

December 22, 2022

Risk reward still favours PSU bank valuations...

A stellar run up by PSU banks had all eyes glued towards them. We tried to analyse the factors leading to the rally and what is in store ahead. **Bank Nifty gained ~28% whereas PSU banks were up 74% in the last six months (as of December 21, 2022).** Post the phase of significantly higher GNPA, treasury MTM losses, lower capital & sub-par growth, there has been a turnaround with comfort on **asset quality; reversal of treasury losses, credit growth pick-up and just adequate capital position for most of them.** Despite the decent rally, valuation still look reasonable for PSU banks.

PSU bank trends over last few quarters/years:

GNPA, NNPA ratio decline picks up pace in last five quarters

The asset quality trend continued to improve led by healthy recoveries and steady incremental slippages. Absolute GNPA and NNPA declined 16% and 30% YoY, respectively, in Q2FY23 after a similar cut in Q3FY21. GNPA, NNPA ratio for PSU banks declined from 9.4%, 2.4% in Q3FY21 to 6.6%, 1.8% in Q2FY23, respectively. Management comments, revival in the economy suggest an improvement in asset quality and lower credit cost ahead with PCR currently around 75%.

Credit growth back to 20% for PSU banks from low single digits

Loans recorded growth of 20.4% YoY, 4.8% QoQ to ₹ 120.4 lakh crore. However, PSU banks saw growth surging to 20.1% in Q2FY23 (including international) from ~3% in Q1FY22. Business momentum is healthy, attributable to robust demand in the retail & MSME segment. Corporate credit grew for most banks including PSU banks. Banking sectoral data (October 2022) shows the retail segment was up 20.2% YoY and agri credit jumped 13.6% YoY. Large corporate credit, which had been a drag on overall banking credit growth, has started to enter the positive territory in the past few quarters. Management commentaries and data indicate a revival in utilisation of working capital (WC) limits. Thus, we believe bank credit growth should continue to remain at 15-16% with PSU banks at 12-15%.

G-sec yields moderating, expect stabilisation

Treasury losses amid a run up in yields impacted the improvement in operational performance in Q1FY23. However, the recent decline in yields from 7.5% to 7.3% is expected to reverse these losses, which no longer seems an overhang for PSU banks.

Margins, PAT, return ratios going northwards

PSU banks reported 20% YoY and 13.6% QoQ growth in NII, highest in last eight quarters. Faster transmission of rate hikes on assets compared to liabilities and healthy proportion of low cost deposits led to strong sequential rise in margins (10-40 bps QoQ). Management commentary suggests margins will remain steady at the current level in H2FY23.

Led by a strong topline and lower credit cost, net profit of PSBs grew 19% YoY and 70% QoQ at ₹ 26021 crore for Q2FY23 depicting improving earnings. Hence, with expected sustainability of earnings growth, return ratios are improving. RoA has reached 0.6-0.8% in Q2FY23 similar to FY14-15 levels. We expect further improvement in RoA though RoE may take longer to surge, except for SBI, BoB, Indian Bank and Canara Bank where >11% RoE is reached.

Valuations still reasonable

Going ahead, the RoA for large PSU banks is seen inching towards 0.8-1% gradually. With a recovery in growth and stable asset quality, PSU banks are set for a further re-rating. Large PSU banks (SBI, BoB, Canara Bank) are trading at ~0.8-1x P/BV, which paves the way for a further re-rating as peak valuations remain at ~1.2-1.5x in FY12-14. Mid-sized and small banks, currently trading at 0.5-0.7x P/BV, touched ~1x then. We remain positive on PSU banks, with upsides expected to continue in the medium term horizon.

Target revision

Banks	CMP	Target Price	Upside (%)
STATE BANK OF INDIA	590.8	750.0	27%
BANK OF BARODA	175.3	220.0	25%
INDIAN BANK	278.4	335.0	20%

Trailing P/BV multiple (x)

Banks	P/BV
STATE BANK OF INDIA	1.3
BANK OF BARODA	1.0
INDIAN BANK	0.8
CANARA BANK	0.8
UNION BANK OF INDIA	0.9
BANK OF INDIA	0.7

Research Analyst

Kajal Gandhi
kajal.gandhi@icicisecurities.com

Vishal Narnolia
vishal.narnolia@icicisecurities.com

Pravin Mule
pravin.mule@icicisecurities.com

Bank of Baroda

Recovery in growth, improving RoA to aid valuation...

About the stock: Bank of Baroda is among leading PSU banks with a global loan book of ~₹ 8.7 lakh crore and has better operating metrics among PSBs.

- Pan-India presence with over 8161 branches and 11461 ATMs
- The bank has a meaningful presence in international operations with its JVs and subsidiaries. Also, ~18% of total business comes from overseas

Highlights: Well placed with a healthy recovery in growth as well as profitability

- Moderation in stressed asset with GNPA down from peak of 12.3% in FY18 to 5.3% in Q2FY23. R/s book steady at 2.5%. Receding slippages coupled with elevated coverage book at ~80%
- Decadal high margins at 3.3% coupled with anticipated improving efficiency aiding uptick in RoA to ~1%
- Robust CET1 at 11.6% in Q2FY23 to support further balance sheet growth
- Healthy uptick in advance growth (19% in Q2FY23) with sustained focus on retail & MSME

What should investors do? Bank of Baroda has reported a continued improvement in business growth as well as asset quality, which is expected to aid return ratios and, thus, valuations

- We retain our **BUY** rating on the stock

Target Price and Valuation: We value the bank at ~1.1x FY25E ABV and revise our target price to ₹ 220/share from ₹ 170/share earlier.

