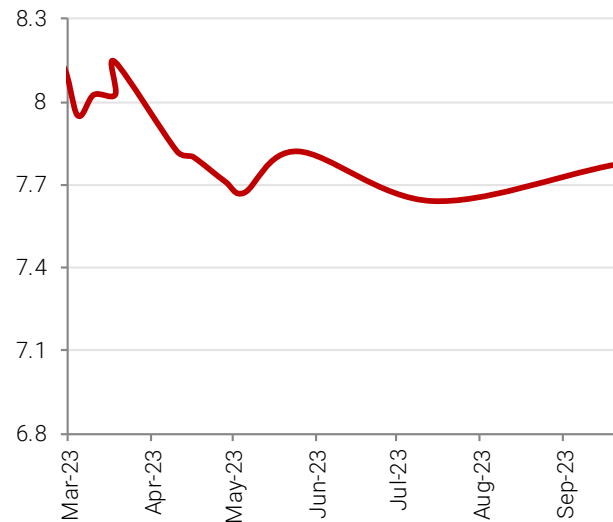
**Exhibit 57: Bajaj Finance's bond yields, April 2021-October 2023 (%)**



Source: Prime Database, Kotak Institutional Equities

**...and LICHF**

**Exhibit 58: LICHF bond yields, March 2023-September 2023 (%)**



Source: Prime Database, Kotak Institutional Equities

**Share of bank borrowings inched up for most players**

**Exhibit 59: Borrowings mix, March fiscal year-ends, 2019-2023, 1QFY24-3QFY24 (%)**

	2019	2020	2021	2022	2023	1QFY24	2QFY24	3QFY24
<b>Aavas</b>								
Term loans	42	43	34	38	45	47	50	47
Assignment	28	25	24	23	22	21	21	24
NHB	19	14	23	22	21	21	18	19
NCD	11	19	19	18	12	11	11	10
<b>LICHF</b>								
Bank	15	22	25	30	34	31	33	35
NCDs	75	65	54	53	50	54	53	52
Tier-II	1	1	1	1	1	1	1	1
Deposit	4	7	9	8	5	5	5	4
NHB	1	1	5	4	5	5	4	4
CP and others	4	4	6	4	5	4	4	4
<b>L&amp;TFH</b>								
Term loan	39	44	38	41	50	53	52	52
NCDs and Others	47	50	55	52	38	42	42	41
CP	14	6	7	7	12	5	6	7
<b>Chola</b>								
Bank	49	66	61	63	57	52	52	51
CP	11	8	10	10	8	9	9	6
Debenture	21	10	15	15	16	15	14	15
Subordinated debt	8	8	7	7	9	9	9	11
Securitisation	11	8	7	5	10	15	16	17
<b>Mahindra Finance</b>								
Bank loans	28	30	25	28	40	42	45	50
NCDs	44	35	33	37	32	31	30	28
FDs	11	15	16	15	7	7	7	8
CP/ ICD	9	0	2	2	8	10	9	6
Securitisation	8	15	18	14	9	7	6	5
Offshore borrowings		5	7	5	4	3	3	3
<b>Muthoot Finance</b>								
Gold bonds	2	1	1	0	0	0	0	0
Listed NCDs	28	26	29	25	27	25	24	29
Bank loans	49	39	43	55	60	60	65	62
Subordinated debt	2	1	0	0	0	0	0	0
Others	2	24	18	17	10	8	2	1
<b>Bajaj Finance</b>								
Banks	34	38	32	28	31	31	32	33
NCDs	38	41	44	50	47	47	46	44
Subordinate debt	5	4	4	3	1	1	1	1
Deposits	15	17	20	19	21	21	21	22
<b>Shriram Finance</b>								
NCDs	29	22	20	19	19	18	18	18
Deposits	12	13	15	19	23	24	24	24
Securitization	20	23	22	17	14	15	15	15
Subordinated debts	7	6	4	4	3	3	3	3
Term loans	18	16	16	20	26	24	24	24
ECB	6	15	18	17	8	8	8	8
ECB loans	3	5	4	4	6	7	7	7
Others	2	2	1	0	0	2	2	2

Source: Company, Kotak Institutional Equities

**Stressed loans declined qoq for most players**

**Exhibit 60: Stressed loans, March fiscal year-ends, 3QFY23-3QFY24 (%)**

	Gross stage-2 (%)					Gross stage-3 (%)					Write-offs during the quarter (%)					Overall stressed loans (%)					YoY (bps)	QoQ (bps)
	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24		
<b>Affordable housing</b>																						
Aavas	2.1	1.8	1.9	1.8	1.7	1.1	0.9	1.0	0.9	1.1	0.0	0.1	0.0	0.1	0.1	3.3	2.8	2.9	2.9	2.9	(43)	-
Aptus	4.8	4.7	5.0	4.8	4.9	1.4	1.2	1.3	1.2	1.2	0.1	0.2	(0.1)	0.0	0.2	6.3	6.1	6.2	6.0	6.2	(9)	22
Home First	1.2	1.1	1.3	1.2	1.3	1.8	1.6	1.6	1.7	1.7	0.2	0.2	0.2	0.2	0.2	3.2	2.9	3.1	3.2	3.2	1	1
<b>Other NBFCs and HFCs</b>																						
Bajaj Finance	1.2	1.2	1.2	1.1	1.1	1.1	0.9	0.9	0.9	1.0	1.2	1.4	1.3	1.5	1.4	3.6	3.6	3.4	3.5	3.4	(19)	(4)
Cholamandalam	3.3	2.3	2.5	3.5	2.3	5.4	4.6	4.3	3.1	4.1	0.8	(1.4)	0.7	0.7	0.7	9.5	5.6	7.5	7.3	7.0	(243)	(24)
Five Star	10.6	9.1	8.3	7.2	7.0	1.5	1.4	1.4	1.4	1.4	0.2	0.0	0.1	0.0	0.0	12.3	10.5	9.8	8.6	8.4	(392)	(23)
LIC Housing	3.9	5.3	5.7	5.1	4.5	4.8	4.4	5.0	4.3	4.3	(0.0)	0.5	0.0	2.2	0.1	8.7	10.2	10.7	11.6	8.3	(35)	(332)
Mahindra Finance	6.7	4.5	5.1	6.4	4.5	7.6	5.9	5.7	4.3	5.6	2.7	3.1	1.6	1.6	1.6	17.0	13.6	12.3	12.3	11.6	(539)	(68)
Shriram Finance	9.3	8.9	7.8	7.2	7.0	6.3	6.2	6.0	5.8	5.7	0.2	0.35	0.21	0.33	0.25	15.7	15.5	14.1	13.3	12.9	(279)	(37)

Source: Company, Kotak Institutional Equities

**Gross stage-3 loans were up 2-12% qoq for most players**

Exhibit 61: Gross stage-3 loans, March fiscal year-ends, 3QFY22-3QFY24 (Rs bn)

	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	YoY (%)	QoQ (%)
<b>Affordable housing</b>											
Aavas Financiers	1.5	0.9	1.0	1.1	1.2	1.1	1.2	1.3	1.4	18.4	10.1
Aptus	0.7	0.6	1.0	0.9	0.9	0.8	0.9	0.9	1.0	8.4	9.0
Home First	1.0	1.0	1.0	1.0	1.0	1.0	1.1	1.2	1.3	28.5	5.0
<b>Other NBFCs and HFCs</b>											
Bajaj Finance	31.1	31.3	25.4	25.3	26.1	23.1	23.5	26.5	29.6	13.5	12.0
Five Star	0.6	0.5	0.6	0.7	0.9	0.9	1.1	1.1	1.3	37.9	11.9
LICHF	122.7	116.5	126.8	128.5	127.5	120.2	137.1	120.4	119.8	(6.1)	(0.5)
L&T Finance (lending)	56.2	35.4	35.6	35.9	37.2	38.3	31.7	25.8	26.3	(29.5)	2.0
Mahindra Finance	72.2	49.8	54.4	49.4	58.7	49.0	49.1	52.2	53.5	(8.8)	2.5
Muthoot Finance	20.9	17.4	12.1	9.6	14.9	24.0	28.8	27.6	25.8	73.0	(6.8)
Shriram Finance	127.1	109.8	101.3	105.8	110.6	113.8	115.1	115.6	119.5	8.1	3.4

Source: Company, Kotak Institutional Equities

**Gross stage-2 was also up 0-18% qoq**

Exhibit 62: Gross stage-2 loans, March fiscal year-ends, 3QFY22-3QFY24 (Rs bn)

	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	YoY (%)	QoQ (%)
<b>Affordable housing</b>											
Aavas Financiers	3.4	2.7	2.4	2.4	2.3	2.1	2.2	2.1	2.2	(2.8)	4.6
Aptus		4.5	2.6	3.0	3.0	3.2	3.5	3.6	3.9	28.8	7.3
Home First	0.9	0.6	0.7	0.7	0.7	0.7	0.8	0.8	1.0	46.9	18.2
<b>Other NBFCs and HFCs</b>											
Bajaj Finance	53.0	38.6	35.7	31.6	28.6	30.3	32.9	31.0	31.0	8.4	-
Five Star	0.6	0.5	0.6	0.7	0.9	0.9	1.1	1.1	1.3	37.9	11.9
LICHF	91.3	77.3	101.3	104.9	105.2	144.4	158.7	140.9	127.7	21.3	(9.4)
Mahindra Finance	113.7	92.6	79.3	71.9	52.1	37.4	43.8	41.9	43.1	(17.2)	2.9
Shriram Finance	181.6	171.8	174.1	170.0	163.0	163.4	149.6	143.3	147.9	(9.3)	3.3

Source: Company, Kotak Institutional Equities

**Credit costs to remain moderate over FY2024-26E**

Exhibit 63: GNPL and credit cost, March fiscal year-ends, 2020-2026E (%)

