India

Overweight *(no change)*

Highlighted Companies

Axis Bank

ADD, TP Rs700, Rs675 close

We believe Axis Bank's asset quality could remain under pressure from the impact of the COVID-19 pandemic. However, its strong liability franchise remains underappreciated and we think current valuations look reasonable.

ICICI Bank

ADD, TP Rs580, Rs548 close

With a relatively high proportion of large corporate loans and mortgages in its portfolio, ICICI Bank's eventual credit cost in FY21-22F will likely be below the sector average. Its non-banking subsidiaries contribute a meaningful portion of its current market cap

State Bank of India

ADD, TP Rs320, Rs293 close

SBI's revenue progression has improved. We expect provisions to come off meaningfully which will lead to ROEs of 12% by FY22F Valuations are undemanding at 0.5x FY22F core book value.

Summary Valuation Metrics

P/E (x)	Mar21-F	Mar22-F	Mar23-F
Axis Bank	25.7	14.8	11.4
ICICI Bank	29.9	20.8	15.1
State Bank of India	15.3	10.2	7.4

P/BV (x)	Mar21-F	Mar22-F	Mar23-F
Axis Bank	1.9	1.7	1.5
ICICI Bank	2.6	2.4	2.1
State Bank of India	1.0	0.9	0.8

Dividend Yield	Mar21-F	Mar22-F	Mar23-F
Axis Bank	0.6%	0.8%	0.8%
ICICI Bank	0.9%	0.9%	0.9%
State Bank of India	1.1%	1.1%	1.1%

Financial Services - Overall

3QFY3/21F results preview

- With management guiding for less restructuring, 3Q21F headline asset quality numbers will likely be stable. We expect a sharp recovery in FY22F credit cost.
- Loan growth will likely be lacklustre, but disbursements have risen in 3Q. Margins likely saw some pressure with lower LDRs and excess liquidity.
- We are Overweight on the sector, with Axis, State Bank of India and HDFC Bank our top picks. HDFC and SHTF are our top picks among NBFCs.

Asset quality benign with low restructuring

3QFY21F is likely to be an important quarter from the asset quality standpoint – most banks have guided for restructuring of assets at low single digits. As such, restructuring requests seem to be manageable as guided by banks earlier, though banks might prefer to make higher provisions on these assets as opposed to 10% mandated by the Reserve Bank of India (RBI), in our view. We expect banks to keep provisions elevated to account for restructuring and potential stress emanating from the asset quality front – that said, banks have beefed up their balance sheets with elevated provisioning since 4QFY20.

Some uptick in growth, net interest margins to trend lower

Credit growth seems to be returning gradually as was reflected in ~1% qoq growth indicated in the latest RBI figures. Deposit growth remains the highlight of the quarter with a lot of mid-sized banks reporting sharp improvements in retail deposits qoq. However, we believe a confluence of marginal cost of funds-based lending rate (MCLR) cuts, de-recognition of slippages and high liquidity on balance sheets would imply that net interest margins (NIMs) could witness some pressure on a qoq basis.

NBFCs – improvement in liquidity and uptick in growth

Mortgage lenders have seen a sharp revival in their lending books as was reflected in HDFC's quarterly release where retail disbursements for nine months are already at 86% of last year. We expect collection efficiencies for most sub segments to inch up mom, driving relatively lower asset quality apprehensions going forward.

Maintain Overweight on the sector – ICICI, Axis and SBI our top pick

Asset quality seems to be holding up better than we earlier anticipated, which will lead to a sharp fall in credit costs in FY22F and will be the key driver of valuations. We maintain our Overweight stance on the sector with Axis, ICICI and SBI as our key large cap picks. We like HDFC and SHTF in the NBFCs space. Higher-than-expected delinquencies leading to elevated credit costs for a prolonged period remain a key risk to our call.

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Figure 1: Sector peer comparison

Particulars	Bloomberg ticker	RECO	PRICE (Rs.)	TP (Rs.)	Upside/ Downside	P/E (x)		P/BV (x)		ROEs	
						FY21F	FY22F	FY21F	FY22F	FY21F	FY22F
Public Banks											
BOB	BOB IN	HOLD	71	50	-30%	49	12	0.5	0.4	4%	7%
SBI	SBI IN	ADD	293	320	9%	16	11	0.4	0.4	10%	12%
Private Banks											
AXIS	AXSB IN	ADD	675	700	4%	28	16	2.0	1.8	12%	14%
HDFCB	HDFCB IN	ADD	1,481	1,525	3%	26	22	4.1	3.5	17%	17%
ICICI (ex-subs)	ICICIBC IN	ADD	548	580	6%	31	22	2.7	2.5	12%	15%
IIB	IIB IN	ADD	925	925	0%	29	16	1.8	1.6	11%	15%
RBL	RBK IN	ADD	257	275	7%	30	13	1.2	1.1	9%	10%

SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS. PRICED AS AT 12TH JAN 2021.