Key triggers for future price performance:

- Advantage of faster repricing of loans should continue in the next couple of quarters. Guidance maintained 10 bps higher at 3.2-3.25%
- Continued growth in advances in line with industry. Any moderation in retail loan growth to be offset by a gradual pick-up in corporate book growth
- Steady C/I ratio, lower credit cost to aid healthy earnings growth momentum
- Guidance continued to remain at RoA – 1% in FY24E with an upside bias



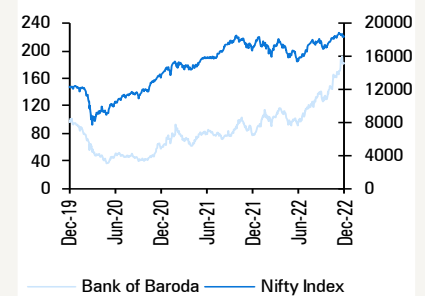
Particulars

Particulars	Amount
Market Capitalisation	₹ 91817 crore
Networth	₹ 91849 crore
52 week H/L	197 /77
Face value	₹ 2

Shareholding pattern

(in %)	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22
Promoter	64.0	64.0	64.0	63.7	64.0
FII	7.8	7.4	9.1	8.2	8.9
DII	14.7	14.7	15.1	16.9	18.6
Others	13.5	14.0	11.8	11.2	8.5

Price Chart



Key risks

Key Risk: (i) Moderation in retail loan book growth (ii) Competitive pressure on deposit franchise

Research Analyst

Kajal Gandhi
kajal.gandhi@icicisecurities.com

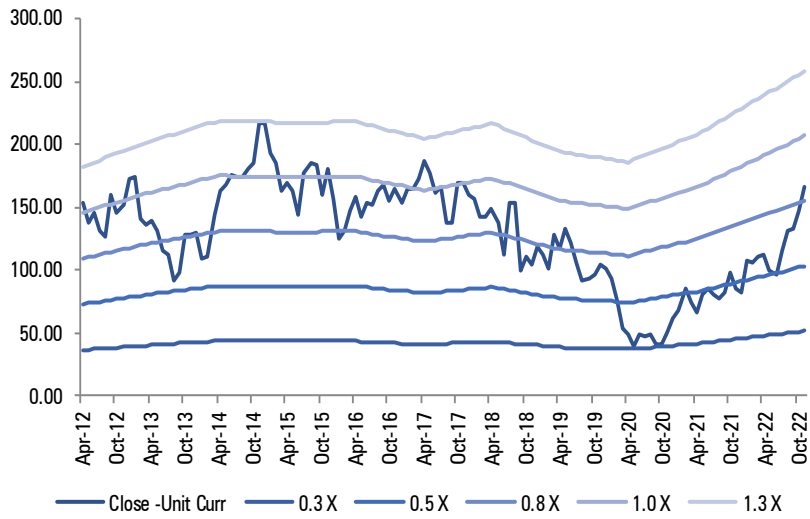
Vishal Narnolia
vishal.narnolia@icicisecurities.com

Pravin Mule
pravin.mule@icicisecurities.com

Key Financial Summary

Key Financials (₹ Crore)	FY19	FY20	FY21	FY22	3 year CAGR (FY19-FY22)	FY23E	FY24E	2 year CAGR (FY22-24E)
NII	18,684	27,451	28,809	32,621	20.4%	36,767	41,856	13.3%
PPP	13,487	18,896	21,199	22,389	18.4%	23,723	27,179	10.2%
PAT	434	546	829	7,272	156.0%	10,917	11,822	27.5%
ABV (₹)	82.7	108.7	106.7	140.1		169.5	185.9	
P/E	108.6	150.4	-9.4	12.6		8.4	7.8	
P/ABV	2.1	1.6	1.7	1.3		1.0	1.0	
RoA	0.4	0.1	-0.8	0.6		0.8	0.8	
RoE (%)	0.9	0.9	(13.1)	8.9		11.8	11.2	

Exhibit 16: BoB - One year forward P/BV



Source: Company, ICICI Direct Research

Financial Summary

Exhibit 17: Profit and loss statement					
	₹ crore				
(Year-end March)	FY21	FY22	FY23E	FY24E	FY25E
Interest Earned	70495	69881	89041	100761	112072
Interest Expended	41686	37259	52274	58905	65278
Net Interest Income	28809	32621	36767	41856	46794
growth (%)	4.9	13.2	12.7	13.8	11.8
Non Interest Income	12934	11484	10209	11018	11903
Net Income	41743	44105	46976	52874	58696
Employee cost	11446	11979	12877	13942	14816
Other operating Exp.	9098	9738	10377	11753	13003
Operating Income	21199	22389	23723	27179	30878
Provisions	15643	13002	9166	11416	12781
PBT	5556	9386	14557	15763	18096
Taxes	4727	2114	3639	3941	4524
Net Profit	829	7272	10917	11822	13572
growth (%)	51.8	777.3	50.1	8.3	14.8
EPS	-18.9	14.0	21.1	22.8	26.2

Source: Company, ICICI Direct Research

Exhibit 18: Key Ratios					
(Year-end March)	FY21	FY22	FY23E	FY24E	FY25E
Valuation					
No. of Equity Shares	517.8	517.8	517.8	517.8	517.8
BV (₹)	148.8	165.9	191.2	217.8	240.2
ABV (₹)	106.7	140.1	169.5	185.9	204.0
P/E	-9.4	12.6	8.4	7.8	6.8
P/BV	1.2	1.1	0.9	0.8	0.7
P/ABV	1.7	1.3	1.0	1.0	0.9
Yields & Margins (%)					
Net Interest Margins	2.7	2.8	2.9	3.1	3.0
Avg. Cost of Deposits	3.9	3.3	4.3	4.4	4.4
Yield on average advances	7.2	6.6	7.5	7.6	7.5
Quality and Efficiency (%)					
Cost / Total net income	68.2	49.2	49.5	48.6	47.4
Credit/Deposit ratio	73.0	74.3	76.4	78.1	79.3
GNPA	8.9	6.6	5.1	4.8	4.5
NNPA	3.1	1.7	1.3	1.6	1.6
ROE	-13.1	8.9	11.8	11.2	11.4
ROA	-0.8	0.6	0.8	0.8	0.8