	Gross stage-3 (%)							Credit cost (%)						
	2020	2021	2022	2023	2024E	2025E	2026E	2020	2021	2022	2023	2024E	2025E	2026E
<b>Affordable housing</b>														
Aavas Financiers	0.5	1.0	1.0	0.9	0.9	1.0	1.0	0.2	0.4	0.2	0.1	0.2	0.2	0.1
Aptus	1.7	0.7	1.2	1.2	1.2	1.3	1.4	0.1	0.2	0.7	0.6	0.3	0.6	0.5
Home First	1.0	1.8	2.3	1.6	1.7	1.7	1.7	0.5	0.8	0.5	0.3	0.4	0.4	0.4
<b>Other NBFCs and HFCs</b>														
Bajaj Finance	1.6	1.8	1.6	0.9	1.6	1.6	1.6	3.0	4.0	2.7	1.4	1.7	1.8	1.8
Cholamandalam	3.8	4.0	4.4	3.0	2.9	3.3	3.5	1.6	2.1	1.2	0.9	1.3	1.2	1.2
Five Star	1.4	1.0	1.0	1.4	1.5	1.6	1.7	1.6	0.8	1.0	0.3	0.6	1.0	1.3
LIC Housing Finance	2.9	4.1	4.6	4.4	4.3	4.5	4.5	0.5	0.6	0.8	0.7	0.6	0.4	0.5
Mahindra Finance	8.4	9.0	7.7	5.9	5.3	5.5	5.7	3.1	5.6	3.7	1.4	1.7	1.6	1.7
Muthoot Finance	2.2	0.9	3.0	3.8	3.0	2.8	2.8	0.3	0.2	0.2	0.1	0.2	0.2	0.2
Shriram Finance	8.4	7.1	7.1	6.1	5.8	6.0	NA	2.6	2.7	3.2	2.7	2.2	2.2	2.2

Source: Company, Kotak Institutional Equities

**Overall, ECL coverage to inch up for most players**

**Exhibit 64: ECL coverage, March fiscal year-ends, 2020-2026E (%)**

	ECL coverage on gross stage-3 (%)						ECL coverage on gross stage-1 and 2 (%)						Overall ECL coverage (%)								
	2020	2021	2022	2023	2024E	2025E	2026E	2020	2021	2022	2023	2024E	2025E	2026E	2020	2021	2022	2023	2024E	2025E	2026E
<b>Affordable housing</b>																					
Aavas Financiers	26.0	27.2	23.1	26.9	25.0	26.0	26.0	0.2	0.4	0.5	0.4	0.4	0.4	0.4	0.3	0.7	0.7	0.6	0.6	0.7	0.7
Aptus	12.4	27.5	25.0	25.0	25.0	25.0	25.0	0.1	0.2	0.5	0.8	0.8	1.1	1.2	0.3	0.4	0.8	1.1	1.1	1.4	1.6
Home First	25.8	36.0	24.9	34.0	31.0	31.0	31.0	0.6	0.7	0.5	0.4	0.4	0.4	0.4	0.9	1.3	1.1	0.9	0.9	0.9	0.9
<b>Other NBFCs and HFCS</b>																					
Bajaj Finance	60.3	58.4	58.0	63.8	62.0	62.0	62.0	1.6	1.8	1.3	1.2	0.7	1.0	1.2	2.6	2.9	2.2	1.8	1.7	2.0	2.2
Cholamandalam	41.5	44.3	39.7	46.0	45.0	45.0	45.0	1.1	1.9	1.4	0.8	0.8	0.7	0.8	2.7	3.6	3.0	2.2	2.0	2.2	2.3
Five Star	17.7	18.0	34.9	49.3	28.0	28.5	30.0	1.4	1.8	1.7	0.9	1.1	1.2	1.5	1.6	1.9	2.0	1.6	1.5	1.6	2.0
LIC Housing Finance	43.4	39.9	43.1	44.8	48.0	47.0	48.0	0.0	0.1	0.3	0.7	0.3	0.4	0.4	1.2	1.7	2.3	2.6	2.4	2.4	2.5
Mahindra Finance	31.0	57.9	58.1	45.1	45.0	43.0	41.0	2.1	2.2	2.7	1.4	1.3	1.2	1.2	4.5	7.2	6.9	4.0	3.6	3.5	3.5
Muthoot Finance	10.6	11.9	11.9	7.5	9.5	10.0	10.0	1.1	1.1	0.9	1.0	0.9	0.9	0.8	1.3	1.2	1.2	1.2	1.2	1.1	1.1
Shriram Finance	34.7	42.1	50.0	50.1	53.8	54.0	54.0	3.1	4.1	3.9	3.2	3.4	3.4	3.5	5.8	6.8	7.2	6.1	6.3	6.4	6.5

Source: Company, Kotak Institutional Equities

**Cost ratios to remain elevated**

**Exhibit 65: Cost ratios, March fiscal year-ends, 2020-2026E (%)**

	Cost-to-income (%)						Cost-to-average AUM (%)							
	2020	2021	2022	2023	2024E	2025E	2026E	2020	2021	2022	2023	2024E	2025E	2026E
<b>Affordable housing</b>														
Aavas Financiers	42.0	39.7	42.6	45.0	46.2	44.8	44.3	3.3	3.0	3.4	3.6	3.4	3.3	3.2
Aptus	26.1	21.8	18.5	19.4	20.2	22.1	23.4	3.3	2.7	2.5	2.8	2.7	2.8	2.9
Home First	45.2	38.8	33.9	35.5	36.1	37.5	37.2	3.4	2.7	2.7	2.8	2.8	2.7	2.6
<b>Other NBFCs and HFCS</b>														
Bajaj Finance	33.5	30.7	34.7	35.1	34.0	32.5	32.1	4.3	3.5	4.3	4.6	4.3	4.1	4.0
Cholamandalam	38.9	31.7	35.4	38.5	40.2	40.4	39.8	2.7	2.4	2.8	3.0	3.2	3.1	3.0
Five Star	30.1	29.5	32.0	34.7	32.5	34.3	34.3	5.7	5.1	6.4	7.3	6.7	6.8	6.6
L&TFH	24.9	26.3	33.5	37.0	39.3	37.8	37.5	1.8	1.9	2.4	3.3	4.1	4.2	4.2
LIC Housing Finance	12.6	13.0	16.9	15.2	12.3	14.0	15.2	0.3	0.3	0.4	0.4	0.4	0.4	0.4
Mahindra Finance	37.3	28.2	35.8	42.1	43.8	41.3	39.7	3.1	2.5	3.2	3.7	3.3	3.2	3.1
Muthoot Finance	30.0	25.9	25.1	30.9	30.2	29.1	28.2	4.7	3.8	3.3	3.5	3.5	3.3	3.2
Shriram Finance	25.0	23.7	22.3	28.5	29.9	29.4	28.4	1.9	1.7	1.7	3.1	2.9	2.9	2.8

Source: Company, Kotak Institutional Equities

**Operating expense growth remains high**

**Exhibit 66: Operating expenses yoy growth, March fiscal year-ends, 3QFY22-3QFY24 (%)**

	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
<b>Affordable housing</b>									
Aavas Financiers	36.9	42.8	52.6	32.7	32.0	13.5	30.4	14.1	12.3
Aptus	5.9	6.6	16.5	43.1	52.5	53.6	35.3	19.4	23.3
Home First	12.6	16.0	37.2	37.0	38.7	30.5	42.8	28.2	37.9
<b>Other NBFCs and HFCS</b>									
Bajaj Finance	49.8	30.8	73.3	23.9	24.0	26.3	19.9	19.7	22.2
Cholamandalam	44.2	26.2	56.5	27.6	41.4	21.3	35.7	43.1	41.5
Five Star	NA	NA	37.7	37.7	62.9	35.9	42.7	39.4	18.3
LICHF	22.8	6.5	(27.9)	0.0	38.9	10.4	19.6	(0.6)	(9.1)
L&T Finance Holdings	23.1	28.1	18.6	23.8	27.5	24.1	19.7	18.9	16.3
Mahindra Finance	32.8	28.7	47.7	37.8	23.0	23.1	8.7	8.0	15.6
Muthoot Finance	2.5	3.8	36.2	2.8	8.6	17.9	3.4	27.2	16.1
SBFC	NA	NA	(23.9)	(18.4)	21.9	24.7	39.8	28.3	47.9
Shriram Finance	8.3	11.7	31.5	27.7	23.0	39.8	27.4	21.8	27.7

Source: Company, Kotak Institutional Equities

**Cost-to-AAUM ratio declined yoy for most players**

Exhibit 67: Cost-to-AAUM ratio, March fiscal year-ends, 3QFY22-3QFY24 (%)

	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
<b>Affordable housing</b>									
Aavas Financiers	3.5	3.9	3.5	3.8	3.7	3.5	3.7	3.5	3.4
Aptus	2.3	2.4	2.4	3.1	2.7	2.9	2.6	2.9	2.6
Home First	2.7	2.8	2.8	2.9	2.7	2.7	3.0	2.8	2.8
<b>Other NBFCs and HFCs</b>									
Bajaj Finance	4.8	4.4	4.7	4.8	4.6	4.4	4.4	4.3	4.2
Cholamandalam	3.0	3.5	2.9	3.1	3.3	3.1	2.8	3.2	3.3
Five Star	6.2	7.8	6.8	7.2	8.0	7.9	7.0	7.0	6.6
LICHF	0.3	0.4	0.3	0.4	0.4	0.4	0.4	0.4	0.4
L&T Finance Holdings	2.8	2.9	2.9	3.2	3.4	3.7	3.9	4.4	4.5
Mahindra Finance	3.3	3.9	3.7	3.8	3.4	3.9	3.2	3.2	3.2
Muthoot Finance	3.3	3.8	3.8	3.2	3.4	4.2	3.4	3.4	3.3
SBFC	12.7	7.2	5.7	6.1	5.1	5.7	5.3	5.4	5.4
Shriram Finance	2.5	2.6	2.7	2.9	2.8	3.2	2.9	3.0	2.9

