SCBs - Gross NPAs declined further in Q3FY21. Proforma GNPA estimated at 15% of overall GNPA.

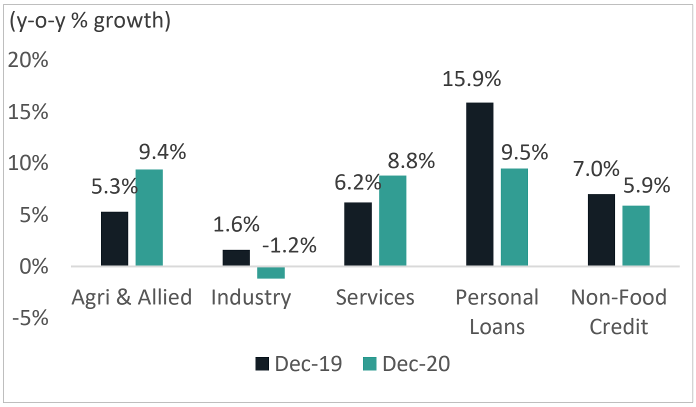
March 23, 2021 I BFSI Research

Note: The following study includes 31 Scheduled Commercial Banks (SCBs) (12 public sector banks (PSBs) and 19 private sector banks (PVBs)) for Q3FY21 financial performance analysis. All growth comparisons are made in y-o-y terms, unless stated otherwise.

Major Highlights

- Aggregate interest income recorded marginal de-growth of 1.7% during the quarter ended December 2020 owing to falling interest rates.
- Falling deposit interest rate in Q3FY21 led to sharp decline in deposit cost (interest expense) from an increase of 3.9% in Q3FY20 to de-growth of 10.9% in Q3FY21.
- Total income growth of SCBs slowed down to (-) 0.6% during Q3FY21 against growth of 10.1% in the previous year, largely due to de-growth in interest income and slow growth in other income.
- The reported GNPA ratio of the SCBs has seen considerable reduction by end of Q3FY21 due to recoveries and higher write-offs made by multiple banks. Furthermore, the Honourable Supreme Court has ordered all banks to not classify Covid-19-related defaults as NPAs until further notice, or else the reported NPAs would have been higher in Q3FY21. Additionally, around 22 SCBs have disclosed pro forma GNPAs (i.e. GNPAs without classification standstill) in Q3FY21, however, if the SCBs had classified accounts as NPAs after August 31, 2020, the pro forma GNPA (of 22 SCBs) would have been over Rs.8.0 lakh crore in December 2020.
- This indicates that around Rs.1.2 lakh crore (approximately 1.2% of advances of these 22 SCBs) of bad loans exist in the system which are yet to be recognised by the banks. However, as most banks have provided provisioning on the proforma GNPAs so there won't be any major impact in the following period.
- Capitalization levels of PSBs improved over regulatory levels, however, the CET 1 ratio of PSBs was lower compared to PVBs. All SCBs reported CAR higher than the minimum regulatory requirement as on December 31, 2020.
- Also, the RoA for SCBs improved significantly from (-) 0.19% Q3FY20 to 0.46% in Q3FY21 owing to an increase in net interest income and subdued y-o-y provisioning requirements.

Figure 1: Growth in Bank Credit (%)



Note: Data accounts for 33 SCBs accounting for about 90% of the Non-food credit deployed; Source: RBI

- The overall bank credit growth in December 2020 slowed to 6.1% (on y-o-y basis) vs. a growth of 7.1% in December 2019 (refer figure 3). As Figure 1 clearly highlights, the credit growth has been slower on account of negative growth in industrial segment (accounts for around 30% of the total outstanding bank credit) and slower growth in personal loans segment during the period under review. However, services sector which accounts for 23% of the total credit outstanding to the services segment grew by 8.8% largely owing to 14.7% growth in trade (5.8% in December 2019).

Figure 2: Average Deposit & Lending Rates of SCBs (%)

Month	TDR<1 yr	WALR[#]	WALR (O/S loan)
Oct-19	6.86	9.65	10.46
Nov-19	6.77	9.56	10.44
Dec-19	6.66	9.40	10.33
Oct-20	5.76	8.50	9.74
Nov-20	5.72	8.47	9.69
Dec-20	5.66	8.23	9.59

Figure 3: SCBs Deposits & Credit (y-o-y growth %)

Month	Demand Deposits	Time Deposits	Aggregate Deposits	Bank Credit@
Dec-18	4.9%	9.7%	9.2%	15.1%
Dec-19	13.8%	9.7%	10.1%	7.1%
Dec-20	15.7%	10.8%	11.3%	6.1%

*Mean # On fresh rupee loans, TDR-Term Deposit Rate, WALR- Weighted Average Lending Rate; @: Bank credit growth accounts for 33 SCBs; Source: RBI, CMIE

Net Interest Income (NII)

Figure 4: Interest Income

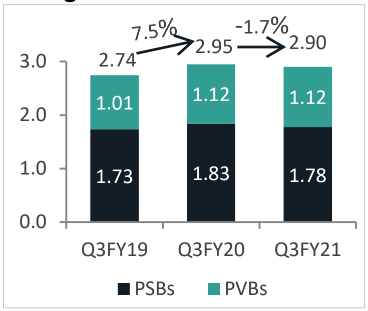


Figure 5: Interest Expenses

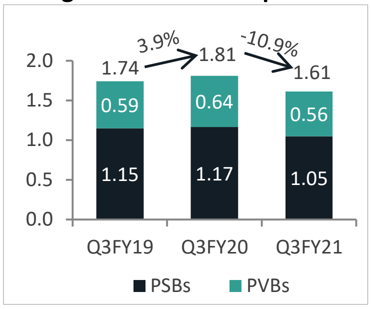
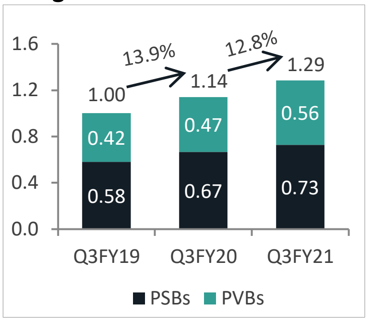