Source: Company, ICICI Direct Research

Exhibit 19: Balance Sheet					
	₹ crore				
(Year-end March)	FY21	FY22	FY23E	FY24E	FY25E
Sources of Funds					
Capital	1036	1036	1036	1036	1036
Reserves and Surplus	76010	84874	97983	111757	123350
Networth	77046	85910	99019	112792	124386
Deposits	966997	1045939	1159224	1290408	1437612
Borrowings	66848	103899	109871	116276	123092
Other Liab & Prov (incl sub-de)	44474	42252	46477	51125	56238
Total	1155365	1278000	1414592	1570601	1741328
Application of Funds					
Fixed Assets	8016	9922	10220	10526	10842
Investments	261220	315795	333242	366215	402620
Advances	706301	777155	885495	1008273	1140378
Other Assets	59415	52472	58130	50963	45243
Cash with RBI & call money	120413	122655	127506	134624	142244
Total	1155365	1278000	1414592	1570601	1741328

Source: Company, ICICI Direct Research

Exhibit 20: Key ratios					
(Year-end March)	FY21	FY22E	FY23E	FY24E	FY25E
Total assets	-0.2	10.6	10.7	11.0	10.9
Advances	2.3	10.0	13.9	13.9	13.1
Deposits	2.2	8.2	10.8	11.3	11.4
Total Income	-16.8	13.3	22.0	12.6	10.9
Net interest income	4.9	13.2	12.7	13.8	11.8
Operating expenses	8.9	5.7	7.1	10.5	8.3
Operating profit	-49.4	134.2	6.0	14.6	13.6
Net profit	-1891.3	-174.3	50.1	8.3	14.8
Book value	7.2	11.5	15.3	13.9	10.3
EPS	-1700.7	-174.3	50.1	8.3	14.8

Source: Company, ICICI Direct Research

Indian Bank

Relatively faster recovery among comparable peers...

About the stock: Indian Bank is one of the largest and among the better performing PSU banks in India with a total business of over ₹ 10.3 lakh crore.

- Pan-India presence with strong branch network of 5728 domestic branches
- Diversified loan mix with RAM (retail/agri/MSME) forming ~62% to book

Highlights: Relatively better placed in terms of CaR and PCR

- Despite lowest capital infusion, CaR was elevated at 16.15% and CET1 at 12.26% to enable faster business growth without dilution
- Lower slippages result in moderation in GNPA (7.3% in Q2FY23 vs. peak at ~12.7%). R/s book a bit higher at 3.7% though PCR is comparable to larger peers at 80.7%
- Steady margins at 3-3.3% and relatively superior efficiency (CI ratio at 44.27% in Q2FY23) to aid RoA
- Advance growth regaining momentum (13.5% YoY in Q2FY23) with healthy CASA ratio at ~41%

What should investors do? Continued healthy credit momentum coupled with a gradual improvement in asset quality keeping credit cost lower to aid RoA. Further, a healthy liabilities franchise and relatively superior efficiency and capital adequacy are expected to aid improvement in RoA.

- We maintain our **BUY** rating on the stock

Target Price and Valuation: We value the bank at ~0.8x FY25E ABV and revise our target price from ₹ 300 to ₹ 335 per share

Key triggers for future price performance:

- Credit growth guidance of 10% driven by RAM segment (12-13% growth) to also aid earnings momentum
- Improvement in CD ratio and gradual transmission of rate hike to keep margin trajectory steady at 3.2-3.25%
- Recoveries are in line with what the management had guided for in FY23E. Hence, credit cost of <2% is achievable
- Expect return ratios to improve gradually and, thus, aid valuations



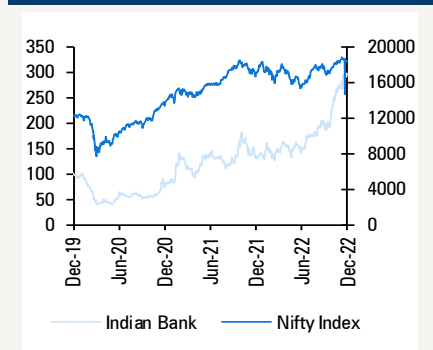
Particulars

Particulars	Amount
Market Capitalisation	₹ 35619 Crore
52 week H/L	306/130
Net Worth (₹ crore)	₹ 36069
Face value	₹ 10
DII Holding (%)	12.1
FII Holding (%)	2.6

Shareholding pattern

	Jun-21	Mar-22	Jun-22	Sep-22
Promoter	79.9	79.9	79.9	79.9
FII	10.4	1.7	2.1	2.6
DII	3.0	11.1	11.7	12.1
Others	6.7	7.3	6.3	5.5