3QFY21F results preview

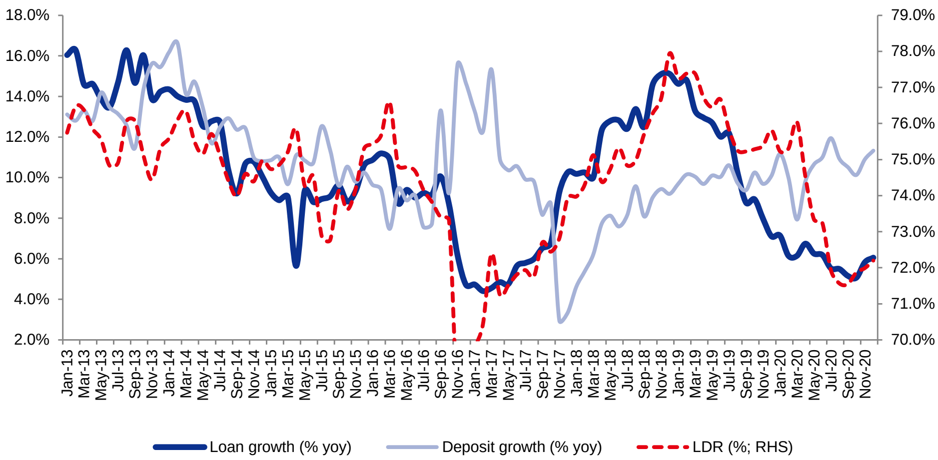
Gradual credit growth recovery – disbursements picking up

The overall sombre system loan growth of 6% qoq (as at Nov 2020; source: RBI) in 3QFY21 was largely due to lower corporate loan growth and decelerating growth in the retail segment. While retail loans and service sector lending remained the key driver of loan growth in 3QFY21, corporate loan growth was weak. Corporate loans grew by 3.7% in Nov 2020 vs. 3.4% in Sep 2020. Industrial credit within the corporate segment witnessed mom improvement in Nov 2020 after falling for the previous five months. Disbursements under the Emergency Credit Line Guarantee Scheme, coupled with lower repayments due to loans under moratorium, likely led to inflated outstanding credit at a systemic level.

Overall, deposits growth stood at 11.3% in Dec 2020, while revival continues post some pressure witnessed by the small- and mid-sized banks post the Yes Bank debacle in 3Q and 4QFY20. Higher deposits growth against loan growth resulted in lower loan deposit ratio (LDRs) of 72% in 3QFY21. This will have its toll on the margins, in our view.

We believe overall loan growth for non-banking financial company (NBFC) remained moderate in 3QFY21F as disbursements growth remained under pressure.

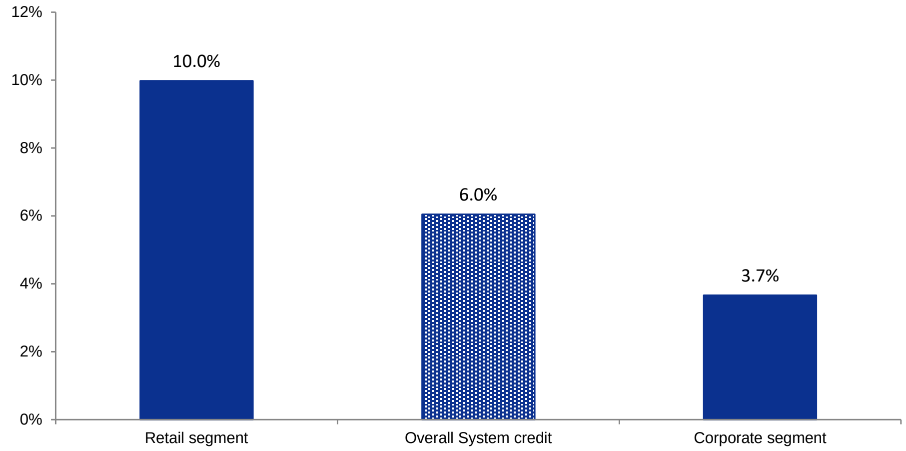
Figure 1: Loan growth vs. deposits growth



SOURCES: EIP RESEARCH, COMPANY REPORTS, BLOOMBERG

According to RBI data, retail loans rose 10% yoy in Nov 2020 and was the key driver for overall system credit whereas corporate loan growth was lower at 3.7% yoy. Loan growth within the service segment was strong at 8.8% yoy. Retail loan growth was largely driven by strong growth in home and personal/credit card loans. Mortgage, auto and personal loans rose 8.5%, 10% and 15% yoy, respectively.

Figure 2: Sector loan growth (yoy) – Nov 2020



NOTE: OVERALL CREDIT IS 90% OF TOTAL NON-FOOD CREDIT
SOURCES: EIP RESEARCH, RBI, COMPANY REPORTS

Asset quality benign with low restructuring

Most of the banks have guided restructuring to be in the low single digit. Banks are being cautious on granting one-time restructuring (OTR) to borrowers. Further, despite the standstill on the Supreme Court's order on asset quality recognition, we expect most banks to be conservative in recognising non-performing assets and making appropriate provisions. We expect asset quality to remain stable (3QFY3/21), but with higher delinquencies banks will continue to report higher credit costs in 3Q proactively to keep the coverage ratios high and provide some cushion against contingent asset quality losses. On average, banks reported +90% collection efficiencies as at end-Oct 2020 (Figure 4), offering some comfort on the asset quality impact that financiers earlier expected to be high.