Source: Company, Kotak Institutional Equities

Exhibit 68: Cost-to-income ratio, March fiscal year-ends, 3QFY22-3QFY24 (%)

	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
<b>Affordable housing</b>									
Aavas Financiers	41.8	43.8	47.0	45.1	45.9	42.2	47.8	44.5	46.1
Aptus	16.2	16.4	16.8	21.2	19.0	20.2	19.2	21.4	19.3
Home First	32.9	35.6	35.7	37.3	35.1	34.3	36.1	35.1	35.7
<b>Other NBFCs and HFCs</b>									
Bajaj Finance	34.7	34.6	35.9	35.9	34.7	34.1	34.0	34.0	33.9
Cholamandalam	35.4	41.6	35.3	38.9	41.1	38.2	37.0	40.0	41.2
Five Star	29.9	36.4	32.3	33.1	36.7	36.0	32.6	33.4	32.0
LICHF	13.6	14.2	12.3	21.6	17.5	13.6	10.8	12.0	12.2
L&T Finance Holdings	34.3	35.8	36.1	37.8	38.2	38.9	39.6	39.5	40.1
Mahindra Finance	33.3	41.3	39.6	43.9	39.5	45.2	40.3	43.7	41.5
Muthoot Finance	23.6	30.5	34.7	28.2	28.0	32.8	28.6	30.0	29.0
SBFC	57.1	63.0	49.8	51.4	46.6	50.8	46.4	48.1	45.4
Shriram Finance	27.9	27.6	26.9	28.6	26.6	31.9	30.8	29.6	29.3

Source: Company, Kotak Institutional Equities

**Earnings downgrade for most players**

Exhibit 69: Change in estimates of core PBT, March fiscal year-ends, 2024-2026E (Rs mn)

	New estimates			Old estimates			% change		
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
<b>Affordable housing</b>									
Aavas Financiers	4,421	5,572	6,815	4,746	6,053	7,623	(7)	(8)	(11)
Aptus	7,608	9,121	11,098	7,592	9,075	10,991	0	1	1
Home First	3,063	3,776	5,010	3,210	4,064	5,256	(5)	(7)	(5)
<b>Other NBFCs and HFCs</b>									
Bajaj Finance	236,575	310,182	386,555	230,102	294,799	365,464	3	5	6
Cholamandalam	57,793	74,519	94,191	59,632	75,700	93,802	(3)	(2)	0
Five Star	10,989	14,007	17,743	10,748	13,464	16,579	2	4	7
L&T Finance Holdings	52,450	63,163	75,642	49,465	60,540	75,593	6	4	0
LIC Housing Finance	75,329	70,436	71,251	75,691	70,804	73,616	(0)	(1)	(3)
Mahindra Finance	39,507	49,991	62,734	39,615	54,804	68,104	(0)	(9)	(8)
Muthoot Finance	54,001	63,256	73,524	54,590	66,329	78,458	(1)	(5)	(6)
Shriram Finance	134,527	160,126	192,007	129,150	159,025	190,050	4	1	1

Source: Kotak Institutional Equities estimates



Exhibit 70: Change in estimates of AUM, March fiscal year-ends, 2024-2026E (Rs mn)

	New estimates			Old estimates			% change		
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
<b>Affordable housing</b>									
Aavas Financiers	172,130	209,666	256,879	172,139	209,221	255,974	(0)	0	0
Aptus	85,927	108,494	137,115	86,913	112,363	144,828	(1)	(3)	(5)
Home First	96,456	126,394	162,650	96,060	126,077	162,397	0	0	0
<b>Other NBFCs and HFCs</b>									
Bajaj Finance	3,278,896	4,126,552	5,113,916	3,200,476	3,991,965	4,923,741	2	3	4
Cholamandalam	1,435,749	1,828,355	2,339,622	1,422,006	1,804,756	2,257,796	1	1	4
Five Star	96,404	128,108	163,392	96,404	125,708	160,096	-	2	2
L&T Finance Holdings	845,000	984,150	1,181,140	823,616	958,701	1,167,883	3	3	1
LIC Housing Finance	2,790,273	2,970,937	3,216,252	2,841,193	3,055,009	3,330,860	(2)	(3)	(3)
Mahindra Finance	1,016,670	1,218,987	1,453,310	1,026,479	1,237,312	1,477,896	(1)	(1)	(2)
Muthoot Finance	734,101	841,121	965,708	749,232	858,163	985,300	(2)	(2)	(2)
Shriram Finance	2,237,435	2,611,526	3,057,818	2,158,765	2,504,479	2,914,207	4	4	5

Source: Kotak Institutional Equities estimates

### NIM downgrades for most players

Exhibit 71: Change in estimates of NIM, March fiscal year-ends, 2024-2026E (%)

	New estimates			Old estimates			% change		
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
<b>Affordable housing</b>									
Aavas Financiers	7.0	7.0	6.9	7.3	7.4	7.5	-25 bps	-38 bps	-58 bps
Aptus	12.1	11.8	11.5	12.1	11.5	11.0	-2 bps	29 bps	55 bps
Home First	7.5	7.1	7.0	7.6	7.4	7.2	-18 bps	-29 bps	-21 bps
<b>Other NBFCs and HFCs</b>									
Bajaj Finance	10.3	10.4	10.3	10.3	10.2	10.2	5 bps	17 bps	15 bps
Cholamandalam	6.8	6.9	6.8	7.0	6.8	6.8	-12 bps	3 bps	-1 bps
Five Star	19.7	19.0	18.5	19.7	18.7	17.8	3 bps	24 bps	70 bps
L&T Finance Holdings	8.6	9.2	9.3	8.6	9.5	9.5	-3 bps	-32 bps	-13 bps
LIC Housing Finance	2.9	2.6	2.5	2.9	2.6	2.5	3 bps	5 bps	1 bps
Mahindra Finance	7.2	7.2	7.4	7.2	7.6	7.7	0 bps	-37 bps	-33 bps
Muthoot Finance	11.2	11.3	11.3	11.2	11.4	11.6	-4 bps	-16 bps	-31 bps
Shriram Finance	9.3	9.3	9.4	9.1	9.5	9.6	17 bps	-16 bps	-20 bps

Source: Kotak Institutional Equities estimates

### Credit cost tailwinds

Exhibit 72: Change in estimates of credit cost, March fiscal year-ends, 2024-2026E (%)

	New estimates			Old estimates			% change		
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
<b>Affordable housing</b>									
Aavas Financiers	0.16	0.16	0.14	0.17	0.23	0.25	-2 bps	-6 bps	-11 bps
Aptus	0.31	0.61	0.50	0.37	0.56	0.53	-6 bps	5 bps	-3 bps
Home First	0.39	0.41	0.40	0.42	0.55	0.64	-3 bps	-13 bps	-24 bps
<b>Other NBFCs and HFCs</b>									
Bajaj Finance	1.77	1.77	1.76	1.54	1.57	1.57	23 bps	20 bps	19 bps
Cholamandalam	1.26	1.19	1.20	1.27	1.21	1.18	-2 bps	-2 bps	3 bps
Five Star	0.60	0.96	1.29	0.84	1.24	1.26	-24 bps	-28 bps	3 bps
L&T Finance Holdings	0.09	0.11	0.11	0.10	0.11	0.11	-1 bps	0 bps	0 bps
LIC Housing Finance	0.60	0.45	0.48	0.52	0.47	0.45	8 bps	-2 bps	3 bps
Mahindra Finance	1.67	1.63	1.66	1.74	1.88	1.85	-7 bps	-25 bps	-19 bps
Muthoot Finance	0.18	0.16	0.16	0.18	0.16	0.15	1 bps	0 bps	0 bps
Shriram Finance	2.22	2.15	2.22	1.81	2.08	2.07	41 bps	7 bps	15 bps

Source: Kotak Institutional Equities estimates

**Expense ratio declining for most players**

**Exhibit 73: Change in estimates of cost-to-AAUM, March fiscal year-ends, 2024-2026E (%)**

	New estimates			Old estimates			% change		
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
<b>Affordable housing</b>									
Aavas Financiers	3.4	3.3	3.2	3.4	3.3	3.3	0 bps	-6 bps	-12 bps
Aptus	2.7	2.8	2.9	2.7	2.8	2.9	-6 bps	-1 bps	4 bps
Home First	2.8	2.7	2.6	2.8	2.7	2.6	3 bps	2 bps	0 bps
<b>Other NBFCs and HFCs</b>									
Bajaj Finance	4.3	4.1	4.0	4.4	4.2	4.1	-6 bps	-12 bps	-15 bps
Cholamandalam	3.2	3.1	3.0	2.9	2.9	2.8	23 bps	26 bps	21 bps
Five Star	6.7	6.8	6.6	7.0	6.9	6.5	-26 bps	-10 bps	13 bps
L&T Finance Holdings	4.1	4.2	4.2	4.2	4.4	4.2	-11 bps	-23 bps	1 bps
LIC Housing Finance	0.4	0.4	0.4	0.4	0.4	0.4	3 bps	1 bps	2 bps
Mahindra Finance	3.3	3.2	3.1	3.3	3.1	3.0	2 bps	4 bps	5 bps
Muthoot Finance	3.5	3.3	3.2	3.4	3.3	3.2	4 bps	7 bps	6 bps
Shriram Finance	3.1	2.9	2.9	2.9	2.8	2.8	25 bps	14 bps	14 bps