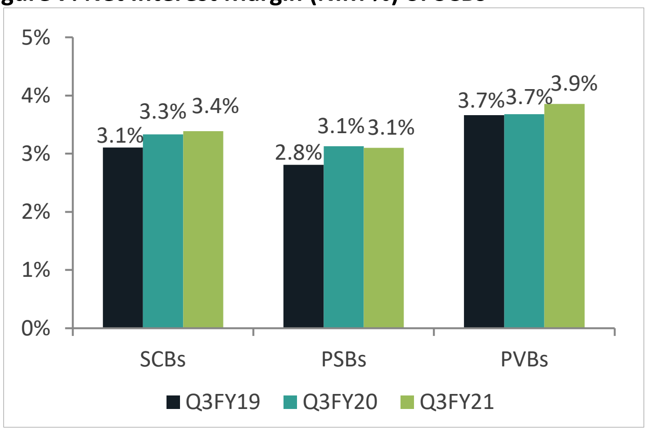
Figure 6: Net Interest Income



Note: Figures in lakh crore; Source: Ace Equity, CARE Ratings Calculations

- NII growth of SCBs came in at 12.8%, 110 bps lower than the year-ago level of 13.9%. This can be ascribed to:
  - Marginal decline in the interest income growth in Q3FY21, mainly owing to fall in interest rates. However, the decline interest income can be attributed to decrease in gross NPAs from Rs.9.3 lakh crore at end of Q3FY20 to Rs.7.4 lakh crore in Q3FY21.
  - The rate cuts by the RBI in the earlier part of the financial year and the consequential transmission to the end-borrowers by banks led to low weighted average lending rates (WALR) (refer Figure 2). Moreover, the WALR of all SCBs witnessed during the quarter on fresh loans as well as outstanding loans has been the lowest as per the data released by RBI (for the duration between September 2014 and December 2020). It is to be noted that the rate cuts would work more effectively when credit growth picks up substantially, as banks have been selective in giving fresh loans due to asset quality concerns especially to corporate segment. However, the spreads between TDR and WALR of SCBs (for fresh loans) came down by only 18 bps (257 bps in December 2020 as against 274 bps in December 2019, led by decline in spreads of PVBs (305 bps in December 2020 against 318 bps in December 2019). (Refer report "Overall banking system interest rates continue to remain at low levels. Private bank spreads stay elevated" for more details).
  - On the other hand, the spreads between TDR and WALR for outstanding loan increased to 393 bps in December 2020 as against 367 bps in December 2019 owing to increase in spreads of PVBs by higher basis points (466 bps in December 2020 compared with 424 bps in December 2019) which supported positive growth in net interest income.
  - Moreover, due to liquidity surplus in the banking system and to ensure better transmission of rate cuts, banks slashed deposit rates which resulted in 100 bps decline in WADTDR (Weighted Average Domestic Term Deposit Rates) of SCBs in December 2020 (decline by 83 bps for PSBs and 117 bps for PVBs). This led to sharp decline in deposit cost (interest expense) from an increase of 3.9% in Q3FY20 to de-growth of 10.9% in Q3FY21.

Figure 7: Net Interest Margin (NIM %) of SCBs*

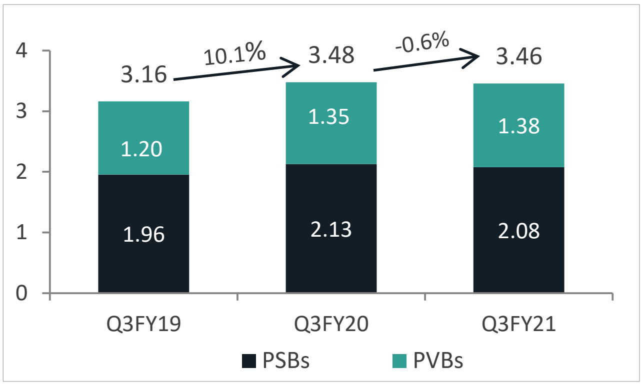


* NIM% reported for the set of 12 PSBs and 19 PVBs for the quarters under review, Source: Ace Equity, CARE Ratings Calculations

- NIMs of PSBs remained stable, while PVBs recorded a marginal improvement, as the transmission of rate cut was faster to the depositors as compared to the borrowers.

Total Income

Figure 8: Total Income of SCBs (in lakh crore)



* NIM% reported for the set of 12 PSBs and 19 PVBs for the quarters under review, Source: Ace Equity, CARE Ratings Calculations

- Total income growth of SCBs registered de-growth of 0.6% in Q3FY21 vis-à-vis the previous year; owing to the de-growth in interest income (Figure 4) and slow growth in other income, largely led by slow growth in fee income and profit on sale of investments (2.1% y-o-y growth in fee income and 2.0% y-o-y growth in profit on sale of investments in Q3FY21) which accounts for around 45% and around 15% share of the total income.
- Interest income accounts for around 84.0% share of the total income and other income accounts for the balance 16.0% share of the total income. Other income registered a growth of 5.4% in Q3FY21 compared with 27.2% growth in Q3FY20.

Operating Expenses

Figure 9: Employee Costs

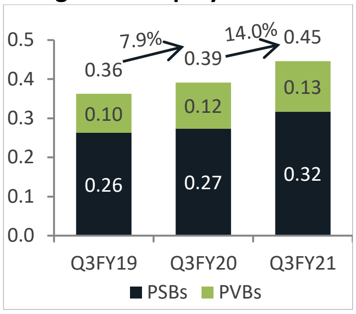


Figure 10: Other Expenses

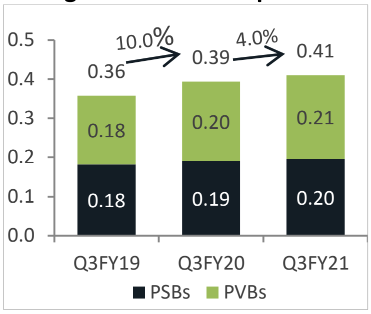
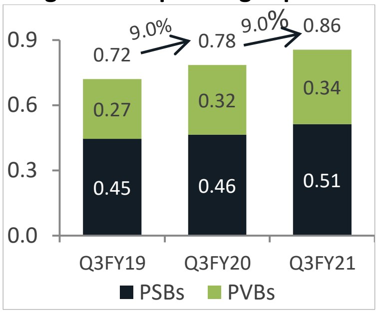