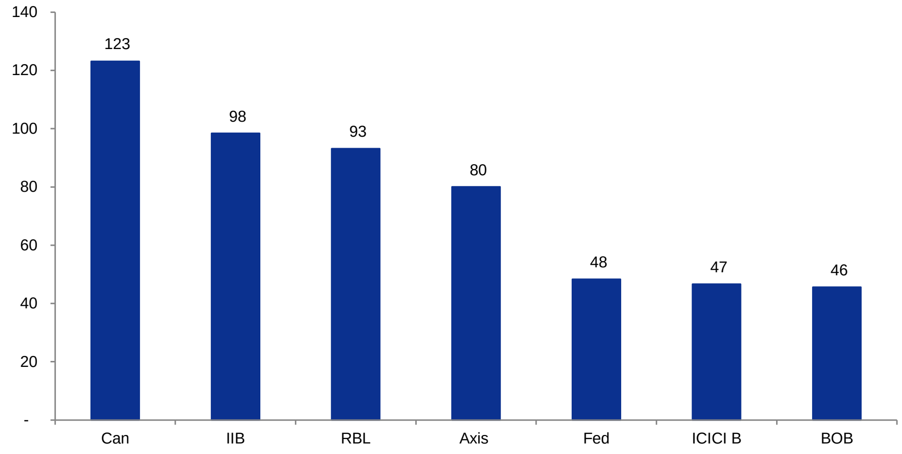
Guidance from banks in terms of actual restructuring portfolio, customer behaviour for various segments for repayment and disbursements made would be useful.

Figure 3: Improving collection efficiencies across financial institutions

Banks	Comments around Collection Efficiency (CE) as on 2QFY21	Additional/contigent provisions	Restructuring guidance by company
HDFCB	Overall CE at 95% to improve to 97% by Oct.	0.7% of loans (Rs77.6bn)	
ICICIB	Retail and credit card CE at 97%	2.3% of loans (Rs147bn)	Restructuring estimated at 1.7-1.8%
Axis	Overall CE at 94% to improve to 97% by Oct.	1.9% of loans (Rs108bn)	Restructuring estimated at 1.6%
SBI	Overall CE at 97% for the quarter	0.2% of loans (Rs70.9bn)	Restructuring estimated at 1%
IIB	Overall CE at 96%, CE for Vehicle finance- 94%, MFI - 93% corporate- 100%	1.1% of loans (Rs21.6bn)	
FED	Overall CE at 95% (pre COVID levels). Retail is 91% Corporate- 99% Commercial is 93% Expected restructuring- 3%	0.5% of loans (Rs5.88bn)	Restructuring estimated at 2.5-3%
RBL	CE for credit card/micro finance segment have improved to 90.6%/93.3% as on Sep'20. LAP collections are 93% of pre-covid levels & corporate collections are almost at pre COVID levels.	1.21% of loans (Rs6.6bn)	
BOB	CE on moratorium book at 87% and on overall book bases is 91%	0.3% of loans (Rs17.5bn)	
SHTF	CE stood at 95%	2% of AUM (Rs22.8bn)	Restructuring estimated at 2.5%
HDFC Ltd	Collection efficiency w ithin individual and w holesale segment stood at 96.3% and 99.5% respectively	2.2% of AUM (Rs12bn)	

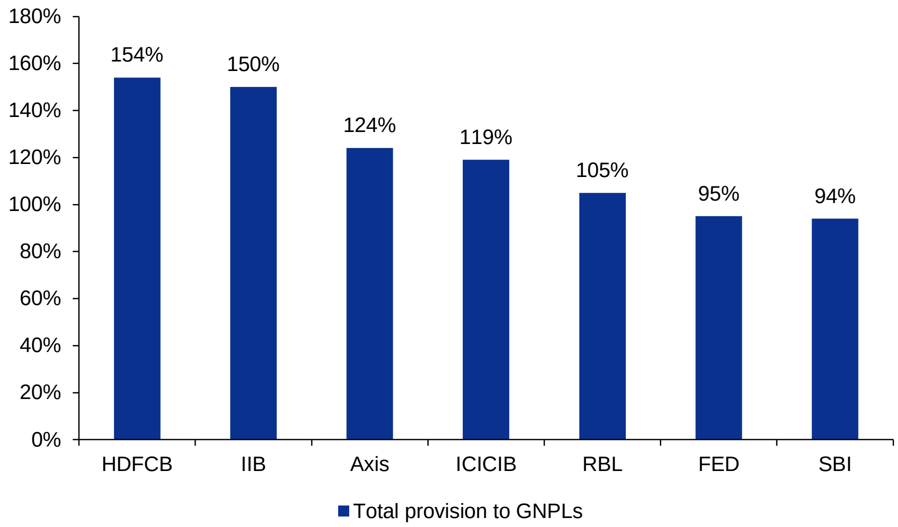
SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS

Figure 5: Credit cost (bp) – 2QFY21



NOTE: CREDIT COSTS FOR THE QUARTER ARE NOT ANNUALISED
SOURCES: EIP RESEARCH, COMPANY REPORTS

Figure 6: Most of the banks are well covered with total provision coverage (including additional and contingent provisions) at c.100% as at 2QFY21