Price Chart



Key risks

Key Risk: 1) Slower than expected growth in RAM segment 2) Delayed recoveries

Research Analyst

Kajal Gandhi
kajal.gandhi@icicisecurities.com

Vishal Narmolia
vishal.narmolia@icicisecurities.com

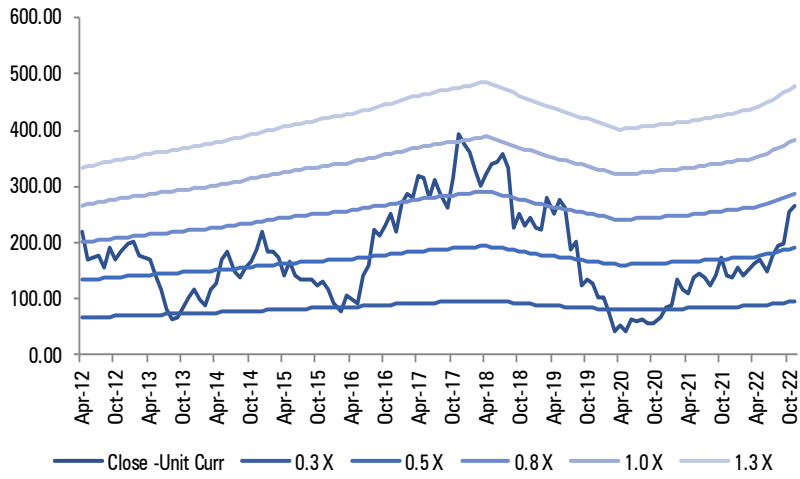
Pravin Mule
pravin.mule@icicisecurities.com

Key Financial Summary

₹ crore	FY19	FY20	FY21	FY22	3 year CAGR (FY19-22)	FY23E	FY24E	2 year CAGR (FY22-24E)
NII	7018	7606	15666	16728	34%	18648	21212	13%
PPP	4881	6498	11396	12717	38%	14428	16540	14%
PAT	322	753	3005	3945	131%	5294	6851	32%
ABV (₹)	247.1	249.3	212.2	261.6		302.2	357.0	
P/E	42.7	23.1	10.7	9.0		6.8	5.3	
P/ABV	1.2	1.1	1.3	1.1		1.0	0.8	
RoA	0.1	0.3	0.5	0.6		0.8	0.9	
RoE	1.7	4.3	9.8	11.2		11.8	13.9	

Source: Company, ICICI Direct Research

Exhibit 21: Indian Bank - One year forward P/BV



Source: Company, ICICI Direct Research

Financial summary

Exhibit 22: Profit and loss statement					
	₹ crore				
(Year-end March)	FY21	FY22	FY23E	FY24E	FY25E
Interest Earned	39,106	38,856	43,943	50,504	54,358
Interest Expended	23,440	22,128	25,295	29,292	31,420
Net Interest Income	15,666	16,728	18,648	21,212	22,938
growth (%)	106.0	6.8	11.5	13.8	8.1
Non Interest Income	6079	6915	7379	8250	9331
Net Income	21745	23643	26027	29463	32269
Staff cost	6378	6696	6846	7404	8007
Other Operating expense	3971	4231	4754	5519	6359
Operating profit	11396	12717	14428	16540	17903
Provisions	8490	9513	8199	8480	9401
PBT	2906	3204	6229	8061	8502
Taxes	-99	-741	934	1209	1275
Net Profit	3005	3945	5294	6851	7227
growth (%)	298.8	31.3	34.2	29.4	5.5
EPS (₹)	26.6	31.7	42.5	55.0	58.0

Source: Company, ICICI Direct Research

Exhibit 23: Key Ratios					
(Year-end March)	FY21	FY22	FY23E	FY24E	FY25E
Valuation					
No. of Equity Shares (Crore)	112.9	124.5	124.5	124.5	124.5
EPS (₹)	26.6	31.7	42.5	55.0	58.0
BV (₹)	320.9	332.6	350.1	405.9	458.0
ABV (₹)	212.2	261.6	302.2	357.0	408.0
P/E	10.7	9.0	6.8	5.3	5.0
P/BV	0.9	0.9	0.8	0.7	0.6
P/ABV	1.3	1.1	1.0	0.8	0.7
Yields & Margins (%)					
Net Interest Margins	3.7	2.8	2.9	3.0	3.0
Yield on assets	9.2	6.6	6.8	7.1	7.0
Avg. cost on funds	5.4	3.6	3.9	4.2	4.1
Yield on average advance	9.8	7.2	7.4	7.8	7.6
Avg. Cost of Deposits	5.6	3.7	3.9	4.2	4.1
Quality and Efficiency (%)					
Cost to income ratio	47.6	46.2	44.6	43.9	44.5
Credit/Deposit ratio	67.4	65.6	68.2	69.9	71.1
GNPA	9.9	8.5	7.0	6.1	5.4
NNPA	3.4	2.3	1.4	1.2	1.1
ROE	9.8	11.2	11.8	13.9	12.9
ROA	0.5	0.6	0.8	0.9	0.9

Source: Company, ICICI Direct Research

Exhibit 24: Balance sheet					
	₹ crore				
(Year-end March)	FY21	FY22	FY23E	FY24E	FY25E
Sources of Funds					
Capital	1129.4	1245.4	1245.4	1245.4	1245.4
Reserves and Surplus	37282.6	42463.4	44645.8	51590.9	58083.8
Networth	38411.9	43708.8	45891.3	52836.4	59329.2
Deposits	538071.1	593617.8	639020.6	698614.0	768617.8
Borrowings	26174.6	17144.3	18214.2	19032.0	19890.6
Other Liabilities & Provisions	23347.3	17197.1	18493.8	18799.9	19112.1
Total	6,26,005	6,71,668	7,21,620	7,89,282	8,66,950
Applications of Funds					
Fixed Assets	7376.3	7683.7	7961.5	8279.2	8641.4
Investments	176537.0	174558.6	183834.6	193648.6	204033.2
Advances	362669.1	389186.1	435854.1	488118.5	546608.2
Other Assets	25362.8	20323.6	11534.7	12989.5	16180.6
Cash with RBI & call money	54059.9	79916.1	82434.9	86246.4	91486.3
Total	6,26,005	6,71,668	7,21,620	7,89,282	8,66,950