Figure 11: Operating Expenses



Note: Figures in lakh crore; Source: Ace Equity, CARE Ratings Calculations

- The operating expenses of SCBs increased at similar pace as compared with the previous year due to an increase in employee cost growth rate by close to 610 bps (following the wage revision in November 2020 for 12 PSBs and 10 PVBs which had been pending since 2017). Employee costs account for around 50% share of operating expenses. However, the growth of operating expenses was capped at 9.0% owing to a deceleration in growth of other expenses (4.0% in Q3FY21 vs. 10.0% growth in Q3FY20).
- The other expenses (which include consulting services, postage and stationery, and expenses associated with buildings and other fixed assets) grew at a slower rate in Q3FY21 as many bank branches were operational for limited working hours due to the spread of COVID-19.
- SBI which accounts for around 30.0% of the SCBs had revised wages of the employees during March-end quarter (effective from April 2020). This resulted in a y-o-y increase in employee costs by 14.5%. This was further led by increase in provisions for retiral benefit dues to employees with 34.3% growth (Rs.6,178 crore in Q3FY21 vs. Rs.4,601 crore in Q3FY20) which also supported the increase in the employee costs.
- Additionally, the employee expenses of Canara Bank and Punjab National Bank each accounting for 7.0% share of employee costs of SCBs along with Bank of Baroda and HDFC Bank (each accounting for 6.0% share, respectively, of employee costs of SCBs) increased by 26.7%, 3.8%, 7.9% and 7.1%, respectively, during the quarter compared with (-) 6.0%, (-) 2.0%, 32.0% and 25.0%, respectively, in the previous year. Furthermore, Canara Bank had provided wage revision during the quarter ended September 2020, which led to an increase in staff costs, the y-o-y impact of this was also witnessed in the quarter ended December 2020, while Punjab National Bank had earlier promoted 3,611 officers in Q1FY21 due to which the employee expenses were higher y-o-y. The Indian Bank and Bank of India each accounting for only 4.0% share of the SCBs witnessed 34.0% and 27.6% growth in employee cost in Q3FY21 compared with a negative growth in the previous year (-6.0% and -4% y-o-y growth in Q3FY20).
- The y-o-y growth in operating expenses are expected to remain high by end March 2021, led by the wage revision which was finalised and signed by the Indian Banks' Association (IBA) and Workmen Unions on November 11, 2020.

Figure 12: Movement of cost to income ratio

Cost to Income Ratio (%)	Q3FY19	Q3FY20	Q3FY21
PSBs	55.3%	48.2%	50.0%
PVBs	44.9%	45.4%	41.8%
SCBs	50.8%	47.0%	46.4%

Source: CARE Ratings Calculations

- Cost to income ratio of SCBs improved by 62 bps in Q3FY21 mainly owing to growth in NIMs of private banks (refer Figure 10).

Asset Quality: Movement in Non-Performing Assets

Figure 13: Gross NPAs & Net NPAs

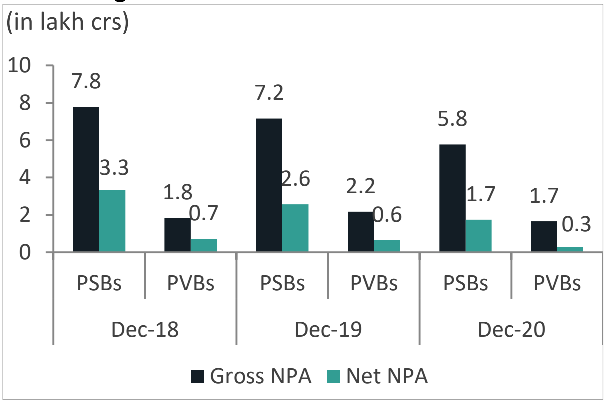
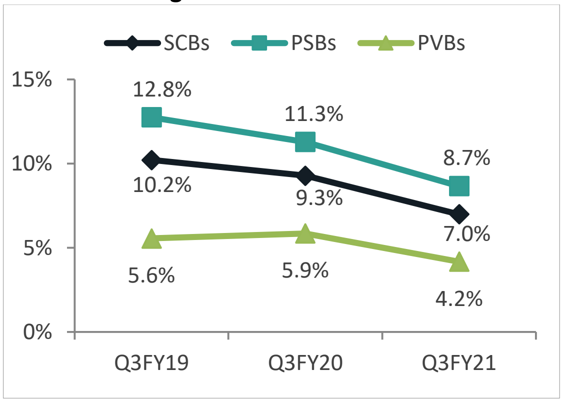