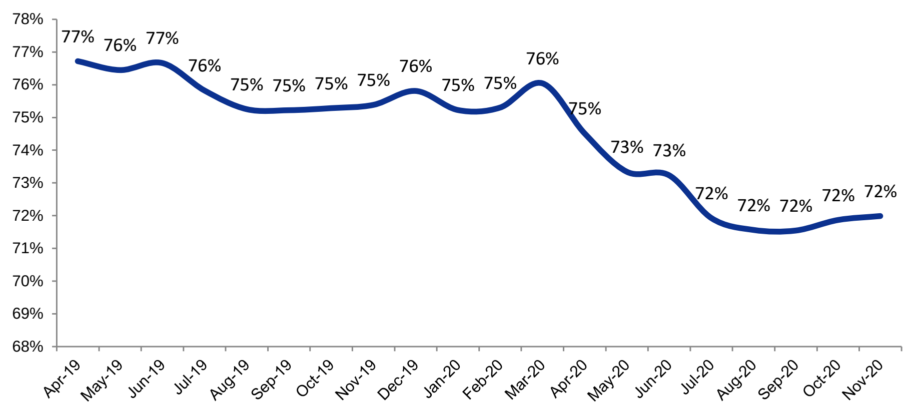


SOURCES: EIP RESEARCH, COMPANY REPORTS, BLOOMBERG. GNPL REFERS TO GROSS NON-PERFORMING LOANS

Excess liquidity led to lower LDR – this could hurt NIMs

We expect deposits growth to remain the highlight of the quarter. As reported by some banks, deposits growth ranges from 11-20% yoy. This is positive especially for the mid-sized banks where deposits growth is largely retail in nature. However, we believe that due to higher deposits growth vis-à-vis loan growth, NIMs were under pressure in 3QFY21F. Margins were likely impacted due to assets re-pricing faster than the liabilities despite the deposits rate cuts by the bank. We expect banks to increase their coverage ratios accounting for potential stress coming in from restructured book. This could lead to higher interest reversals on non-performing loans (NPLs) for banks and impact NIMs negatively.

Figure 4: Sector loans to deposits ratio



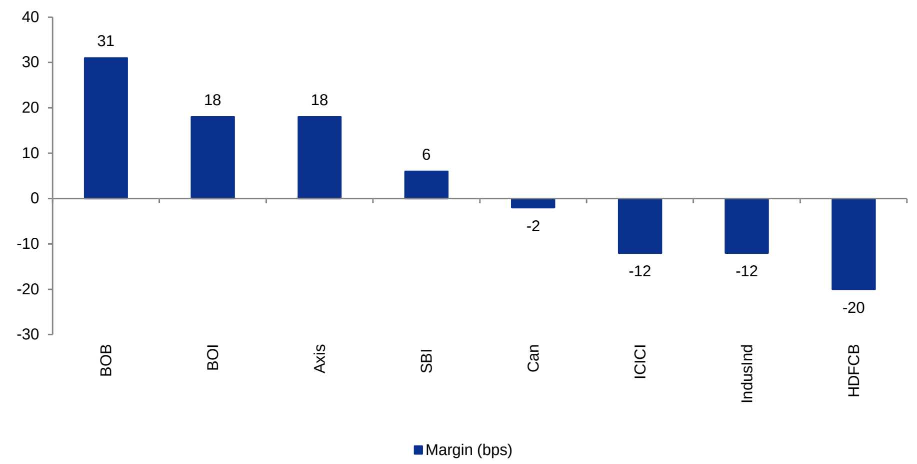
SOURCES: EIP RESEARCH, COMPANY REPORTS

Figure 5: MCLR change since Sep 2019

Banks	Sep 19	Oct 19	Nov 19	Dec 19	Jan 20	Feb 20	Mar 20	Apr 20	May 20	Jun 20	Jul 20	Aug 20	Sep 20	Oct 20	Nov 20	Dec 20
SBI	8.2	8.1	8.0	7.9	7.9	7.9	7.8	7.4	7.3	7.0	7.0	7.0	7.0	7.0	7.0	7.0
BOB	8.4	8.4	8.3	8.3	8.2	8.2	8.2	8.0	7.8	7.7	7.6	7.6	7.6	7.5	7.5	7.4
HDFCB	8.5	8.4	8.3	8.2	8.2	8.2	8.2	8.0	8.0	7.7	7.5	7.4	7.3	7.3	7.3	7.3
ICICIB	8.6	8.5	8.4	8.3	8.2	8.2	8.2	8.0	7.8	7.7	7.6	7.5	7.4	7.4	7.4	7.4
AXIS	8.5	8.4	8.3	8.2	8.2	8.2	8.1	8.0	7.8	7.8	7.6	7.5	7.5	7.5	7.5	0.0
IIB	9.6	9.5	9.5	9.4	9.3	9.3	9.3	9.3	9.3	9.2	7.7	7.6	7.5	7.5	7.5	7.5
RBL	10.0	9.9	9.8	9.7	9.6	9.6	9.5	9.4	9.4	9.4	9.3	9.1	9.0	8.9	8.9	8.8