Source: Kotak Institutional Equities estimates

**Exhibit 74: Change in estimates of PAT, March fiscal year-ends, 2024-2026E (%)**

	New estimates			Old estimates			% change		
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
<b>Affordable housing</b>									
Aavas Financiers	4,692	5,778	7,017	5,024	6,138	7,497	(7)	(6)	(6)
Aptus	6,049	6,994	8,519	5,899	6,875	8,286	3	2	3
Home First	2,984	3,552	4,421	2,886	3,507	4,341	3	1	2
<b>Other NBFCs and HFCs</b>									
Bajaj Finance	143,331	185,509	230,721	144,241	181,064	223,696	(1)	2	3
Cholamandalam	32,451	42,034	52,601	33,479	42,136	52,401	(3)	(0)	0
Five Star	8,300	10,146	12,345	7,653	9,190	11,235	8	10	10
L&T Finance Holdings	23,958	27,941	32,919	19,776	24,258	29,523	21	15	12
LIC Housing Finance	47,299	46,008	45,277	48,542	45,099	46,944	(3)	2	(4)
Mahindra Finance	18,025	23,706	30,221	17,536	25,021	32,033	3	(5)	(6)
Muthoot Finance	39,699	46,571	54,112	40,155	48,848	57,769	(1)	(5)	(6)
Shriram Finance	71,081	86,623	103,182	70,873	84,186	101,710	0	3	1

Source: Kotak Institutional Equities estimates

### Performance highlights of key diversified financial companies: 3QFY24

- ▶ **Aavas.** Aavas reported a PAT of Rs1.2 bn, up 9% yoy and core PBT of Rs1.1 bn was up 3% yoy. NII growth was muted at 6% yoy, while AUM grew 23% yoy and 5% qoq. Calculated margins compressed sharply (43 bps qoq) to 7.0%, driven by (1) a 37 bps qoq decline in yields to 13.8% and (2) a 20 bps rise in cost of borrowings to 7.7%. The drawdown of liquidity buffers (down 11% qoq) offset spread pressures. Operating expenses grew at a slower pace (up 12% yoy), leading to a moderate cost-to-AAUM ratio of 3.4% in 3QFY24. Gross stage-2 and stage-3 loans were stable qoq. Similarly, overall ECL coverage was also flat qoq at 0.65%. Credit cost was moderate at 0.2% in 3QFY24.
- ▶ **Aptus.** Aptus reported a PAT of Rs1.6 bn in 3QFY24, up 25% yoy. Core PBT was up 21% yoy to Rs2.0 bn. NII growth was 20% yoy, driven by 28% yoy AUM growth; yoy NIM compression of 83 bps had a moderating effect. Operating expenses were up 21% yoy, lower than AUM growth of 28% yoy, leading to a moderation in the cost-to-AAUM ratio to 2.6% (2.7% in 3QFY23 and 2.9% in 2QFY24). Provisions were up 3% yoy, as the gross stage-3 ratio was flat qoq at 1.2%; gross stage-2 ratio inched up 5 bps qoq to 4.9%.
- ▶ **Bajaj Finance.** Bajaj Finance reported PAT of Rs36 bn, up 22% yoy. Core PBT, at Rs58 bn, was up 30% yoy. NII was up 29% yoy, driven by 35% yoy loan growth. NIM compressed 9 bps qoq due to interplay of (1) 9 bps qoq moderation in yields, (2) 10 bps qoq rise in cost of borrowings and (3) benefit of capital issuance (Rs 88 bn in November 2023). Operating expenses growth was lower than AUM growth at 22% yoy and 5% qoq, leading to a 10 bps qoq decline in the cost-to-AAUM ratio to 4.2% in 3QFY24. Credit costs were slightly elevated at 1.7% in 3QFY24, overall ECL coverage was flat qoq at 1.6%.
- ▶ **Cholamandalam.** Chola reported 28% growth in PAT, 5% above estimates. Loan growth of 40% (up 8% qoq) drew 36% NII growth. While borrowing costs inched up a bit, higher lending yields and recent capital issuance partially offset it. Insurance income boosted fees (up 90% qoq). Furthermore, operating expenses were up 41% yoy and 12% qoq, leading to an elevated cost-to-AUM ratio of 3.3%. Gross stage-3 ratio was down 16 bps qoq, while gross stage-2 ratio declined 14 bps qoq. Write-offs were a tad higher, as the company cleaned up NPLs, mostly in the CSEL segment.
- ▶ **Five Star.** Five Star reported PAT of Rs2.16 bn, up 44% yoy and core PBT was up 40% yoy. Loan book was up 43% yoy and 8% qoq to Rs89 bn, driven by 33% yoy growth in disbursements. Margins compressed 180 bps yoy and 50 bps qoq, led by higher leverage; management increased liquidity buffers during the quarter (Cash + investments up to Rs18 bn from Rs13 bn in 2QFY24). The cost/AUM ratio declined to 6.6% from 7.0% in 2QFY24 and 8.0% in 3QFY23. Credit costs were stable at 50 bps.
- ▶ **Home First.** Home First reported PAT of Rs788 mn, up 34% yoy. NII was up 24% yoy owing to 34% growth (disbursements up 29% yoy) in loans and NIM compression of 69 bps yoy to 7.4%. Yield of 14.4% was down 18 bps qoq, likely due to repricing of loan assets, even as cost of funds inched up 6 bps qoq to 8.1%, leading to 43 bps qoq NIM compression. Growth in operating expenses was elevated at 38% yoy; the cost-to-AAUM ratio remains elevated at 2.8%. Bounce rates inched up to 15.1% from 14.2% in 2QFY24, even as 1+dpd was flat at 4.5%, but the 0+, 30+ and 90+ ratios were stable.
- ▶ **L&TFH.** LTFH reported consolidated PAT of Rs6.4 bn, up 41% yoy. Run-down of wholesale assets led to an 8% yoy decline in AUM (Rs817 bn), despite 31% yoy growth in retail AUM (Rs747 bn). NII growth was better at 8% yoy, driven by 155 bps yoy NIM expansion. Retailization led to a sharp 157 bps yoy and 35 bps qoq increase in yields. Reported cost of borrowings was up 27 bps yoy and 3 bps qoq to 7.8%, resulting in NIM expansion to 9.1% (up 34 bps qoq and 155 bps yoy). Operating expense growth was higher than top-line growth at 16% yoy (lower than retail loans growth of 31%), leading to elevated cost-to-AAUM ratio of 4.5%.
- ▶ **LICHF.** LICHF reported PAT of Rs11.7 bn in 3QFY24, up 142% yoy. Core PBT of Rs18.8 bn was up 39% yoy. AUM growth was weak at 5% yoy due to 7% growth in individual AUM. Disbursements, despite a low base, declined 5% qoq. NIM remained solid at 3% (stable qoq) and way ahead of its long-term ratio of 2.4-2.5%. Operating expenses were down 9% yoy, leading to a 6 bps yoy decline in cost-to-AAUM ratio of 37 bps. Increase in provisions on stage-3 assets led to 11 bps qoq rise in overall ECL coverage to 2.45%. Write-offs were muted at 8 bps, leading to credit cost of 62 bps in 3QFY24.
- ▶ **Mahindra Finance.** Mahindra Finance reported PAT of Rs5.5 bn, down 12% yoy. Despite strong AUM growth of 25% yoy, NII growth was muted at 9% yoy due to sharp 110 bps yoy NIM compression. AUM growth was largely driven by auto/UVs—up 33% yoy and 10% qoq. NIM was up 9 bps qoq, driven by

17 bps qoq rise in yields and drawdown of liquidity buffers. The cost-to-AAUM ratio improved 9 bps qoq, as management continues to clamp down on expenses (up 16% yoy) to offset the margin pressure. Credit costs moderated 140 bps qoq to 1.4% due to drawdown of provisions.

- ▶ **Muthoot Finance.** Muthoot reported PAT of Rs10.3 bn, up 14% yoy, core PBT was up 10% yoy. NII was up 12% yoy, driven by 23% yoy AUM growth and 98 bps yoy margin compression. NIM was flat qoq at 10.9%, as the 12 bps rise in cost of borrowings was offset by a 14 bps qoq rise in yields. Operating expenses were up 16% yoy, lower than AUM growth, leading to moderation in cost-to-AAUM ratio to 3.3% (3.4% in 2QFY24 and 3.4% in 3QFY23). Credit costs were muted at 8 bps. GNPLs were down 7% qoq on absolute basis (gross stage-3 ratio was down 39 bps qoq to 3.6%). Ex-auctions, the gross stage-3 ratio was at 4.2% in 3QFY24, up 15 bps qoq and 157 bps yoy.
- ▶ **Shriram Finance.** Shriram reported PAT of Rs18 bn in 3QFY24 up 2.3% yoy. NII was up 20.9% yoy in 3QFY24, driven by 20.7% AUM growth and 14 bps yoy NIM expansion. AUM growth was strong in 3QFY24 at 20.7% yoy and 5.7% qoq, driven by passenger vehicles, 2W, MSME and gold loans. Core NIM expanded 11 bps qoq to 10.8%, largely reflecting a richer product mix. Operating expense growth was higher than top-line growth at 27.7% yoy, leading to a cost-to-AAUM ratio of 2.9% (2.8% in 3QFY23). Credit costs were a bit elevated at 2.4% in 3QFY24 (2.3% in 2QFY24) due to higher write-offs (25 bps versus 16 bps in 3QFY23; 25 bps in 1HFY24).

## Asset/wealth managers: Stronger quarter for HDFC AMC, Nippon AMC and Kfin

AMCs reported a sequentially stronger quarter, led by stronger markets and steady net inflows in equity. AUM growth to revenue growth translation was on expected lines. Revenue yields were supported by a stronger equity mix. RTAs reported stronger non-mutual fund revenue growth, whereas CAMS had a sharper MF yield decline compared with Kfin due to the remaining impact of large contract repricing. 360 One reported a soft quarter in terms of net new money and retention yields, whereas P&L trends were largely in line. All companies benefited from strong other income due to treasury/MTM gains.