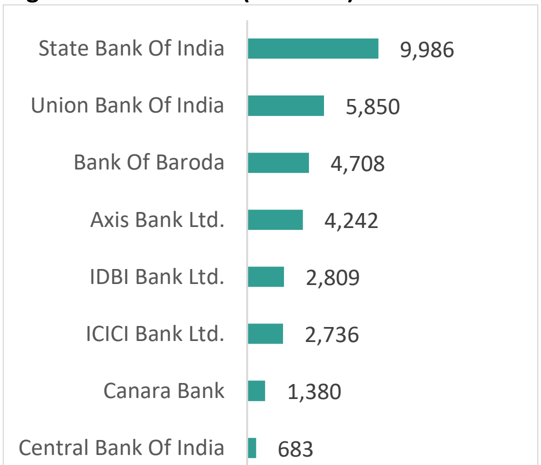
Figure 14: GNPA ratio



Source: Ace Equity, CARE Ratings Calculations

- The reported gross NPAs of SCBs declined further to Rs.7.5 lakh crore in the quarter ended December 2020 as compared with the previous quarter (approximately Rs.8.0 lakh crore in Q2FY21) and the year-ago period (Rs.9.4 lakh crore in Q3FY20).
- The gross NPAs of PSBs contracted between December 2018 and December 2020. Among PSBs, the State Bank of India (SBI) which accounts for the highest share at around 20.0% of the GNPAs of PSBs in Q3FY21 reported the highest asset quality improvement, with a decline in GNPA ratio to 4.8% in December 2020 (5.3% in September 2020) vs. 6.9% in December 2019; followed by Punjab National Bank accounting for around 16% share which also posted lower GNPA ratio at 13.0% in December 2020 (13.4% in September 2020) vs 16.3% in December 2019.
- Similarly, net NPAs of SCBs also shrank to Rs.2.0 lakh crore in Q3FY21 from Rs.3.2 lakh crore in Q3FY19 reflecting an increase in provision coverage ratio (PCR).
- The GNPA ratio of SCBs improved to 7.0% in the quarter ended December 2020 against 9.3% in the year-ago period and 7.7% in the September-end quarter which was largely driven by PSBs. On an overall basis, PSBs accounting for around 78.0% share of GNPAs of SCBs have experienced a drop in the GNPA ratio to 8.7% in the quarter ended December 2020 against 11.3% in the year-ago period and 9.4% in December 2020 quarter.
- As per the financial disclosures made by the SCBs, loans written-off accounted for more than Rs.32,000 crore in the quarter ended December-2020, this has led to an improvement in the asset quality (GNPA reduction) of the SCBs. Wherein, SBI wrote off Rs.9,986 crore, followed by Union Bank of India, Bank of Baroda, Axis Bank, IDBI Bank, ICICI Bank and Canara Bank.
- The asset quality improvement was further supported by recoveries made by banks (e.g., SBI Bank: Rs.5,657 crore, ICICI Bank: Rs.1,776 crore, Union Bank of India: Rs.1,554 crore, Bank of India: Rs.1,495 crore, Bank of Baroda: Rs.1,471 crore, Canara Bank: Rs.890 crore, Indian Bank: Rs.744 crore, Central Bank of India: Rs.631 crore and Axis Bank: Rs.621).

Figure 15: Write-offs (Rs. crore)



Source: Company Reports

- As the Honourable Supreme Court of India in its order dated September 3, 2020, ordered all banks to not classify Covid-19-related defaults as NPAs until further notice, else the NPAs would have been higher.

Following this, majority of the banks have identified accounts which would have been slipped to NPAs and accordingly an estimated provision has been provided during the quarter ended December 2020.

- Around 22 SCBs have disclosed pro forma GNPAs during the quarter ended December 2020. However, if the SCBs had classified accounts as NPAs after August 31, 2020, the pro forma GNPA (of 22 SCBs) would have been over Rs.8.0 lakh crore in December 2020, this indicates that around Rs.1.2 lakh crore (approximately 1.2% of advances of these 22 SCBs) of bad loans exist in the system which are yet to be recognised by the banks. Of Rs.8.0 lakh crore pro forma GNPAs in the banking system, public banks alone (8 PSBs) have reported majority of the pro forma NPAs (total) at over Rs.6.0 lakh crore, whereas the balance 14 PVBs reported pro forma GNPAs at over Rs.2 lakh crore. Amongst all SCBs, SBI alone reported highest pro forma GNPA at over Rs.16,000 crore, followed by Punjab National Banks, Union Bank of India, and Canara Bank. On the other hand, Yes Bank, ICICI Bank, Axis Bank and HDFC Bank accounted for the highest pro forma GNPAs amongst PVBs.
- However, majority of the banks have kept aside extra provisioning for NPAs that may arise in future, or else the provisions would have been lower than reported in December 2020 (on q-o-q basis provisions increased from Rs.0.54 lakh crore in September 2020 to Rs.0.61 lakh crore in December 2020).

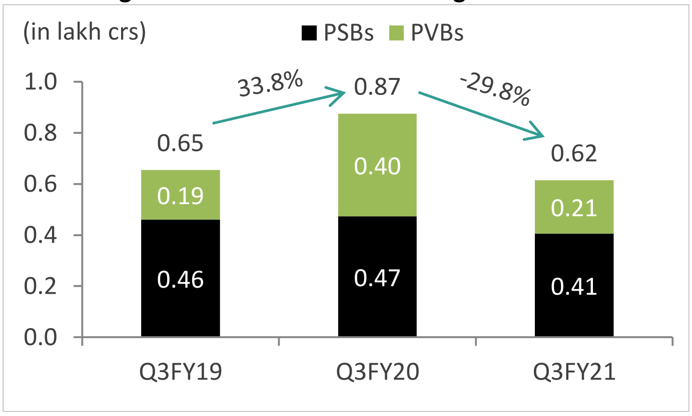
Figure 16: Bank-wise GNPA and Proforma GNPA ratio (%) in Dec-20

	GNPA ratio (%) reported	Proforma GNPA ratio (%)
Axis Bank Ltd.	3.4	4.6
Bandhan Bank Ltd.	1.1	7.1
HDFC Bank Ltd.	0.8	1.4
ICICI Bank Ltd.	4.7	5.4
IDBI Bank Ltd.	23.5	24.3
IDFC First Bank Ltd.	1.3	4.2
IndusInd Bank Ltd.	1.7	2.9
Kotak Mahindra Bank Ltd.	2.3	3.3
RBL Bank Ltd.	1.8	4.6
The Federal Bank Ltd.	2.7	3.4
The Karnataka Bank Ltd.	3.2	4.0
Yes Bank Ltd.	15.4	20.0
Bank Of Baroda	8.5	9.6
Bank Of India	13.3	14.6
Canara Bank	7.5	9.0
Central Bank Of India	16.3	18.2
Indian Bank	9.0	10.4
Punjab National Bank	13.0	14.8
State Bank Of India	4.8	5.4
Union Bank Of India	13.5	15.3

Source: Company Reports

Provisions

Figure 17: Provisions and contingencies



Source: Ace Equity, CARE Ratings Calculations

- Provisions of SCBs in the December-end quarter declined to Rs.0.62 lakh crore compared with year-ago level, however, increased from Rs.0.54 lakh crore reported in September 2020. This was owing to increase in provisioning for NPAs for accounts that have not been classified as NPAs following the Supreme Court's order, or else the provisions would have been lower than reported.