SOURCES: EIP RESEARCH, COMPANY REPORTS

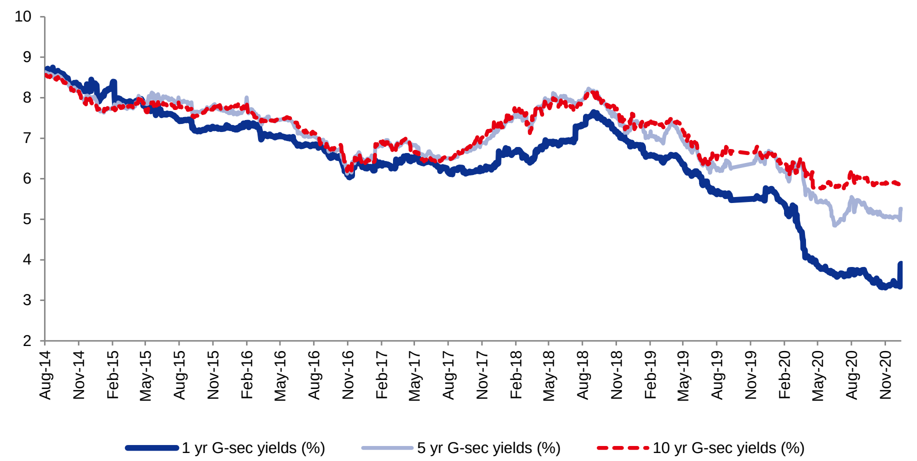
Figure 6: Change in net interest margins in 2QFY21 (bp; qoq)



SOURCES: EIP RESEARCH, COMPANY REPORTS

Bond yields decreased sequentially by c.146bp for 10-year G-SEC and 308bp/349bp for 1-year/5-year G-SEC.

Figure 7: G-SEC yields for 1, 5 and 10 years (%)



SOURCES: EIP RESEARCH, COMPANY REPORTS, BLOOMBERG

Figure 11: Key financial indicators

Particulars	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21
Bond yields - period end (%)												
G-sec 1 year	6.45	6.94	7.55	6.91	6.43	6.19	5.60	5.48	4.97	3.73	3.71	3.40
G-sec 5 year	7.40	8.02	8.07	7.19	6.93	6.77	6.37	6.47	6.18	5.28	5.39	5.04
G-sec 10 year	7.40	7.90	8.02	7.37	7.35	6.88	6.70	6.56	6.14	5.89	6.01	5.87
INR - period end	64.97	68.47	72.60	69.95	69.34	69.07	70.56	71.38	74.92	75.01	73.76	73.07
CD rates (average) (%)												
3 month	7.08	7.15	7.25	7.05	7.25	6.45	5.75	5.38	4.83	3.20	3.30	3.05
12 month	7.37	8.23	8.83	8.08	7.48	7.18	6.63	5.98	5.48	3.95	4.03	3.65

SOURCES: EIP RESEARCH, BLOOMBERG

Growth uptick and comfortable liquidity for most NBFCs

NBFCs have been under pressure on account of low disbursements and high moratorium levels post the onset of the pandemic. However, post Aug 2020, collection efficiencies improved and stood at +95% levels for housing finance companies (HFCs), auto financers and +90% levels for most of the micro finance institutions (MFIs). Mortgage lenders have seen a sharp revival in their lending book. As revealed in HDFC Ltd's early release, disbursements have picked up and for 9MFY21 are at 86% of the corresponding period last year.

With economic activities coming back on track, collection efficiencies for many of the financiers are back to pre-COVID levels. We expect collection efficiencies for most of the sub segments to inch up sequentially and allay asset quality apprehensions going forward.

Given the tough funding environment in the early months of the pandemic, NBFCs have been maintaining high liquidity on their balance sheets to tide over a difficult liquidity environment. High liquidity on balance sheet would imply that NIMs could witness some pressure on a qoq basis.

Valuation

Although the actual damage to asset quality is difficult to estimate with the asset quality standstill over the Supreme Court's order, the initial assessment from our interactions with banks makes us believe that stress on loans will be manageable given the estimated restructuring is a low single digit. Given the overall asset quality, we expect a better-than-anticipated fall in credit costs in FY22F will be the key driver of stocks' valuations. Further, lower interest rate also means higher P/E an P/B multiple. We maintain our Overweight stance on the sector with Axis, ICICI and SBI as our top large cap picks. HDFC and SHTF remain our top picks among NBFCs. Higher-than-expected delinquencies leading to elevated credit costs for long remains a key risk to our call.

Figure 12: Sector peer comparison

Particulars	Bloomberg ticker	Reco	Price (Rs.)	Target price (Rs.)	P/E (x)		P/BV (x)		ROE (%)	
					FY21F	FY22F	FY21F	FY22F	FY21F	FY22F
Public Banks										
SBI	SBI IN	ADD	293	320	16	11	0.4	0.4	7%	10%
BANK OF BARODA	BOB IN	HOLD	71	50	49	12	0.5	0.4	1%	4%
BANK OF INDIA	BOI IN	REDUCE	54	38	15	11	0.4	0.4	3%	3%
CANARA	CBK IN	HOLD	138	100	13	6	0.4	0.4	3%	6%
Private Banks										
AXIS	AXSB IN	ADD	675	700	28	16	2.0	1.8	8%	12%
FEDERAL	FB IN	ADD	76	75	11	9	1.0	0.9	9%	10%
HDFC BANK	HDFCB IN	ADD	1,481	1,525	26	22	4.1	3.5	17%	17%
ICICI (ex-subs)	ICICIBC IN	ADD	548	580	23	15	1.9	1.7	8%	11%
INDUSIND	IIB IN	ADD	925	925	29	16	1.8	1.6	6%	11%
RBL Bank	RBK IN	ADD	257	275	30	13	1.2	1.1	4%	9%
EQUITAS SFB	EQUITASB IN	ADD	41	40	17	12	1.5	1.3	9%	12%
NBFCs										
HDFC (ex subs)	HDFC IN	ADD	2,750	2,550	20	17	2.0	1.8	11%	11%
MMFS	MMFS IN	ADD	190	165	22	15	1.5	1.4	8%	10%
SHTF	SHTF IN	ADD	1,260	1,000	17	11	1.5	1.4	10%	13%
LIC HF	LICHF IN	HOLD	439	335	10	9	1.1	1.0	12%	12%
CREDAG	CREDAG IN	ADD	774	850	34	18	3.1	2.6	11%	16%

SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG. PRICED AS AT 12th JAN 2021.