- ▶ **360 One: Muted 2Q; focus on flow and yield recovery in 2H.** 360 One reported a 5% yoy PBT growth (8% yoy growth in PAT). Key earnings drivers: (1) 14% yoy growth in recurring revenues, (2) 10% yoy decline in non-recurring income, with sharper decline in transactional revenues, whereas carry income grew yoy and (3) costs increased 24% yoy, with staff costs up ~30% yoy and ~10% yoy growth in non-staff costs. The cost-income ratio increased to ~50% (up ~100/400 bps qoq/yoy). Recurring AUM grew ~33% yoy (~10% qoq), led by the advisory proposition, i.e., 360 One Plus. However, retention yields on the recurring business declined marginally qoq to 60 bps. The share of recurring revenues has remained at ~70% of operational revenues. Overall, net recurring inflows of Rs84 were higher than ~Rs50 bn in 2Q, but supported by ~Rs20 bn inflows into very low-yielding corporate treasury book (~3 bps fee) and ~Rs60 bn into the non-discretionary advisory business.
  - As in the previous few quarters, 3QFY24 results reflect similar trends, with strong flows into its lower-yielding segments (advisory, MFs and institutional mandates), along with an outflow from higher-yielding segments (alternative funds). This shift itself is not concerning from a medium term point of view, given the general traction in the core segment (client acquisitions, deal wins). However, the P&L impact has been higher, given simultaneous spends into expanding the core UHNI franchise (senior hires), along with the launch of HNI (planned for 1QFY25) and global coverage (likely 1HFY25). While investments in new verticals will continue, we are likely to see incremental better trends in flows through new fund launches and yields potentially inching up.
- ▶ **ABSL AMC: Revenue yields improve, but operating trends unchanged.** ABSL AMC reported 6% yoy growth in core PBT (i.e., PBT-other income), with higher-than-expected revenue growth (9% yoy), offset by higher expense growth (12% yoy), led by employee cost growth (10% yoy). Other costs grew ~15% yoy, given the continued investments in talent and distribution. Core cost-income was stable qoq at 44% and ~42% last year. Overall, MF AUM for ABSL was nearly flat qoq compared with 5% growth for the industry.
  - ABSL's challenges related to weak equity fund performance and market share loss are well-flagged. However, overall fund performance is yet to show any signs of a turnaround. We would want to see a few quarters of strong fund performance before building a strong case for AUM growth to be close to industry levels. The changes in the investment team offer an additional risk of funds being put on review, which could delay the recovery in flows. Currently, about ~40-50% of AUM is in the top-two quartiles on 1Y and 3Y performance. The company indicated that redemption pressure across funds has reduced recently, except in the ELSS category. It is seeing higher net flows in select categories (small-cap, thematic/sectoral funds). ABSL's monthly SIP flow in December was up ~7% yoy and much slower than ~30% yoy growth for the industry. Overall, folios are up marginally qoq, but nearly flat compared with last year's levels.
- ▶ **CAMS: Good all-round performance.** CAMS reported ~20% headline PAT growth, while similar core PBT growth owing to 19% yoy revenue growth and 18% yoy operating expense growth. Key result highlights: (1) AUM growth of 22% yoy and 5% qoq, with equity AUM growth of ~30% yoy and 9% qoq. (2) Stable market share in overall (68%) and increase in share of equity segment (68%) market share. SIP flow market share steadily improving to ~61% (200 bps yoy). (3) EBIT margins are stable qoq (~50 bps yoy) at 40%, reflecting the operating leverage benefit in the core MF business, which is likely offsetting the relative drag from investments/lower margin in the non-MF business. The share of MF RTA in overall revenues is 87% (from ~90% a year ago).
  - MF RTA saw stronger performance, helped by macros (AUM growth, equity mix) and micros (stable yields). Overall, MF revenue growth was 15% yoy and 5% qoq, with non-asset-based revenue growth (23% yoy; 8% qoq) stronger than asset-based revenue growth (13% yoy; 5% qoq). Revenue yield on asset-based revenues improved marginally qoq (down 7% yoy) to 2.5 bps of AUM. CAMS has gone through a period of a fee reset for its largest client, causing a drag on earnings. We expect

incremental AUM to revenue growth translation to be better aligned than what we have seen in the past 12 months. This business on a standalone basis likely generates EBITDA margins of 48-50%.

- ▶ **HDFC AMC: Strong show, as expected.** HDFC AMC reported ~30% yoy earnings growth, driven by 20% yoy revenue growth, 38% yoy other income growth and ~10% yoy expense growth. Quarterly AAUM was up 24% yoy (5% qoq), with equity AUM up 40% yoy (11% qoq) and debt AUM up 16% yoy ((-1% qoq). Staff costs were up ~15% yoy, whereas other costs (including business development) grew ~5% yoy. Cost-income (ex-other income) was down ~100 bps qoq to 20%.
  - HDFC AMC's operating performance continues its strong momentum on all counts. Strong fund performance continues to feed into customer acquisition, fund returns and lower redemptions. Most large funds are in the top-1 or 2 quartiles for the past couple of years. Customer acquisition is gathering pace as well (~45% of increment net adds in past 1Y). Monthly SIP flows (68% yoy; 17% qoq) have grown at a significant premium to industry (~30% yoy; ~10% qoq). The current run-rate of SIP flows would imply ~10% equity AUM growth in a year. The company is seeing market share gains across major channels. Its market share in the HDFC Bank channel is ~25% on stock basis and higher in flow terms. Blended 3QFY24 revenue yield declined ~1% qoq ((-3% yoy) to ~49 bps. A decline in overall yields reflects equity funds moving down TER slabs, but offset by a share of equity improving to ~61% (300 bps qoq; 600 bps yoy). The AUM mix should continue to trend favorably (quarter-end equity AUM is 10% higher-than-quarter average).
- ▶ **Kfin Technologies: Executing well, amid positive tailwinds.** Kfin reported strong core PBT growth of ~28% yoy and overall PAT growth of 25% yoy. Revenue growth of 16% yoy was ahead of our estimates, offset by in-line expense growth of 10% yoy. Staff costs grew 15% yoy (9% qoq) due to one-time incentives/hiring, but non-staff costs grew lower at ~5% yoy. Overall, EBIT margin improved ~250 bps yoy (stable qoq), reflecting operating leverage, driven partly by supportive market conditions (MF AUM growth, IPOs and fund launches).
  - MF RTA revenues grew 18% yoy and 10% qoq. Overall, equity AUM grew ~20% yoy and ~6% qoq, with a marginal rise in overall AUM market share (~32%) and a slight dip in equity (~34%) compared with the last quarter. The SIP market share declined to ~39% (down ~200 bps yoy). Market share trends are on expected lines, given the performance of large clients. MF RTA yields were stable qoq at 3.8 bps ((-4% yoy). We believe that yields are tough to predict in the short term due to several variables involved, but will continue to shrink in the medium to long term owing to the fee pressure faced by AMCs, along with high client concentration, which limits pricing power. Our short- to medium-term yield assumptions conservatively build in 4-5% annual compression in yields. Non-MF revenue growth was 13% yoy, supported by issuer solutions (19%) and international/alternates (28%), but offset by global business services ((-26%; linked to US mortgages). Progress on new client wins and revenue accretion remained on track.
- ▶ **Nippon AMC: Solid quarter; focus on flow sustainability.** Nippon AMC reported 23% yoy core PBT growth due to 20% yoy revenue growth, while expense growth was 15% yoy. Headline PAT grew ~40% yoy. MF AUM growth was ~30% yoy (8% qoq). Overall expense growth was largely in line, led by higher-than-expected staff cost growth (17% yoy), offset by lower non-staff costs. Core cost-income was ~100 bps lower qoq at ~41% levels.
  - Nippon's equity funds have been delivering solid performance for the past ~2-3 years, with 80-90% of AUM in the top-2 quartiles across 1/3/5Y returns. Strong returns continue to drive market share gains in flows and overall AUM. Nippon's flow market share has been tracking higher than its 7% AUM market share. SIP flow market share has improved to ~12% from ~10% in 2QFY24 and 6% back in 4QFY22. We would await more color on the contribution of small cap in the SIP book, along with the mix across large funds. Nippon had stopped lump sum flows into small cap, which could have potentially flown into the SIP book. We believe that the strong performance in other large categories (large/multi-cap funds) will augur well for diversifying flows over the next few quarters. This also mitigates the risks emanating from passive substitution. Blended revenue yield declined qoq to 44 bps (from 46 bps), as the positive mix effect (~200 bps higher equity) was offset by telescopic pricing changes on active equity (around ~70 bps), given strong AUM growth, along with strong growth in ETFs (yields 10-15 bps).

- ▶ **UTI AMC: Operating trends remain weak.** UTI AMC’s core PBT declined 8% yoy (-)5% qoq), largely dragged by muted revenue growth (2% yoy), along with higher expense growth (9% yoy). Overall, AUM grew 17% yoy (4% qoq), led by low-fee pension assets. MF AUM growth was healthy as well at 13% yoy (2% qoq). Core cost-income was higher qoq at 65%. Other income increased due to MTM.
  - Commentary on operating trends remains largely unchanged for the past few quarters. UTI’s weak fund performance continues to be a major drag on business performance. Net outflows continued in 3QFY24, higher qoq (2Q had NFO of balanced advantage fund, which raised Rs22 bn). Fund performance has deteriorated in recent quarters and remains a key risk to AUM growth assumptions. Fund performance has weakened across 1/3/5-year buckets. Apart from performance, UTI’s equity portfolio is likely impacted by (1) a very high concentration with a few funds (50% share from three funds), where weaker performance is having a disproportionate impact and (2) while mid/small-cap funds have been outgrowing overall industry AUM, UTI’s share in these categories (~13% of active equity portfolio) remains lower than peers. UTI has a lower-than-industry share of the SIP book in equity, which puts it at higher risk of bulk outflows. UTI AMC’s blended MF revenue yield decline 3% qoq at 33 bps. While the equity mix was stable qoq, share of passive funds continues to rise. In revenue terms, MF revenue grew 2% qoq versus 8% qoq growth in MF AUM.