- The public banks account for around 66% share of all SCBs, with SBI alone accounting for around 17% (Rs.10,342 crore) share followed by Union Bank of India (Rs.5,256 crore), Punjab National Bank (Rs.5,433 lakh crore) and Canara Bank (Rs.4,325 crore). Amongst PVBs (34% share), Axis Bank and HDFC Bank account for the highest share in provisioning.
- Previously, following the outbreak of Covid-19, RBI had mandated all banks to make 10% additional provisioning over a period of two quarters (5% each in March and June 2020 quarters) on loan accounts where moratorium benefit had been extended, which resulted in banks providing higher additional provisions beyond the RBI's mandatory rate during both the quarters (provisioning of Rs.0.33 lakh crore by PVBs and Rs.0.50 lakh crore by PSBs in March 2020; and in the quarter ended June 2020 PVBs made provisioning of Rs.0.25 lakh crore and PSBs- Rs.0.38 lakh crore).

Provision Coverage Ratio (PCR)

Figure 18: PCR% range of SCBs as at end of Dec 2020

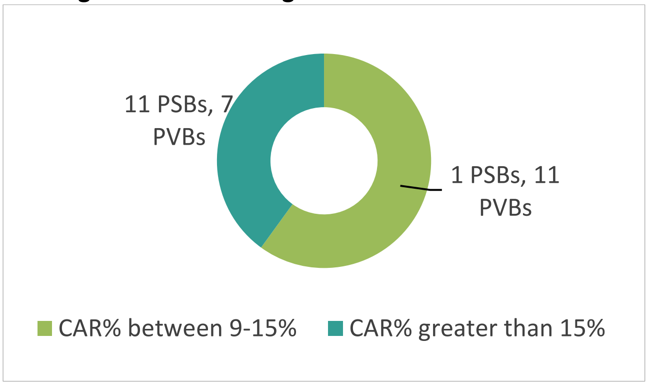
PCR % Range	All	PSBs	PVB*
Less than 70%	0	0	0
70-80%	10	0	10
Greater than 80%	20	12	8

*Excluding Bandhan Bank, Source: Ace Equity

- The average PCR of SCBs stands at around 83.0% at the end of December 2020, against 71.0% in the year-ago period reflecting an improvement in the financial health of the SCBs.
- One-third of the SCBs under review had reported PCR less than 80% as at end of Dec-20. Maximum PVBs have reported a marked rise in their PCR at the end of Q3FY21.
- The PSBs have recorded considerably higher PCR during Q3FY21 as compared with the same quarter previous year.
- Of the 19 PVBs considered, 'The South Indian Bank Ltd' has shown improvement in the quarter ended December 2020 by reporting more than 70% PCR for the first time in the last 15 quarters.

Capital Adequacy Ratio (CAR) under Basel III

Figure 19: CAR% range of SCBs as at end of Dec 2020



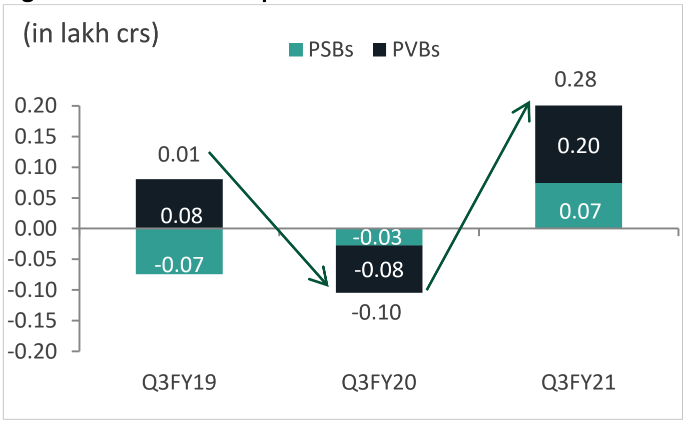
*Excluding AU Small Finance Bank; Source: Banks performance results, Ace Equity

- In view of the continuing stress on account of Covid-19, RBI, on September 29, 2020, deferred the implementation of the last tranche of 0.625% of the Capital Conservation Buffer (CCB) from September 30, 2020 to April 1, 2021. Currently, the required CAR stands at 10.875%.
- Previously, as per Basel III regulations, all SCBs were required to maintain a CAR of 11.5% from March 31, 2020 onwards (CAR of 9.0% along with capital conservation buffer (CCB) of 2.5%).
- Furthermore, systemically important banks need to maintain an additional requirement of over and above the 10.875% CAR (which includes SBI: 0.6%, HDFC: 0.2% and ICICI Bank: 0.2%).
- Furthermore, owing to the challenging business environment and expectations of severe stress scenario (refer report "Select Extracts of RBI's Financial Stability Report - January 2021") banks have been increasing their capital base, as listed below:
    - SBI raised Rs.5,000 crore by issuing Basel-III compliant bonds in October 2020. Furthermore, in January 2021, SBI raised US $600 million through overseas bonds.
    - In December 2020, Indian Bank raised Rs.1,048 crore by issuing Basel-III compliant bonds.

- During the same month (December 2020), Canara Bank raised Rs.2,000 crore equity capital by issuing over 19 crore shares; followed by IDBI Bank (raised Rs.1,435 crore through QIP) and Punjab National Bank (raised over Rs.3,788 crore through QIP issue).
- Bank of Maharashtra also raised over Rs.200 crore through private placement of Basel III-compliant tier II bonds during December 2020.
- In January 2021, Bank of Baroda, Bank of India, and Canara Bank raised Rs.764 crore, Rs.750 crore and Rs.180 crore, respectively, through AT1 bonds.
- Punjab National Bank plans to raise Rs.3,200 crore from sale of shares during the current quarter (Q4FY21).