Figure 13: 3QFY21F earnings estimates

Particulars (Rs m)	Net Interest Income	Other Income	Total Income	Operating Expenses	Operating Profit	Provisions	Tax	Net profit
growth / particulars	**(% yoy growth)**	**(% yoy growth)**	**(% yoy growth)**	**(% yoy growth)**	**(% yoy growth)**	**(% of operating income)**	**(% of PBT)**	**(% yoy growth)**
Public Sector Banks								
Bank of India	40,987	15,695	56,683	(26,513)	30,170	(24,500)	(1,588)	4,082
	-0.5%	*-37.3%*	*-14.4%*	*6.6%*	*-27.0%*	*81.2%*	*28.0%*	*285.1%*
BOB	73,742	27,150	1,00,892	(48,055)	52,836	(39,270)	(3,826)	9,741
	3.4%	*-0.9%*	*2.2%*	*-2.2%*	*6.6%*	*74.3%*	*28.2%*	*-169.2%*
Canara Bank	64,564	32,000	96,564	(48,752)	47,812	(39,000)	(2,203)	6,609
	88.0%	*87.5%*	*87.8%*	*73.7%*	*104.8%*	*116.3%*	*25.0%*	*100.3%*
SBI	2,69,449	82,003	3,51,452	(2,07,801)	1,43,651	(1,03,000)	(10,163)	30,488
	-3.0%	*-9.9%*	*-4.7%*	*11.3%*	*-21.2%*	*71.7%*	*25.0%*	*-45.4%*
PSU Banks	**4,48,742**	**1,56,848**	**6,05,591**	**(3,31,121)**	**2,74,469**	**(2,05,770)**	**(17,779)**	**50,920**
yoy growth	***5.7%***	***-2.3%***	***3.5%***	***14.7%***	***-7.4%***	***1.7%***	***-63.1%***	***10.4%***
Private Sector Banks								
Axis Bank	72,146	37,896	1,10,042	(43,627)	66,415	(41,100)	(6,835)	18,480
	11.8%	*0.1%*	*7.5%*	*-3.0%*	*15.6%*	*61.9%*	*27.0%*	*5.2%*
Federal Bank	13,704	4,986	18,689	(8,979)	9,711	(5,600)	(1,028)	3,083
	18.7%	*22.5%*	*19.7%*	*9.6%*	*30.7%*	*57.7%*	*25.0%*	*-29.9%*
HDFC Bank	1,61,799	62,979	2,24,778	(82,162)	1,42,616	(40,387)	(25,557)	76,672
	14.2%	*-5.6%*	*7.8%*	*4.0%*	*10.2%*	*28.3%*	*25.0%*	*3.4%*
ICICI Bank	93,292	42,783	1,36,075	(52,873)	83,202	(34,000)	(10,824)	38,378
	9.2%	*-6.5%*	*3.7%*	*-5.1%*	*10.2%*	*63.2%*	*22.0%*	*-7.4%*
IndusInd Bank	33,993	15,080	49,073	(20,242)	28,831	(21,000)	(1,958)	5,873
	10.6%	*-15.8%*	*0.9%*	*-4.4%*	*5.0%*	*72.8%*	*25.0%*	*-54.8%*
RBL Bank	9,634	4,683	14,316	(6,843)	7,473	(6,000)	(380)	1,093
	4.4%	*-3.8%*	*1.6%*	*1.0%*	*2.1%*	*80.3%*	*25.8%*	*56.3%*
Equitas	4,700	800	5,500	(3,300)	2,200	(900)	(325)	975
	22.5%	*-6.6%*	*17.2%*	*6.2%*	*38.9%*	*40.9%*	*25.0%*	*3.6%*
Private Banks	**3,89,267**	**1,69,206**	**5,58,474**	**(2,18,025)**	**3,40,448**	**(1,48,987)**	**(46,907)**	**1,44,554**
yoy growth	***12.2%***	***-4.9%***	***6.4%***	***-0.4%***	***11.2%***	***42.2%***	***-4.5%***	***-5.1%***
NBFCs								
HDFC Limited	38,282	4,529	42,810	(4,231)	38,579	(5,000)	(6,313)	27,266
	18.2%	*-95.1%*	*-65.9%*	*3.0%*	*-68.2%*	*13.0%*	*18.8%*	*-67.4%*
LIC Housing Finance	12,738	310	13,048	(1,600)	11,448	(1,250)	(2,244)	7,954
	1.6%	*12.5%*	*1.8%*	*10.2%*	*0.8%*	*10.9%*	*22.0%*	*33.1%*
Mahindra Finance	14,162	351	14,513	(4,033)	10,480	(6,750)	(977)	2,753
	3.2%	*-0.8%*	*3.1%*	*-22.3%*	*18.0%*	*64.4%*	*-25.9%*	*-22.8%*
Shriram Transport	20,945	300	21,245	(4,634)	16,610	(7,000)	(2,451)	7,160
	0.0%	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
CREDAG	3,400	250	3,650	(1,550)	2,100	(1,200)	(225)	675
	25.5%	*-32.2%*	*18.6%*	*44.9%*	*4.6%*	*57.1%*	*-40.6%*	*-39.5%*
NBFCs	**89,526**	**5,740**	**95,266**	**(16,048)**	**79,218**	**(21,200)**	**(12,209)**	**45,808**
yoy growth	***9.0%***	***-93.9%***	***-46.1%***	***-5.2%***	***-50.5%***	***-50.5%***	***-12.5%***	***-55.6%***

SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS

Figure 14: Financial summary – Private sector banks (Rs m)

Banks	Particulars	3QFY21F	2QFY21	3QFY20	yoy	qoq	Comments
Axis Bank	NII	72,146	73,261	64,530	12%	-2%	We expect asset quality to remain largely stable; Bank holds additional provision upto 1.9% of advances. Loan growth driven by retail loans as corporate growth remains weak. Operating profit to remain stable with PPoP growth of 16% yoy.
	PPoP	66,415	68,974	57,431	16%	-4%	
	Provision	-41,100	-45,810	-34,709	18%	-10%	
	PAT	18,480	16,824	17,574	5%	10%	
HDFC Bank	NII	1,61,799	1,57,764	1,41,729	14%	3%	Bank has reported growth of 16%/20% in loans and deposit respectively for the quarter in its release. Margin should remain largely stable with stable asset quality. Bank holds additional provision upto 0.7% of advances.
	PPoP	1,42,616	1,38,138	1,29,454	10%	3%	
	Provision	-40,387	-37,035	-30,435	33%	9%	
	PAT	76,672	75,132	74,166	3%	2%	
ICICI Bank	NII	93,292	93,661	85,448	9%	0%	Loan growth to gain some traction in 3QFY21. We expect asset quality to remain largely stable; Bank holds additional provision upto 2.3% of advances and has guided for 1.7-1.8% of loan portfolio to be restructured. Operating profit to remain stable with PPoP growth of 10% yoy.
	PPoP	83,202	82,611	75,481	10%	1%	
	Provision	-34,000	-29,953	-20,832	63%	14%	
	PAT	38,378	42,513	41,459	-7%	-10%	
IndusInd Bank	NII	33,993	32,780	30,740	11%	4%	We expect margins to contract on back of elevated cost of deposits and declining loan to deposit ratio. NPL provisions expected to remain at elevated levels which should improve coverage ratio.
	PPoP	28,831	28,307	27,462	5%	2%	
	Provision	-21,000	-19,644	-10,435	101%	7%	
	PAT	5,873	6,472	13,008	-55%	-9%	
Federal Bank	NII	13,704	13,799	11,549	19%	-1%	Loan growth should moderate with contracting margins. Credit costs to largely remain stable qoq. Bank holds additional provision upto 0.5% of advances. Actual restructured book will be key to watch for (guidance- 2.5-3%)
	PPoP	9,711	10,062	7,430	31%	-3%	
	Provision	-5,600	-5,920	-1,609	248%	-5%	
	PAT	3,083	3,074	4,398	-30%	0%	
RBL Bank	NII	9,634	9,321	9,227	4%	3%	Credit costs to remain at elevated levels on the watch list accounts. Bank holds additional provision upto 1.21% of advances. Moderation of corporate loan book growth will be a drag on overall advances growth.
	PPoP	7,473	7,196	7,322	2%	4%	
	Provision	-6,000	-5,256	-6,383	-6%	14%	
	PAT	1,093	1,440	699	56%	-24%	
Equitas SFB	NII	4,700	4,612	3,836	23%	2%	Loan growth for the quarter was strong at 19% yoy and 4% qoq in 3Q. Further, its deposits grew 51% yoy and 23% qoq with CASA ratio at 25.01%. Higher cost deposit growth and declining cost to deposit ratios will be a drag on margins. We expect asset quality to remain largely stable.
	PPoP	2,200	2,197	1,584	39%	0%	
	Provision	-900	-839	-405	122%	7%	
	PAT	975	1,030	941	4%	-5%	

SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS

Figure 15: Financial summary – Public sector banks (Rs m)