**Stronger earnings growth for HDFC AMC, Nippon AMC and RTAs**

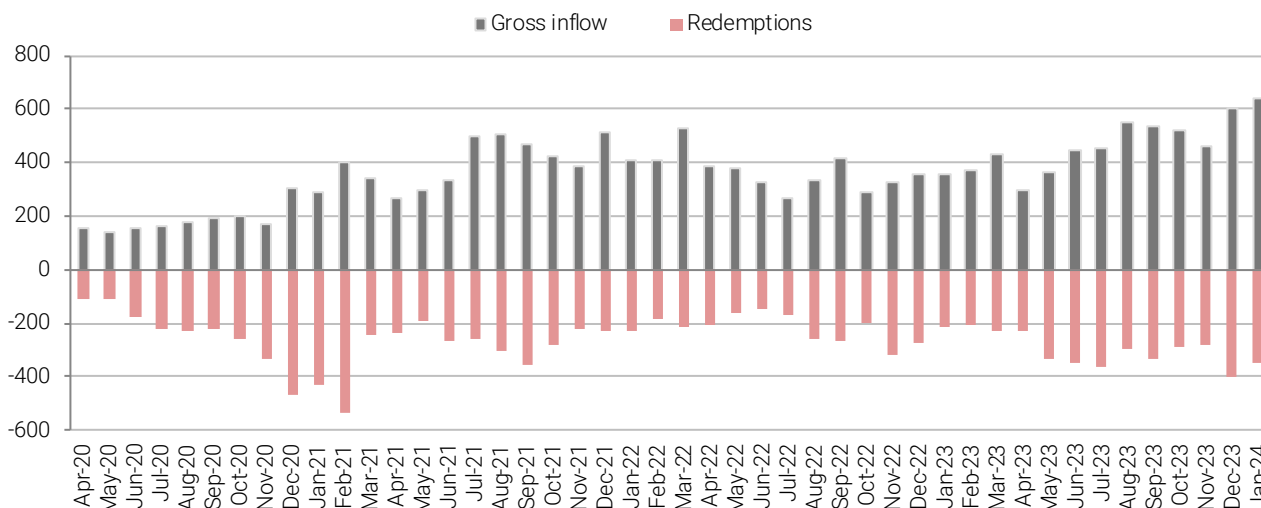
Exhibit 75: Growth in revenues and core PBT yoy, 1QFY22-3QFY24 (%)

	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
<b>Revenue growth</b>											
ABSL AMC	39	30	20	3	0	(6)	(6)	(8)	2	8	9
CAMS	35	33	28	22	18	6	2	2	10	13	19
HDFC AMC	23	19	14	3	3	0	2	5	10	18	20
IIFL Wealth	43	49	58	59	32	22	10	(7)	8	12	6
Kfin							12	1	8	16	16
Nippon AMC	30	27	26	12	5	1	5	3	12	20	20
UTI AMC	64	41	33	25	10	4	1	(9)	(2)	0	2
<b>Core PBT growth</b>											
ABSL AMC	110	58	42	4	(3)	(11)	(15)	(25)	(5)	0	6
CAMS	113	51	42	23	2	(3)	(8)	(4)	11	15	20
HDFC AMC	22	13	8	(3)	2	(2)	(0)	4	11	20	24
IIFL Wealth	68	64	67	61	53	38	45	12	(5)	7	(11)
Kfin							79	12	16	28	25
Nippon AMC	75	46	48	27	1	0	(0)	(0)	13	25	23
UTI AMC	652	79	150	5	19	(7)	(10)	(24)	(18)	(7)	(8)

Source: Company, Kotak Institutional Equities

**Recent months have seen higher gross flows and lower redemptions**

Exhibit 76: Net and gross inflows to actively managed (equity-oriented) MF funds, April 2020-January 2024 (Rs bn)

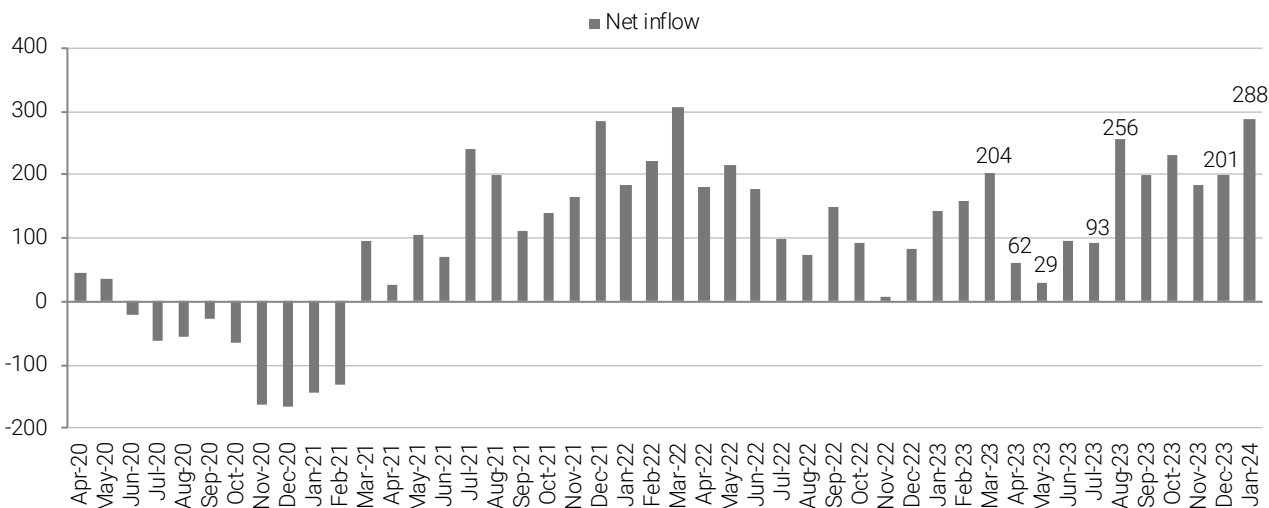


Source: AMFI, Kotak Institutional Equities



**Net equity flows remain strong**

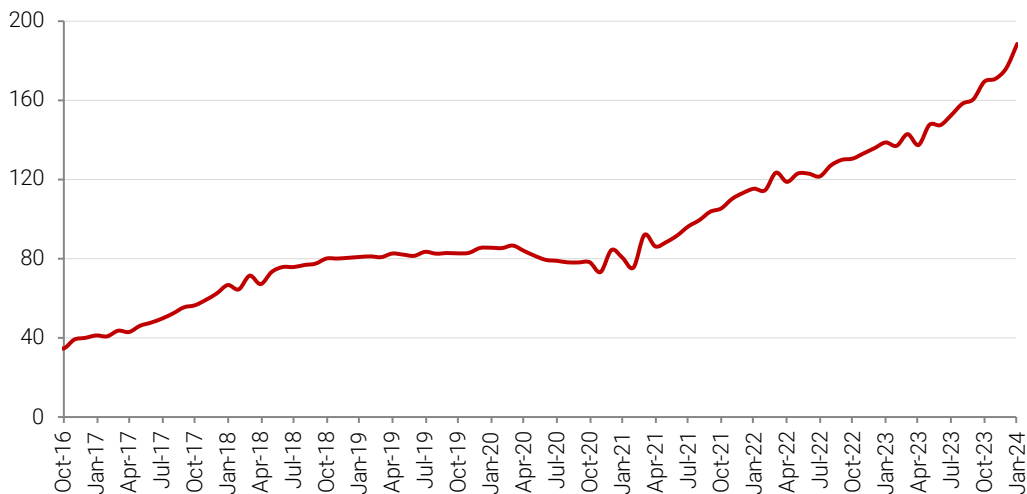
**Exhibit 77: Net and gross inflows to actively managed (equity-oriented) MF funds, April 2019-January 2024 (Rs bn)**



Source: AMFI, Kotak Institutional Equities

**Gross SIP flows improved in January 2024**

**Exhibit 78: SIP inflows (monthly data), March fiscal year-ends, April 2019-January 2024 (Rs bn)**



Source: AMFI, Kotak Institutional Equities



**Market share broadly reflect fund performance trends**

**Exhibit 79: Actively managed equity-oriented MAAUM market share, March fiscal year-ends, 2014-2024 (%)**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	3QFY24	10MFY24
<b>Market share in equity oriented MAAUM</b>												
Aditya Birla Sun Life	6.0	7.2	7.7	8.7	9.2	8.8	7.7	7.2	6.4	5.5	4.9	5.0
Axis AMC	1.5	2.3	3.1	3.3	3.6	4.6	6.8	8.0	8.4	7.1	5.9	5.8
Bandhan AMC	4.0	3.8	2.9	2.2	2.1	2.2	2.6	2.0	1.6	1.5	1.5	1.5
DSP Mutual Fund	4.5	4.1	3.7	4.4	4.4	3.9	3.9	4.1	3.8	3.4	3.3	3.3
Franklin Templeton	7.1	6.8	7.5	7.5	5.6	5.2	4.3	3.7	2.8	2.6	2.5	2.5
HDFC AMC	19.9	18.5	15.1	15.8	16.2	15.6	14.4	13.0	11.4	12.2	12.8	12.9
ICICI Prudential AMC	11.2	13.5	14.2	15.2	15.0	14.3	13.5	12.5	12.4	13.0	13.0	13.0
Kotak AMC	1.8	2.5	3.2	3.7	4.7	5.1	6.4	6.7	7.0	7.0	7.3	7.2
Mirae AMC	0.3	0.5	0.7	1.2	1.5	2.2	3.5	4.7	4.9	4.9	4.6	4.5
Nippon Life India AMC	12.3	12.2	11.2	9.7	9.2	8.9	7.4	6.9	6.3	6.4	6.8	6.8
SBI AMC	7.3	6.1	7.0	8.0	7.9	8.9	9.7	10.2	12.0	12.6	12.7	12.6
Tata AMC	2.2	2.0	2.5	2.1	1.7	2.3	2.3	2.5	2.9	2.8	2.9	2.8
UTI AMC	10.6	8.7	7.4	6.3	4.8	4.7	4.4	4.8	4.8	4.5	4.1	4.1
<b>Total of above players</b>	<b>88.8</b>	<b>88.1</b>	<b>86.4</b>	<b>88.2</b>	<b>86.1</b>	<b>86.5</b>	<b>86.9</b>	<b>86.3</b>	<b>84.7</b>	<b>83.5</b>	<b>82.3</b>	<b>82.1</b>
<b>Top 10</b>	<b>85.2</b>	<b>83.3</b>	<b>80.2</b>	<b>82.7</b>	<b>80.7</b>	<b>79.9</b>	<b>78.5</b>	<b>78.0</b>	<b>77.4</b>	<b>76.6</b>	<b>75.5</b>	<b>75.2</b>
Others	11.2	11.9	13.6	11.8	13.9	13.5	13.1	13.7	15.3	16.5	17.7	17.9