Net Profit

Figure 20: Trend of net profit

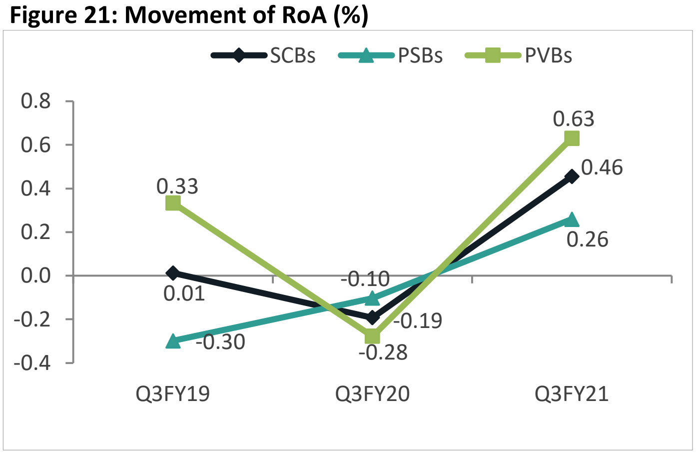


Source: Ace Equity, CARE Ratings Calculations

- The overall aggregate net profit of SCBs rose during the quarter as against a net loss in the corresponding period a year-ago.
- As can be seen in Figure 20, PSBs recorded significant growth in its net profit during the quarter under review largely owing to better net interest incomes and decline in provisioning during the quarter (Rs.0.47 lakh crore in Q3FY20 to Rs.0.41 lakh crore in Q3FY21). Amongst PSBs, Indian Overseas Bank, Bank of Baroda and Indian Bank reported significant profit as compared with the previous year. Indian Overseas Bank recorded profit of Rs.213 crore compared with a loss of Rs.6,075 crore in the previous year, similarly, Bank of Baroda and Indian Bank posted profit of Rs.1,061 crore and Rs.514 crore, respectively, compared with loss of Rs.1,407 crore and Rs.1,739 crore in Q3FY20.
- The profit margins of the SCBs have registered positive growth, due to fall in credit cost of banks such as Bank of Baroda, SBI, Indian Bank, Axis Bank along with few others owing to bad loans written off.

Return on Assets (RoA)

Figure 21: Movement of RoA (%)

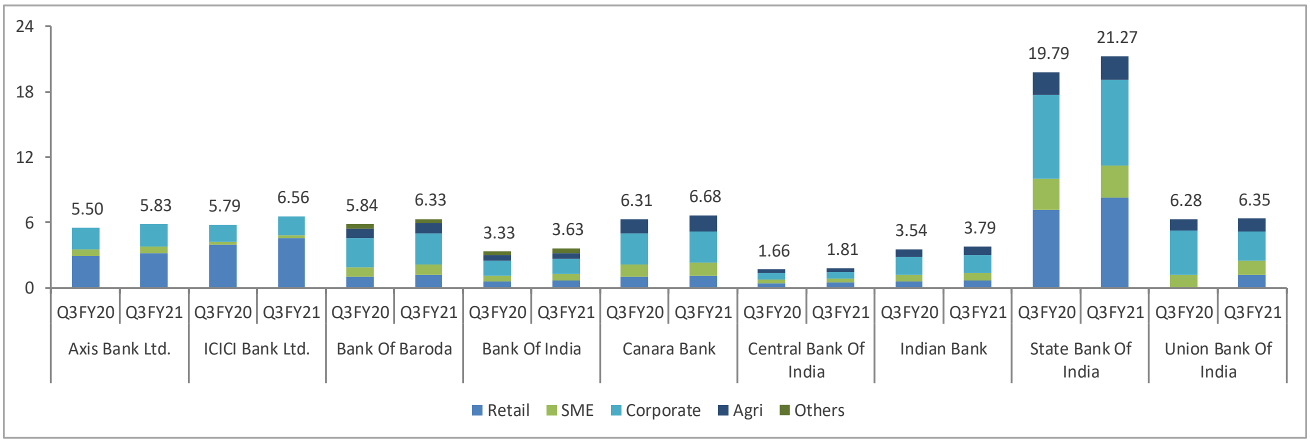


Source: Ace Equity, CARE Ratings Calculations

- The RoA for PSBs has improved from -0.10% in Q3FY20 to 0.26% in quarter under review.
- The RoA for SCBs improved significantly from Q3FY20 to Q3FY21 owing to an increase in net interest income and subdued y-o-y provisioning requirements. Moreover, the profit margins of the SCBs have increased mainly due to lower slippages (due to standstill as a result of RBI moratorium and order by Supreme Court).

Total Advances

Figure 22: Composition of total advances (in Rs lakh crore)



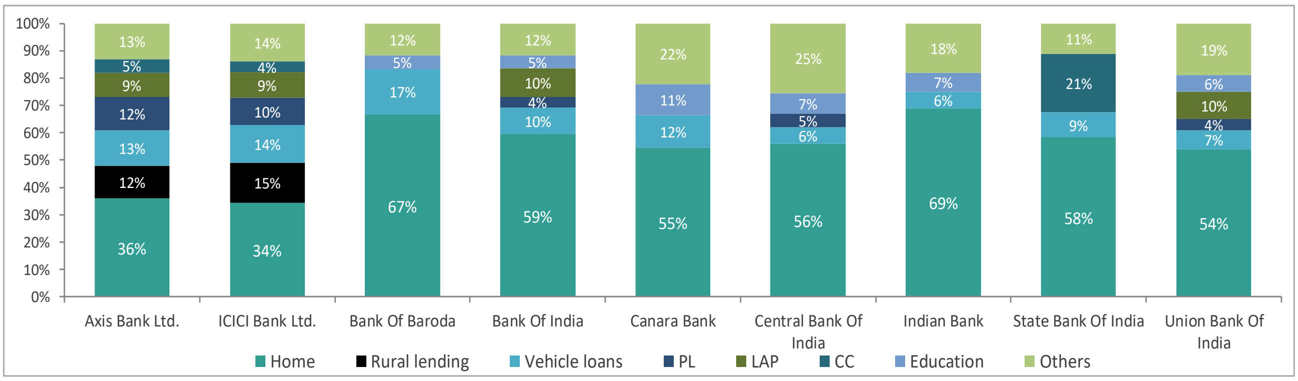
Source: Company Reports

The sample set of SCBs considered here accounts for around 65% of the total advances at the end of December 2020, of which corporate segment accounts for the highest share at around 38% (vs. 42% in Q3FY20) followed by retail segment (34% in Q3FY21 vs. 31% in Q3FY20), SME (14% in Q3FY21 and same level observed in previous year) and balance being accounted by the agricultural sector. SBI alone accounts for the largest share at around 22% amongst all SCBs with 39% exposure to retail and 37% to corporate segment; while SME accounts for 14% and rest towards agricultural segment. The retail segment for the sample set considered here registered highest growth rate (around 20% y-o-y) as compared with other segments.