Banks	Particulars	3QFY21F	2QFY21	3QFY20	yoy	qoq	Comments
SBI (Merged)	NII	2,69,449	2,81,821	2,77,788	-3%	-4%	We expect loan growth to marginally improve and stable core margins on back of gain in market share given the competitive lending rates. Overall profitability to be impacted positively with higher recoveries and lower credit cost.
	PPoP	1,43,651	1,64,607	1,82,226	-21%	-13%	
	Provision	-1,03,000	-1,01,182	-72,530	42%	2%	
	PAT	30,488	45,755	55,833	-45%	33%	
BOB	NII	73,742	75,071	71,291	3%	-2%	Credit costs to remain at elevated levels. Loan growth will remain at moderate levels with stable margins. YoY numbers are not comparable due to merger (with Dena & Vijiya Bank).
	PPoP	52,836	55,502	49,579	7%	-5%	
	Provision	-39,270	-30,020	-71,550	-45%	31%	
	PAT	9,741	16,765	-14,071	-169%	-42%	
BOI	NII	40,987	41,120	41,190	0%	0%	We expect NPL provisions to be flat qoq though at elevated levels. Loan growth should remain weak with stable margins. Overall profitability to be impacted due to recoveries which will support higher credit cost.
	PPoP	30,170	30,980	41,350	-27%	-3%	
	Provision	-24,500	-23,120	-40,150	-39%	6%	
	PAT	4,082	5,260	1,060	285%	-22%	
Canara Bank	NII	64,564	62,960	34,350	88%	3%	Higher recoveries to aid overall profitability. This might support higher provisions. Overall credit growth to remain muted. YoY numbers are not comparable due to merger.
	PPoP	47,812	46,400	23,346	105%	3%	
	Provision	-39,000	-40,170	-18,029	116%	-3%	
	PAT	6,609	4,450	3,299	100%	49%	

SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS

Figure 8: Financial summary – Non-banking financial companies (Rs m)

NBFCs	Particulars	3QFY21F	2QFY21	3QFY20	yoy	qoq	Comments
HDFC	NII	38,282	36,465	32,399	18%	5%	Overall loan growth will be driven by retail loans. Individual business loans disbursement grew 26% yoy in 3QFY21. 9MFY21 disbursement within this segment is 86% of 9MFY20 levels. Spreads likely to remain stable with stable asset quality.
	PPoP	38,579	40,049	1,21,380	-68%	-4%	
	Provision	-5,000	-4,360	-29,950	-83%	15%	
	PAT	27,266	28,700	83,725	-67%	-5%	
Shriram Transport	NII	20,945	20,439	20,779	1%	2%	We expect margins to be lower qoq due to higher funding costs. Asset quality is expected to remain largely stable with improving collection efficiencies. AUM growth to improve qoq.
	PPoP	16,610	15,758	16,307	2%	5%	
	Provision	-7,000	-6,555	-4,444	58%	7%	
	PAT	7,160	6,845	8,792	-19%	5%	
MMFSL	NOI	14,162	13,913	13,718	3%	2%	Spreads likely to remain under pressure due to higher funding costs. Overall loan growth expected to moderate. Asset quality expected to remain largely stable.
	PPoP	10,480	10,312	8,883	18%	2%	
	Provision	-6,750	-6,194	-4,001	69%	9%	
	PAT	2,753	3,036	3,564	-23%	-9%	
LIC HF	NII	12,738	12,380	12,537	2%	3%	Spreads likely to remain under pressure. Expect loan growth to remain moderate driven by non developer book.
	PPoP	11,448	11,123	11,360	1%	3%	
	Provision	-1,250	-1,030	-3,907	-68%	21%	
	PAT	7,954	7,909	5,975	33%	1%	
CREDAG	NII	3,400	3,309	2,709	26%	3%	Overall collection efficiency is expected to remain stable sequentially with credit cost of 4-5% in FY21F. This is expected to tapper down to 1.5-2% in FY22F. Margins are expected to remain largely stable. Cost to income to remain at elevated levels with increasing focus on collections as well as disbursements.
	PPoP	2,100	1,969	2,008	5%	7%	
	Provision	1,200	902	549	119%	33%	
	PAT	675	796	1,115	-39%	-15%	

SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 – 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2019, Anti-Corruption 2019

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BAM** – not available, n/a, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** - Good, n/a, **BJC** – Very Good, n/a, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** - Good, n/a, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENTEL** – Very Good, Certified, **CHAYO** - Good, n/a, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – not available, n/a, **CRC** – not available, n/a, **DELTA** - Excellent, Declared, **DEMCO** – Excellent, Certified, **DDD** – Very Good, n/a, **DIF** – not available, n/a, **DREIT** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Declared, **III** – Excellent, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – not available, n/a, **BJC** – Very Good, n/a, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Certified, **MALEE** – Excellent, Certified, **MC** – Excellent, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MK** – Very Good, n/a, **MTC** – Excellent, n/a, **NETBAY** – Very Good, n/a, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PLAT** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PSTC** – Very Good, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Excellent, n/a, **RSP** – not available, n/a, **S** – Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Certified, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Excellent, Certified, **SF** – Good, n/a, **SHR** – not available, n/a, **SIRI** – Very Good, Certified, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Excellent, Certified, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TMB** - Excellent, Certified, **TNR** – Very Good, Certified, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Declared, **UNIQ** – not available, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

1 CG Score 2019 from Thai Institute of Directors Association (IOD)
2 AGM Level 2018 from Thai Investors Association
3 Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of November 30, 2018) are categorised into:
companies that have declared their intention to join CAC, and companies certified by CAC.
4 The Stock Exchange of Thailand : the record of listed companies with corporate sustainable development "Thai sustainability Investment 2018" included:
SET and mai listed companies passed the assessment conducted by the Stock Exchange of Thailand: THSI (SET) and THSI (mai)
SET listed companies passed the assessment conducted by the Dow Jones Sustainability Indices (DJSI)

Recommendation Framework

Stock Ratings	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings	Definition:
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.