Source: Company, ICICI Direct Research

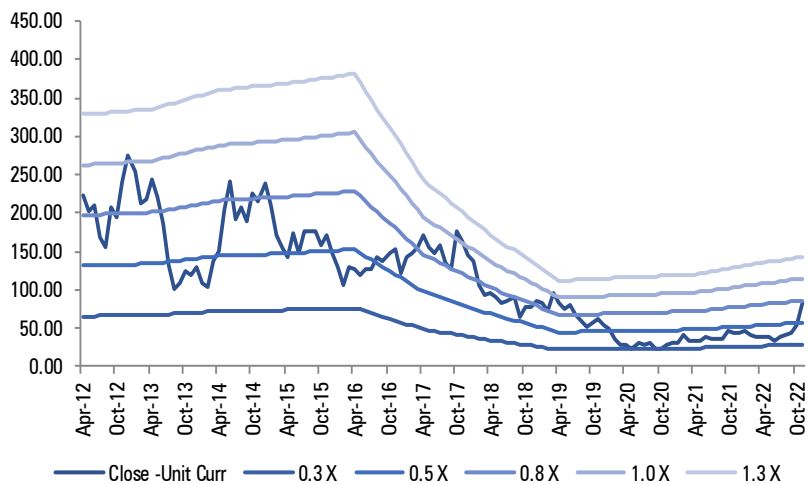
Exhibit 25: Key ratios					
	(%)				
(Year-end March)	FY21	FY22	FY23E	FY24E	FY25E
Total assets	102.3	7.3	7.4	9.4	9.8
Advances	83.3	7.3	12.0	12.0	12.0
Deposit	106.8	10.3	7.6	9.3	10.0
Total Income	99.2	8.7	10.1	13.2	9.5
Net interest income	106.0	6.8	11.5	13.8	8.1
Operating expenses	134.1	5.6	6.2	11.4	11.2
Operating profit	75.4	11.6	13.5	14.6	8.2
Net profit	298.8	31.3	34.2	29.4	5.5
Net worth	73.9	13.8	5.0	15.1	12.3
EPS	115.0	19.1	34.2	29.4	5.5

Source: Company, ICICI Direct Research

Union Bank of India

- Union Bank of India is one of the largest public sector banks in India with a balance sheet size of over ~ ₹ 12.04 lakh crore. Retail, agri and MSME (RAM) segments constitutes ~54% of total advances as of September 2022. As of September 2022, the bank has a branch network of 8729 and 11092 ATMs
- The bank's credit growth was subdued in the past few years while the CD ratio was ~70%. The recent quarter witnessed healthy credit growth of ~18% YoY and 8% QoQ, mainly driven by the RAM segment. The management aims to keep the RAM segment share at ~55% in the business mix with loans expected to reach ₹ 8.0 lakh crore by FY23E
- The asset quality trend continued to improve in the latest quarter as GNPA and NNPA ratios declined 177 bps and 67 bps sequentially to 8.45% and 2.64%, respectively. The OTR book for the bank was at 2.6%, which is largely in line with peers
- The bank has guided for advances growth of 10-12%, deposits growth of ~10%, GNPA of <9%, NNPA of <2.9%, credit cost of <1.7%
- The bank has been reporting a healthy performance in the last few quarters driven by strong margins, declining provision, improving trend in NPAs coupled with healthy recoveries and pick up in credit growth
- The management is primarily focusing on speedy recoveries via SARFAESI and DRT. However, progress on the resolution front would be key. Stable NIMs, further improvement in asset quality led by moderation in incremental slippages and higher recoveries from stressed assets are expected to aid the earnings trajectory
- At the CMP, the stock is trading at 0.8x P/BV

Exhibit 26: Union Bank - One year forward P/BV



Source: Company, ICICI Direct Research

Exhibit 27: Key Financial Summary

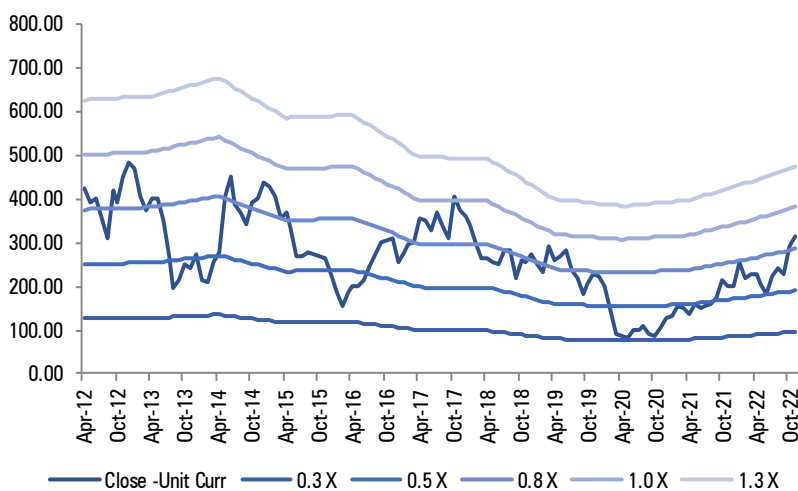
₹ crore	FY19	FY20	FY21	FY22
NII	10,210	11,440	24,690	27,790
PPP	7,520	9,180	19,670	21,870
PAT	-2,950	-2,900	-2,910	5,230
BV (₹)	143	94	96	99
P/E	-	-	18	10
P/BV	0.6	0.9	0.8	0.8
RoA	-0.6	-0.6	0.3	0.5
RoE	-12.5	-10.6	5.1	8.3