Majority of the SME growth can be attributed to the ECLGS scheme which was instrumental in improving the activity level during the pandemic time. Under the ECLGS scheme banks have sanctioned Rs.2.14 lakh crore, out of which Rs.1.65 lakh crore was disbursed till January 8, 2021 which is around 55.0% of ambitious Rs.3.0 lakh crore. Additionally, according to the data given by National Credit Guarantee Trustee Company Ltd (NCGTC), the amount of loan sanctioned under ECLGS is Rs.2.46 lakh crore as on February 28, 2021. The balance amount of Rs.0.54 lakh crore is still available under this scheme which could enable MSME's avail these funds (by end-March 2021) as the ECLGS had been further extended till March 2021.

Among the retail portfolio of SCBs, home loan accounts for the highest share at around 54%, followed by vehicle loans (around 10%) (Refer Figure 23). To push retail credit, banks had been offering various festive offers (Diwali) during the quarter ended December 2020 leading to retail demand along with various online shopping portals offering Diwali sale offers (banks like HDFC Bank, Axis Bank, ICICI Bank along with others had announced various offers). Also, banks had provided concession on home loan interest rate, to help increase demand. For eg: SBI in October 2020 announced festive season interest rate concession up to 25 bps on home loans and significantly lower interest rates on other personal loans for prime borrowers such as gold loans and unsecured loans. All these measures taken by SCBs supported growth in bank credit in Q3FY21.

Figure 23: Retail portfolio mix (%)



Source: Company Reports

Concluding remarks and outlook:

The financials of the SCBs for the first three quarters of FY21 has been different compared with the same period in the last two years, as during 9MFY21 SCBs remained risk averse due to the pandemic-led uncertainty. During the ten months ended (April 2020-January 2021), SCBs were very selective with their credit portfolios due to asset quality concerns. The overall bank credit growth remained slower throughout the first ten months compared with the previous year, whereas deposit growth increased faster at 11.3% compared with the last three years where deposit registered growth between 8% and 11%. Moreover, following the one-time restructuring (OTR) of loans (which was to be initiated up to December 31, 2020) many banks announced capital raising plans for catering post COVID-19 economy by maintaining adequate capital buffers. However, there were few takers to avail this facility could be due to stringent eligibility conditions laid down by RBI.

In the recent times, the bank credit growth has returned to the levels observed in the early months of the pandemic growing by around 6.6% in February 2021 (the bank credit growth ranged between 6.5% and 7.2% during April 2020) which can be ascribed to an increase in retail loans further led by falling weighted average lending rates (8.2% in January 2021 vs. 9.5% in January 2020). By end-March 2021, the bank credit growth is expected to increase owing to traditional year ending growth observed since last three to four years led by year-end transactions. However, slower to declining growth (as per the latest data available by RBI for the month of January 2021) in large industries, housing sector and NBFCs which account for around 27.0%, 14.0% and 7.0%, respectively, of the gross bank credit would restrict the further increase in bank credit growth in Q4FY21. Additionally, the bank credit growth is also supported by disbursements under ECLGS scheme which had been extended further till March 31, 2021. These have been further supported by various regulatory measures by RBI in the form of interest rate cuts, loan restructuring package and CRR (cash reserve ratio) exemption on credit disbursed to new MSME borrowers (as per the circular dated February 05, 2021, the RBI has exempted banks from keeping CRR requirement against loans disbursed to first-time borrowers of MSMEs) would help improve bank credit growth in FY22.

Appendix

Table A.1: Bank-wise Gross NPAs (PSB) in %

Public Sector Banks (PSB)	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Bank Of Baroda	11.01	9.61	10.28	10.25	10.43	9.40	9.39	9.14	8.48
Bank Of India	16.31	15.84	16.50	16.31	16.30	14.78	13.91	13.79	13.25
Bank Of Maharashtra	17.31	16.40	17.90	16.86	16.77	16.40	10.93	8.81	7.69
Canara Bank	10.25	8.83	8.77	8.68	8.36	8.21	8.84	8.23	7.46
Central Bank Of India	20.64	19.29	19.93	19.89	19.99	18.92	18.10	17.36	16.30
Indian Bank	7.46	7.11	7.33	7.20	7.20	6.87	10.90	9.89	9.04
Indian Overseas Bank	23.76	21.97	22.53	20.00	17.12	14.78	13.90	13.04	12.19
Punjab & Sind Bank	11.19	11.83	12.88	13.64	13.58	14.18	14.34	14.06	13.14
Punjab National Bank	16.33	15.50	16.49	16.76	16.30	14.21	14.11	13.43	12.99
State Bank Of India	8.71	7.53	7.53	7.19	6.94	6.15	5.44	5.28	4.77
UCO Bank	27.39	25.00	24.85	21.87	19.45	16.77	14.38	11.62	9.80
Union Bank Of India	15.66	14.98	15.18	15.24	14.86	14.15	14.95	14.71	13.49

Note: The data for March 2020 exclude merged Banks as financial results released only for standalone; Source: Ace Equity