Source: AMFI, Kotak Institutional Equities

**Rating agencies**

- ▶ **CRISIL.** CRISIL reported 33% yoy earnings growth (13% versus KIE), led by 12% yoy revenue growth, 7% yoy expense growth and ~2X growth in other income. Well-contained expense growth drove EBIT growth of 28% yoy (7% versus KIE), with EBIT margin expanding to 28% from 26% last year. While we find quarterly trends slightly difficult to grasp, we note that on full-year basis, CRISIL delivered 17% yoy PAT growth, with EBIT margin of 24%. We expect margins to expand another ~200 bps to reach 26% by CY2026E, led by an upswing in ratings.
  - Rating division’s revenues grew 18% yoy in 4QCY23 and 16% in CY2023. Rating revenues include the domestic credit ratings business, along with captive S&P support. Domestic ratings revenues grew 16% yoy (~17% yoy in CY2023). Debt issuance volumes were strong in CY2023, with private issuance up ~25% yoy, benefiting CRISIL, given its stronger presence in the corporate bond market compared with bank loan ratings. Overall, full-year operating margin for the segment improved ~100 bps yoy to 43%. Non-ratings segment’s (research, analytics and solutions) revenues grew 10% yoy (12% yoy in CY2023). Segment margin expanded ~100 bps to 23% in 4Q and declined ~100 bps yoy to 21% in CY2023. Revenue outlook for the segment hinges on discretionary spends by global clients.
- ▶ **ICRA.** ICRA reported a ~15% yoy earnings decline, led by 11% yoy revenue growth, 17% yoy other income growth and higher ~30% yoy expense growth. While we await clarifications, expenses growth reflects a couple of expense items toward litigation costs, along with investment in preference shares of a subsidiary company. Adjusting for this, expense growth was likely at 11% yoy and EBIT growth of ~20% yoy. Tax rate was 20% in 3QFY24 compared with 18% last year and 32% in the previous quarter.
  - The Ratings division’s revenues grew 11% yoy and 10% qoq. Bond Ratings’ revenues were likely impacted by the higher base of last year (although stronger qoq). Slowness in Bond Ratings was offset by the growth in the banking credit channel. The company indicated that securitization volumes were impacted by the RBI’s revision in risk weights toward NBFC and unsecured lending. Ratings’ operating margins declined to 18% from 23% in 2QFY24 and 26% in 3QFY23, likely reflecting the impact of one-off costs routed through the Ratings division. Overall, Non-ratings’ revenues grew 11% yoy and 8% qoq, helped by an acquisition in 3QFY24. Within Non-ratings, Knowledge Services’ (~80% of revenues) revenues grew ~3% yoy and 1% qoq. This segment has largely derived revenues from services provided to the parent Moody’s Rating business. We would watch out the combined effect on growth from potential cyclical weakness and opportunities to increase the scope of work.

**BFSI sector's valuations**

**Exhibit 80: Key valuation parameters, March fiscal year-ends**

	Reco.	Fair Value	Price	Market cap.	EPS (Rs)			PER (X)			ABVPS (Rs)			APBR (X)			RoE (%)		
		(Rs)	2/16/2024	US \$bn	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
<b>Public banks</b>																			
Bank of Baroda	ADD	260	276	17.2	33	30	31	8.2	9.2	8.8	193	219	246	1.4	1.3	1.1	16.5	13.1	12.4
Canara Bank	ADD	500	586	12.8	81	78	86	7.2	7.5	6.8	390	460	536	1.5	1.3	1.1	18.5	15.6	15.2
PNB	REDUCE	100	130	17.3	7	12	13	18.4	11.0	10.0	83	94	105	1.6	1.4	1.2	7.6	11.8	12.0
SBI	BUY	760	755	81.1	61	63	69	9.7	9.4	8.5	375	427	487	1.6	1.4	1.2	15.5	14.2	14.0
Union Bank	ADD	145	145	12.9	19	24	26	7.4	5.9	5.5	112	131	152	1.3	1.1	1.0	16.7	17.9	16.8
<b>Old private banks</b>																			
City Union Bank	ADD	155	140	1.2	13	14	16	10.4	10.1	8.7	102	115	129	1.4	1.2	1.1	12.6	11.8	12.4
Federal Bank	BUY	175	165	4.8	15	15	18	11.2	10.8	9.4	114	126	138	1.4	1.3	1.2	14.2	12.3	12.9
Karur Vysya Bank	BUY	195	189	1.8	18	20	22	10.4	9.5	8.5	117	131	146	1.6	1.4	1.3	15.9	15.5	15.6
<b>New private banks</b>																			
Axis Bank	BUY	1,225	1,069	39.7	78	82	94	13.8	13.0	11.4	465	533	609	2.3	2.0	1.8	17.6	16.2	16.1
Bandhan Bank	BUY	270	201	3.9	21	25	29	9.8	7.9	7.0	132	156	184	1.5	1.3	1.1	15.8	17.0	16.6
DCB Bank	BUY	160	136	0.5	18	20	25	7.6	6.9	5.4	140	159	177	1.0	0.9	0.8	11.6	11.5	13.2
IndusInd Bank	BUY	1,800	1,494	14.0	109	124	142	13.7	12.0	10.5	779	876	987	1.9	1.7	1.5	14.6	14.6	14.7
HDFC Bank	BUY	1,860	1,420	129.9	84	95	109	16.8	15.0	13.1	555	627	705	2.6	2.3	2.0	18.1	15.8	16.0
ICICI Bank	BUY	1,220	1,023	86.5	57	56	60	16.0	16.4	15.2	320	363	409	2.8	2.4	2.2	18.2	15.7	15.0
Yes Bank	SELL	19	28	9.8	0	1	1	92.0	31.6	19.9	14	15	16	2.1	2.0	1.8	2.2	6.0	8.8
<b>Small finance banks</b>																			
AU SFB	SELL	615	582	4.7	23	36	41	25	16	14	181	227	260	3.2	2.6	2.2	13.2	17.9	16.0
Equitas SFB	ADD	115	107	1.5	7.5	9.0	11.4	14	12	9	49	57	66	2.2	1.9	1.6	15.4	16.2	17.9
Ujivan SFB	ADD	65	56	1.3	6.3	6.6	7.1	9	8	8	31	36	41	1.8	1.6	1.4	24.5	19.7	18.1
<b>NBFCs</b>																			
Aavas Financiers	BUY	2,025	1,423	1.4	59.4	73.1	88.8	24	19	16	473	546	635	3.0	2.6	2.2	13.4	14.3	15.0
Aptus Value Housing	ADD	370	355	2.1	12.1	14.0	17.1	29	25	21	75	89	106	4.7	4.0	3.3	17.1	17.1	17.5
Bajaj Finance	ADD	7,800	6,619	49.3	232	301	374	28.5	22.0	17.7	1,223	1,486	1,814	5.4	4.5	3.6	22.1	22.2	22.7
Bajaj Finserv	ADD	1,800	1,576	30.3	68	84	101	23.0	18.8	15.6	341	400	472	4.6	3.9	3.3	21.6	22.6	23.2
Cholamandalam	ADD	1,350	1,144	11.6	39	50	61	29.6	22.8	18.6	230	277	353	5.0	4.1	3.2	19.3	19.7	19.7
Five Star	ADD	875	772	2.7	28	35	42	27.1	22.2	18.2	177	212	255	4.4	3.6	3.0	17.5	17.9	18.2
Home First	BUY	1,200	939	1.0	34	40	50	27.7	23.3	18.7	238	274	319	4.0	3.4	2.9	15.3	15.8	16.9
LIC Hsg Fin	BUY	725	642	4.3	86	84	82	7.5	7.7	7.8	564	634	703	1.1	1.0	0.9	16.3	13.9	12.3
L&T Finance Holdings	SELL	120	174	5.2	10	11	13	18.0	15.4	13.1	91	96	103	1.9	1.8	1.7	10.9	12.1	13.3
Mahindra Finance	ADD	300	290	4.3	15	19	24	19.8	15.1	11.8	150	164	183	1.9	1.8	1.6	10.1	12.2	14.1
Muthoot Finance	ADD	1,500	1,357	6.6	99	116	135	13.7	11.7	10.1	604	697	804	2.2	1.9	1.7	17.5	17.8	18.0
SBFC	REDUCE	75	89	1.1	2.2	2.9	3.7	41.3	30.2	23.7	23	26	29	3.9	3.5	3.0	10.5	11.0	12.5
SBI Cards	BUY	900	718	8.2	25	30	44	28.8	24.1	16.4	126	152	191	5.7	4.7	3.8	21.7	21.4	25.5
Shriram Finance	BUY	2,500	2,449	11.1	189	229	270	13.0	10.7	9.1	1,235	1,431	1,643	2.0	1.7	1.5	15.3	16.3	16.9
<b>Capital market entities</b>																			
HDFC AMC	ADD	3,650	3,875	10.0	87	101	113	44.8	38.4	34.4	313	338	366	12.4	11.5	10.6	28.9	31.0	32.1
UTI AMC	REDUCE	900	908	1.4	55	42	45	16.6	21.4	20.0	316	324	333	2.9	2.8	2.7	17.6	13.2	13.8
Nippon AMC	ADD	550	495	3.7	16	18	19	30.8	28.1	25.6	58	60	58	8.5	8.3	8.5	28.1	29.9	32.8
Aditya Birla AMC	REDUCE	500	479	1.7	25	27	28	19.1	17.8	17.0	97	108	120	4.9	4.4	4.0	27.2	26.2	24.8
IIFL Wealth	BUY	750	692	3.0	21	24	30	33.4	28.8	23.3	96	102	109	7.2	6.8	6.3	23.0	24.3	28.1
CAMS	ADD	3,000	2,890	1.7	67	79	93	42.8	36.4	31.0	185	215	249	15.6	13.5	11.6	39.2	39.8	40.3
CRISIL	SELL	3,300	4,629	4.1	92	104	117	50.2	44.5	39.5	307	343	385	15.1	13.5	12.0	31.7	32.0	32.2
ICRA	REDUCE	5,150	5,718	0.7	162	180	201	35.4	31.8	28.4	1,041	1,104	1,175	5.5	5.2	4.9	15.9	16.8	17.6