Source: Company, ICICI Direct Research

Canara Bank

- Canara bank is among the largest PSU banks in India with a balance sheet size of over ~ ₹ 12.97 lakh crore. Over the years, the bank has been scaling up its market position to emerge as a major financial conglomerate with as many as 14 subsidiaries/sponsored institutions/joint ventures in India and abroad. As at September 2022, Canara Bank services its customers through a network of 9,722 branches and 10,759 ATMs spread across states and union territories
- It provides various services to its corporate clients such as cash management services, loans, IPO monitoring services, etc. NRI Banking– Besides various personal banking products it also offers remittance services, consultancy services to its NRI clients. It also offers various products and services to the priority and SME sector
- The bank has been reporting a consistent improvement in its credit growth with improving CD ratio at ~73%. The recent quarter witnessed healthy credit growth of 20% YoY and 5% QoQ mainly driven by the RAM segment. Currently, the RAM segment constitutes ~55% of total advances
- The asset quality continues to improve further in the latest quarter as GNPA and NNPA ratios declined 61 bps and 29 bps sequentially to 6.37% and 2.19%, respectively. The restructured book for the bank was at 1.9%, which is largely in line with peers
- The bank has guided for advances growth of 8%, deposits growth of 8.5%, GNPA of 6%, NNPA of 2%, credit cost of <1.4%
- Canara Bank has been reporting consistent growth in net profit and gradual improvement in return ratios in the past few quarters. Asset quality issues seem to have bottomed out with moderation seen in incremental slippages. Treasury impact, led by rising yields, could act as near term deterrent but improvement in growth, operational metrics and asset quality remain positive.
- At the CMP, the stock is trading at 0.9x P/BV

Exhibit 28: Canara Bank - One year forward P/BV



Source: Company, ICICI Direct Research

Exhibit 29: Key Financial Summary

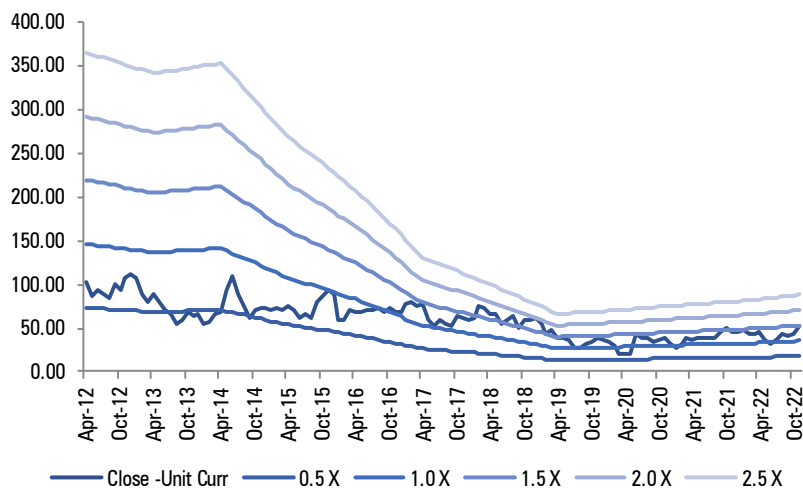
₹ crore	FY19	FY20	FY21	FY22
NII	14,480	13,120	24,100	26,380
PPP	10,590	9,360	19,690	24,440
PAT	350	-2,240	2,560	5,680
BV (₹)	433	348	330	339
P/E	67	-	20	10
P/BV	0.7	0.9	1.0	0.9
RoA	0.1	-0.3	0.2	0.5
RoE	1.0	-5.9	4.6	9.1

Source: Company, ICICI Direct Research

IDBI Bank

- IDBI Bank has been categorised as a private sector bank by RBI with effect from January 21, 2019. LIC holds ~49.24% and government holds ~45.48% stake in the bank. It is one of the first candidates where government is actively pursuing sale/ privatisation by finding a suitable buyer.
- The bank has a balance sheet size of over ~ ₹ 3.08 lakh crore as of September 2022. Retail, agri and MSME (RAM) segments constitute ~56% of total advances as of September 2022. The bank has a branch network of 1895 and 3339 ATMs
- The bank's credit growth was subdued in the past few years while the CD ratio was ~64%. The recent quarter witnessed healthy credit growth of ~17% YoY and 6% QoQ mainly driven by the retail segment. The management aims to achieve business growth of 10-12% and maintain corporate to retail ratio at 40:60
- IDBI Bank has the highest GNPA compared to other banks though it is trending downwards. The asset quality trend continued to improve in the latest quarter as GNPA, NNPA ratios declined 339 bps, 10 bps sequentially to 16.51%, 1.15%, respectively. GNPA is expected to gradually go down with recovery target of ₹ 4000 crore. Net NPA level to be maintained < 1.25%
- The management guided that credit cost, net slippages ratio to be below 1%, 2.5%, respectively. On a sustained basis, PCR to be maintained above 90% level. The bank focus on maximising fee income and maintaining margins >3.25% and target to maintain CASA ratio above 50% levels
- The management is primarily focusing on diversifying the asset portfolio by increasing retail share, which will aid margin accretion. Speedy recoveries and moderation in incremental slippages are likely to aid earnings growth
- At the CMP, the stock is trading at 1.7x P/BV.