Table A.2: Bank-wise Gross NPAs (PVB) in %

Private Sector Banks (PVB)	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
AU Small Finance Bank Ltd.	2.09	2.04	2.08	2.01	1.88	1.68	1.69	1.54	0.99
Axis Bank Ltd.	5.75	5.26	5.25	5.03	5.00	4.86	4.72	4.18	3.44
Bandhan Bank Ltd.	2.41	2.04	2.02	1.76	1.93	1.48	1.43	1.18	1.11
City Union Bank Ltd.	2.91	2.95	3.34	3.41	3.50	4.09	3.90	3.44	2.94
DCB Bank Ltd.	1.92	1.84	1.96	2.09	2.15	2.46	2.44	2.27	1.96
Dhanlaxmi Bank Ltd.	8.11	7.47	7.61	7.06	7.13	5.90	6.89	6.36	5.78
HDFC Bank Ltd.	1.38	1.36	1.40	1.38	1.42	1.26	1.36	1.08	0.81
ICICI Bank Ltd.	8.54	7.38	7.21	6.90	6.39	5.53	5.99	5.63	4.72
IDBI Bank Ltd.	29.67	27.47	29.12	29.43	28.72	27.53	26.81	25.08	23.52
IDFC First Bank Ltd.	1.97	2.43	2.66	2.62	2.83	2.60	1.99	1.62	1.33
IndusInd Bank Ltd.	1.13	2.10	2.15	2.19	2.18	2.45	2.53	2.21	1.74
Karur Vysya Bank Ltd.	8.49	8.79	9.17	8.89	8.92	8.68	8.34	7.93	7.37
Kotak Mahindra Bank Ltd.	2.07	2.14	2.19	2.32	2.46	2.25	2.70	2.55	2.26
RBL Bank Ltd.	1.38	1.38	1.38	2.60	3.33	3.62	3.45	3.34	1.84
The Federal Bank Ltd.	3.14	2.92	2.99	3.07	2.99	2.84	2.96	2.84	2.71
The Jammu & Kashmir Bank Ltd.	9.94	8.97	8.48	10.64	11.10	10.97	10.73	8.87	8.71
The Karnataka Bank Ltd.	4.45	4.41	4.55	4.78	4.99	4.82	4.64	3.97	3.16
The South Indian Bank Ltd.	4.88	4.92	4.96	4.92	4.96	4.98	4.93	4.87	4.90
Yes Bank Ltd.	2.10	3.22	5.01	7.39	18.87	16.80	17.30	16.90	15.36

Source: Ace Equity

Table A.3: Bank-wise Provision Coverage Ratio (PSB) in %

Public Sector Banks (PSB)	Q3FY19	Q3FY20	Q3FY21
Bank Of Baroda	73.5	77.8	85.5
Bank Of India	76.8	77.2	89.3
Bank Of Maharashtra	81.1	82.6	90.0
Canara Bank	62.5	71.0	84.9
Central Bank Of India	69.5	73.7	84.2
Indian Bank	60.9	70.8	86.5
Indian Overseas Bank	64.2	86.2	91.9
Punjab & Sind Bank	60.0	62.1	88.0
Punjab National Bank	68.9	75.3	85.2
State Bank Of India	74.6	81.7	90.2
UCO Bank	69.5	83.7	91.2
Union Bank Of India	58.8	67.4	86.2

Source: Ace Equity

Table A.4: Bank-wise Provision Coverage Ratio (PVBs) in %

Private Sector Banks (PVBs)	Q3FY19	Q3FY20	Q3FY21
AU Small Finance Bank Ltd.	37.6	46.8	76.0
Axis Bank Ltd.	75.0	78.0	79.0
City Union Bank Ltd.	65.0	65.5	73.0
DCB Bank Ltd.	77.0	72.0	84.3
Dhanlaxmi Bank Ltd.	82.8	89.3	92.7
HDFC Bank Ltd.	70.0	71.0	72.0
ICICI Bank Ltd.	75.2	76.2	86.0
IDBI Bank Ltd.	76.9	92.4	97.1
IDFC First Bank Ltd.	N/A	57.3	75.1
IndusInd Bank Ltd.	48.0	53.0	87.0
Karur Vysya Bank Ltd.	56.1	65.4	77.4
Kotak Mahindra Bank Ltd.	66.2	64.4	78.4
RBL Bank Ltd.	63.2	58.1	86.4
The Federal Bank Ltd.	64.2	66.4	77.1
The Jammu & Kashmir Bank Ltd.	65.8	73.3	83.7
The Karnataka Bank Ltd.	57.2	59.3	80.5
The South Indian Bank Ltd.	41.2	50.4	72.0
Yes Bank Ltd.	44.2	72.7	76.8

*Excluding Bandhan Bank; Source: Ace Equity

Table A.5: Bank-wise Capital Adequacy Ratio (PSB) in %

Public Sector Banks (PSB)	Q3FY19	Q3FY20	Q3FY21
Bank Of Baroda	11.67	13.48	12.93
Bank Of India	12.47	14.20	12.51
Bank Of Maharashtra	11.05	11.21	13.65
Canara Bank	12.21	13.86	13.69
Central Bank Of India	9.34	12.83	12.39
Indian Bank	12.67	15.00	14.06
Indian Overseas Bank	8.86	5.53	11.49
Punjab & Sind Bank	10.78	12.04	16.39
Punjab National Bank	10.52	14.04	13.88
State Bank Of India	12.77	13.73	14.50
UCO Bank	9.33	10.27	12.08
Union Bank Of India	11.43	14.71	12.98

Source: Ace Equity

Table A.6: Bank-wise Capital Adequacy Ratio (PVBs) in %

Private Sector Banks (PVBs)*	Q3FY19	Q3FY20	Q3FY21
Axis Bank Ltd.	15.81	18.20	18.68
Bandhan Bank Ltd.	32.81	24.69	26.17
City Union Bank Ltd.	14.79	15.41	17.39
DCB Bank Ltd.	15.45	15.80	18.32
Dhanlaxmi Bank Ltd.	13.52	13.55	14.16
HDFC Bank Ltd.	17.30	18.50	18.90
ICICI Bank Ltd.	17.15	16.50	18.04
IDBI Bank Ltd.	12.51	12.56	14.77
IDFC First Bank Ltd.	16.51	13.29	14.33
IndusInd Bank Ltd.	14.19	13.92	16.34
Karur Vysya Bank Ltd.	14.59	15.87	18.52
Kotak Mahindra Bank Ltd.	16.52	18.21	21.54
RBL Bank Ltd.	12.86	15.66	17.33
The Federal Bank Ltd.	12.97	13.64	14.31
The Jammu & Kashmir Bank Ltd.	11.63	11.10	11.77
The Karnataka Bank Ltd.	11.98	12.40	13.83
The South Indian Bank Ltd.	11.81	12.02	14.47
Yes Bank Ltd.	16.30	4.10	19.40

Source: Ace Equity

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