Source: Company, Kotak Institutional Equities

Exhibit 81: Absolute and relative performance of stocks (%)

	Change in price (%)					Relative performance to BSE-30 Index (%)					52 week	52 week
	1 month	3 month	6 month	12 month	YTD	1 month	3 month	6 month	12 month	YTD	high (Rs)	low (Rs)
<b>Public banks</b>												
Bank of Baroda	17.4	37.6	41.2	62.3	17.1	15.7	24.5	26.1	36.2	16.4	281	153
Canara Bank	22.8	44.0	74.5	95.1	30.9	21.0	30.3	55.9	63.7	30.1	595	269
PNB	25.7	64.9	104.5	158.5	34.2	23.9	49.2	82.7	116.8	33.3	133	44
SBI	20.9	34.8	32.5	43.0	18.3	19.2	22.0	18.4	20.0	17.5	775	502
Union Bank	3.9	29.9	49.4	99.1	18.5	2.4	17.6	33.4	67.0	17.8	155	60
<b>Old private banks</b>												
City Union Bank	(4.0)	(6.4)	13.1	(0.6)	(7.5)	(5.4)	(15.3)	1.1	(16.6)	(8.1)	168	120
Federal Bank	11.2	10.0	21.5	28.2	4.4	9.6	(0.4)	8.5	7.6	3.7	167	121
Karur Vysya Bank	8.1	19.5	56.6	83.1	8.3	6.6	8.1	39.9	53.6	7.7	205	93
<b>New private banks</b>												
Axis Bank	(4.8)	6.9	12.7	24.3	(3.6)	(6.1)	(3.3)	0.7	4.3	(4.2)	1,152	814
Bandhan Bank	(9.9)	(6.1)	(11.2)	(13.3)	(15.6)	(11.2)	(15.0)	(20.7)	(27.3)	(16.1)	272	182
DCB	(8.4)	19.2	20.6	19.3	1.8	(9.7)	7.9	7.8	0.1	1.2	163	97
IndusInd Bank	(5.0)	(1.0)	8.2	33.1	(7.2)	(6.3)	(10.4)	(3.4)	11.7	(7.8)	1,695	990
HDFC Bank	(3.6)	(5.8)	(10.9)	(14.4)	(17.1)	(5.0)	(14.8)	(20.4)	(28.2)	(17.6)	1,758	1,363
ICICI Bank	4.5	13.2	9.8	21.0	4.7	3.0	2.5	(1.9)	1.5	4.1	1,067	810
Yes Bank	7.8	30.3	60.4	68.3	26.3	6.2	17.9	43.2	41.2	25.5	33	14
<b>Small finance banks</b>												
AU SFB	(18.0)	(17.9)	(15.7)	(2.3)	(23.9)	(19.1)	(25.7)	(24.7)	(18.0)	(24.4)	813	548
Equitas SFB	(6.8)	9.5	29.0	82.3	1.0	(8.1)	(0.9)	15.2	52.9	0.3	117	59
Ujjivan SFB	(6.3)	(1.3)	13.9	101.8	(2.8)	(7.6)	(10.6)	1.7	69.3	(3.4)	63	23
<b>Non-banks</b>												
Aavas Financiers	(3.1)	(0.1)	(8.1)	(23.6)	(5.9)	(4.5)	(9.6)	(17.9)	(35.9)	(6.5)	2,011	1,335
Aptus Value Housing	(6.3)	17.0	27.5	31.9	8.1	(7.6)	5.8	13.9	10.6	7.4	392	234
Bajaj Finance	(8.3)	(7.0)	(2.2)	4.6	(8.4)	(9.6)	(15.9)	(12.6)	(12.2)	(9.0)	8,192	5,486
Bajaj Finserv	1.2	0.3	11.0	14.6	(3.9)	(0.2)	(9.3)	(0.9)	(3.9)	(4.5)	1,742	1,215
Five Star	(4.0)	(8.2)	(6.4)	NA	0.5	(5.3)	(16.9)	(16.4)	NA	(0.1)	877	494
Home First	(12.5)	(5.7)	2.3	15.8	(5.1)	(13.7)	(14.6)	(8.6)	(2.9)	(5.7)	1,061	655
LIC Housing Finance	8.6	36.3	53.4	73.3	18.4	7.1	23.3	37.1	45.4	17.7	670	315
L&T Finance Holdings	4.1	24.2	48.5	89.8	6.2	2.7	12.4	32.6	59.2	5.5	179	79
MMFS	2.2	5.4	4.9	10.1	4.3	0.8	(4.6)	(6.3)	(7.7)	3.6	347	216
Muthoot Finance	(5.3)	1.2	9.1	38.1	(8.2)	(6.7)	(8.5)	(2.5)	15.9	(8.8)	1,537	911
SBI Cards	(2.8)	(0.6)	(13.5)	(4.0)	(4.1)	(4.1)	(10.1)	(22.8)	(19.5)	(4.7)	933	699
Shriram Finance	6.0	22.3	34.0	97.7	18.8	4.5	10.7	19.7	65.9	18.1	2,497	1,190
<b>Capital market entities</b>												
HDFC AMC	7.4	28.5	49.3	101.2	16.5	5.8	16.3	33.3	68.8	15.8	3,894	1,590
UTI AMC	5.5	15.9	21.3	32.5	5.3	4.0	4.9	8.4	11.2	4.6	965	608
Nippon AMC	2.8	21.3	63.5	129.7	14.0	1.3	9.8	46.1	92.7	13.3	541	197
Aditya Birla AMC	0.9	5.3	23.7	21.0	3.0	(0.5)	(4.8)	10.5	1.5	2.4	512	307
IIFL Wealth	11.7	28.5	38.2	54.9	(1.1)	10.1	16.2	23.5	29.9	(1.7)	735	395
CAMS	3.0	1.9	13.7	25.5	8.9	1.5	(7.8)	1.6	5.3	8.2	3,025	2,002
CRISIL	23.4	18.7	31.7	60.0	15.9	21.6	7.4	17.7	34.3	15.2	5,200	2,972
ICRA	6.2	5.8	(2.8)	32.8	4.5	4.8	(4.2)	(13.2)	11.4	3.8	6,249	4,182

Source: Company, Kotak Institutional Equities

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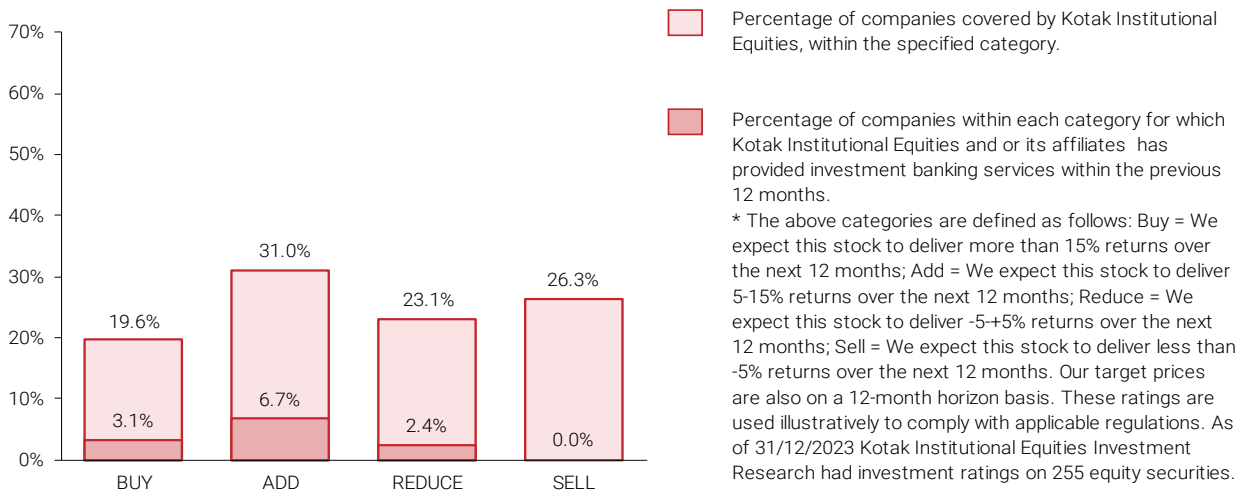
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