Exhibit 30: IDBI Bank - One year forward P/BV



Source: Company, ICICI Direct Research

Exhibit 31: Key Financial Summary

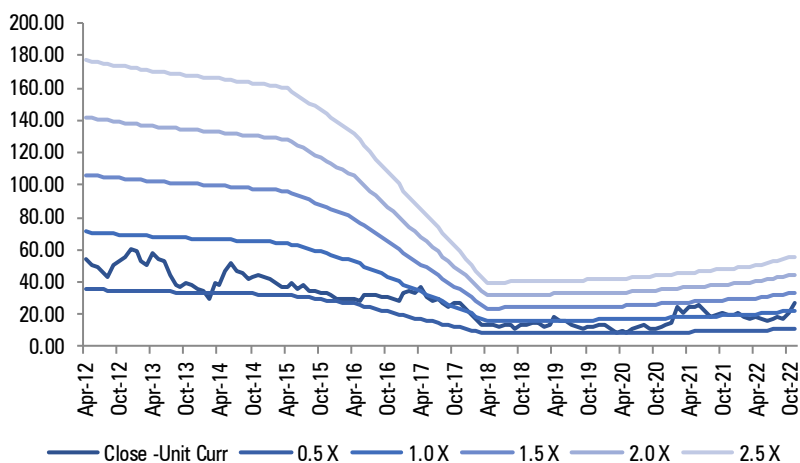
₹ crore	FY19	FY20	FY21	FY22
NII	5,906	6,978	8,518	9,162
PPP	4,052	5,112	7,091	7,495
PAT	-15,116	-12,887	1,359	2,439
BV (₹)	40	27	28	31
P/E	-	-	41	24
P/BV	1.3	2.0	1.9	1.7
RoA	-4.7	-4.3	0.5	0.8
RoE	-155.2	-128.3	10.1	13.6

Source: Company, ICICI Direct Research

Bank of Maharashtra

- Bank of Maharashtra is one of the public sector banks in India with a balance sheet size of over ~₹ 2.39 lakh crore. The government holds ~91% stake in the bank as of September 2022. Retail, agri and MSME (RAM) segments constitute ~58% of total advances as of September 2022. As of September 2022, the bank has a branch network of 2066 and 2220 ATMs
- The bank's credit growth was subdued in the past few years while the CD ratio was ~76%. The recent quarter witnessed healthy credit growth of ~29% YoY and 5% QoQ mainly driven by the RAM segment
- The bank has shown a meaningful improvement in asset quality. In the latest quarter, the GNPA ratio declined 34 bps to 3.4%. OTR book for the bank was at 3.3%
- The management has guided that credit cost of <1%. CD ratio is expected to inch up to ~80% levels
- Healthy NIMs, consistent improvement in asset quality led by recoveries & upgrades and healthy credit growth would aid the earnings trajectory
- At the CMP, the stock is trading at 2.0x P/BV.

Exhibit 32: Bank of Maharashtra - One year forward P/BV



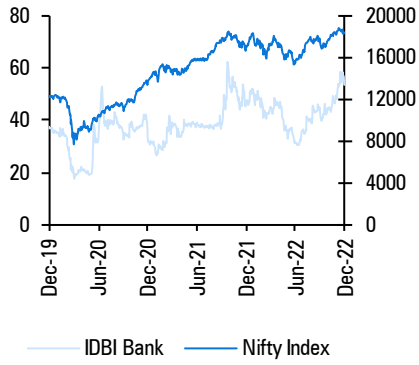
Source: Company, ICICI Direct Research

Exhibit 33: Key Financial Summary

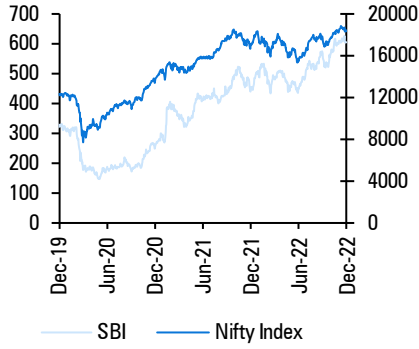
₹ crore	FY19	FY20	FY21	FY22
NII	3,733	4,279	4,897	6,044
PPP	2,198	2,847	3,960	4,848
PAT	-4,784	389	550	1,152
BV (₹)	10	12	12	15
P/E	-	45	34	17
P/BV	2.9	2.5	2.4	2.0
RoA	-3.0	0.2	0.3	0.6
RoE	-208.0	6.3	7.2	11.5

Source: Company, ICICI Direct Research

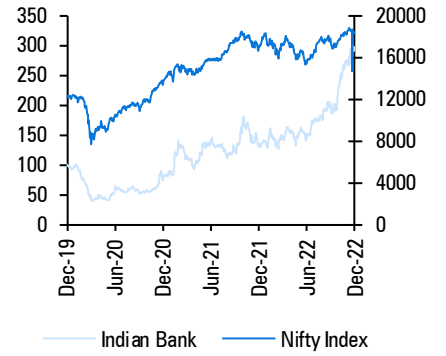
IDBI Bank Price Performance



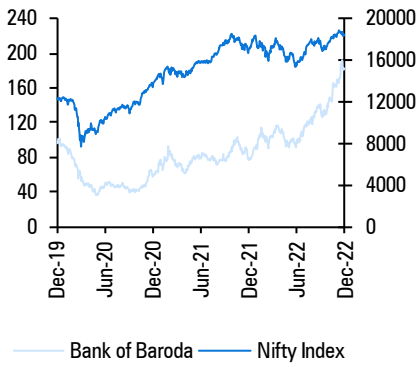
State Bank of India Price Performance



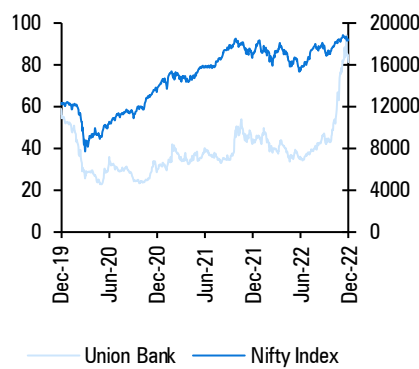
Indian Bank Price Performance



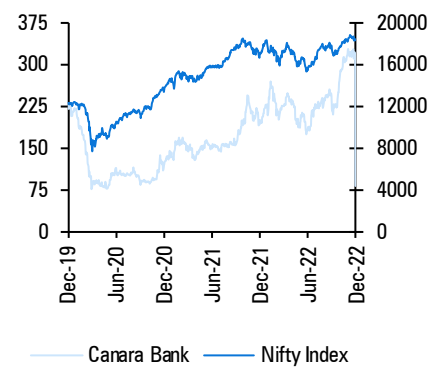
Bank of Baroda Price Performance



Union Bank Price Performance



Canara Bank Price Performance



Bank of Maharashtra Price Performance

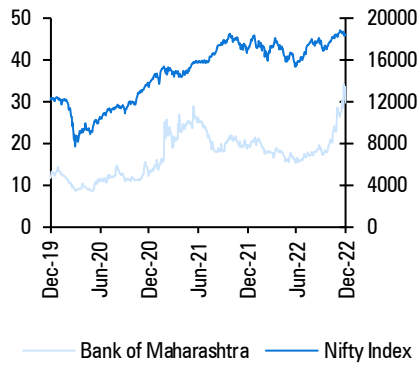


Exhibit 34: ICICI Direct coverage universe (BFSI)

Sector / Company	CMP		Rating	M Cap (₹ Bn)	EPS (₹)			P/E (x)		P/ABV (x)		RoE (%)				
	(₹)	TP(₹)			FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E
BoB (BANBAR)	178	220	Buy	918	14.0	21.1	21.6	12.6	8.4	8.2	1.3	1.0	1.0	8.9	11.8	10.6
SBI (STABAN)	593	750	Buy	5295	35.5	38.6	44.1	16.7	15.4	13.5	2.1	1.8	1.6	11.9	11.6	11.9
Indian Bank (INDIBA)	286	335	Buy	356	31.7	42.4	50.4	9.0	6.7	5.7	1.1	1.0	0.8	11.2	11.8	12.8
Axis Bank (AXIBAN)	932	1000	Buy	2866	42.4	66.1	72.9	22.0	14.1	12.8	2.7	2.3	2.1	12.0	16.3	16.2
City Union (CITUNI)	177	215	Buy	130	10.3	12.6	13.8	17.2	14.0	12.8	2.4	2.0	1.7	12.2	13.2	13.6
Federal Bank (FEDBAN)	130	155	Buy	276	9.0	12.0	14.6	14.5	10.8	8.9	1.6	1.4	1.3	10.8	12.8	13.9
HDFC Bank (HDFBAN)	1617	1750	Buy	9018	66.7	76.9	94.1	24.3	21.0	17.2	3.8	3.3	2.9	16.7	16.6	17.7
IndusInd Bank (INDBA)	1201	1350	Buy	931	59.5	91.3	107.0	20.2	13.2	11.2	2.0	1.8	1.6	10.1	13.9	14.4
Kotak Bank (KOTMAH)	1814	2250	Buy	3603	43.0	48.8	57.0	42.2	37.2	31.8	5.1	4.5	3.9	12.6	12.5	12.9
CSB Bank (CSBBAN)	260	275	Buy	45	26.4	27.1	29.3	9.8	9.6	8.9	1.9	1.6	1.4	19.0	16.3	15.1
Bandhan (BANBAN)	243	300	Hold	391	0.8	20.5	29.6	311.2	11.8	8.2	2.5	2.1	1.7	0.8	17.5	21.1
IDFC First (IDFBAN)	59	70	Buy	367	0.2	3.4	4.3	251.9	17.6	13.6	1.9	1.7	1.5	0.8	9.5	11.1
HDFC (HDFC)	2656	2850	Buy	4846	75.8	89.0	103.6	35.0	29.8	25.6	4.0	4.0	3.7	12.0	13.3	14.8
Bajaj Finserv (BAFINS)	1585	1850	Hold	2524	52.7	43.1	56.5	30.1	36.8	28.0	3.1	5.4	4.5	11.1	15.7	17.4
Bajaj Finance (BAJFI)	6526	8650	Buy	3951	116.7	190.5	226.4	55.9	34.3	28.8	9.2	7.6	5.7	17.4	23.4	21.6
SBI Cards (SBICARD)	791	950	Hold	747	17.1	23.8	32.0	46.2	33.2	24.7	9.9	8.0	5.9	23.0	26.0	25.8
Muthoot Finance (MUTFIN)	1091	1150	Hold	437	98.5	84.4	103.9	11.1	12.9	10.5	2.6	2.3	2.0	23.5	17.3	18.8
HDFC AMC (HDFAMC)	2227	2200	Hold	475	66.4	68.5	79.3	33.5	32.5	28.1	8.4	7.7	7.0	25.2	23.7	24.9
Nippon AMC (RELNIP)	257	300	Hold	160	12.0	11.7	13.0	21.4	21.8	19.7	4.6	4.3	4.1	17.0	14.3	15.8
SBI Life Insurance	1235	1500	Buy	1236	15.1	16.3	20.0	82.0	75.7	61.6	3.1	2.7	2.4	8.5	10.9	13.0
HDFC Life	575	635	Buy	1236	5.7	6.8	8.2	100.6	84.0	70.3	4.0	3.2	2.6	18.0	18.1	18.2
Star Health	574	850	Buy	333	-20.5	8.7	14.4	-28.0	65.7	39.9	7.8	4.8	3.3	-27.8	7.3	8.3
ICICI Lombard	1223	1300	Hold	600	-20.1	18.8	16.9	-60.9	65.2	72.3	6.6	5.8	5.1	14.5	14.5	14.6

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruiti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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