

## Moderate stress formation likely but provisioning could remain elevated

- **Bank credit growth remains moderate but outlook improving:** We estimate credit growth for banks under our coverage at 5.7% yoy in Q3 but our channel checks and discussions with managements suggest healthy traction in mortgage, auto and cards, led by faster economic recovery. Corporate loan growth is still low due to disintermediation by bond markets and cautious stance by banks though some seasonal pick-up could come around in Q4. In our view, a meaningful recovery in credit growth would be visible from FY22 as the economic recovery strengthens and risk averseness recedes.
- **Bankers expect relatively soft asset-quality landing after an initial big scare; SC stay on NPA tagging remains an irritant:** The Supreme Court's stay on NPA tagging remains an irritant in Q3 unless it is lifted before results are declared by banks in which case they would indicate proforma slippages similar to that of Q2. We expect proforma slippages to be optically elevated due to the spill-over from Q2 and 90 DPD post end of moratorium, but our discussions suggest that overall NPA formation as well as restructuring proposals are meaningfully lower than expected though one needs to be watchful of the tail-end risk. Among the products, stress remains elevated in CV, Cards and MFI. SME stress could be largely contained via ECLGS and restructuring. Within corporates, SREI Group, Future Retail, Shapoorji Pallonji and MMTC remain stressed and will be closely watched out. On the other hand, corporate resolutions too are showing signs of revival with even the worst of the assets (for e.g., Jet Airways and DHFL) registering reasonable interest from investors, thus raising the hope of some salvage value for banks.
- **Prudent provisioning could keep banks' earnings growth under check:** We expect overall PPoP growth to be a tad moderate due to lower treasury gains, some softness in NIMs due to lower LDR/interest reversal and a moderate pick-up in opex as operations normalize. Amid better-than-expected asset-quality experience, incremental contingent provisioning should be limited for banks with otherwise strong provisioning buffer (for e.g., ICICI, Axis, and Bandhan). Some banks may use the opportunity to shore up the provisioning buffer (for e.g., IndusInd and RBL). Among large banks, we expect ICICI to report healthy profits, followed by Axis as the bulk of the heavy-lifting on provisions is largely done. HDFCB may report moderate profitability on a higher base. AU SFB should report strong earnings given one-off gains from its stake sale in Aavas Financiers. Among PSBs, SBI should report higher profits, partly driven by one-off gains from the stake sale in UTI MF.
- **NBFCs – stress recognition to begin at a moderate pace; continued strong VNB margin trajectory for insurance cos:** NBFCs to show better disbursements/collection trends due to faster economic normalization and a strong festive season. Asset-quality pain should begin from this quarter but management chose to not defer stress via restructuring. We expect HDFCL to bounce back sharply on strong mortgage demand and CIFC to gain market share on its diversified loan book, but a relatively weak performance from MMFS due to market share loss in tractors and a sizeable tours/travel portfolio prone to asset-quality risk. Amid slow growth, VNB margins for the insurance universe should remain healthy on rising share of traditional products vs. ULIPs. We see strong growth momentum for HDFC/SBI/Max Life but a weak quarter for IPRU Life.
- **Recent stock rally reflects positive outlook on growth/asset quality and looks sustainable:** The banking sector has seen a decent run-up recently, with broader economic indicators showing early signs of a revival after unlocking, leading to better credit outlook and better asset-quality experience than earlier expected with lower incidence of NPA/restructuring - raising hope of possible provision claw back in select banks and thus earnings upgrades. In our view, the focus could gradually shift from asset quality to growth (credit/earnings) and banks with strong shock-absorption capacity, coupled with potential to grow, could see continued stock momentum. We prefer ICICI, Axis and SBI in large-caps. In our view, the MFI sector will be early to recognize the asset-quality pain and resume growth. Notwithstanding near-term election-related fatigue, we remain long-term positive on Bandhan Bank given its ability to manage disruptions and strong liability profile facilitating product diversification without much impact on margins. Among NBFCs, we prefer Chola, HDFC and SHTF. In insurance, we prefer SBI Life, HDFC Life and Max Life.

Please see our sector model portfolio (Emkay Alpha Portfolio): [BFSI-Banks \(Page 24\)](#)

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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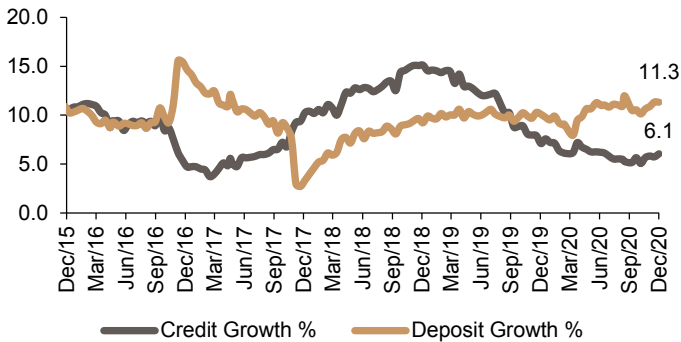
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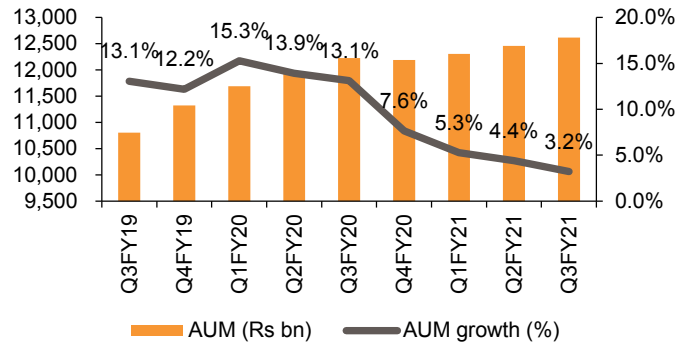
## Story in Charts

**Exhibit 1: Moderate credit growth but deposit growth remains strong driven by CASA**



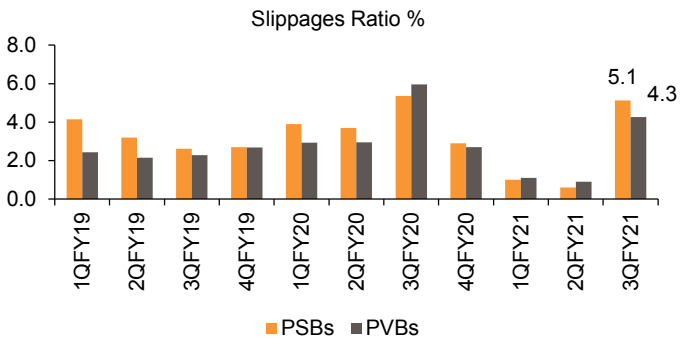
Source: Company, Emkay Research

**Exhibit 2: NBFCs' AUM growth to moderate further but soon could bottom out**



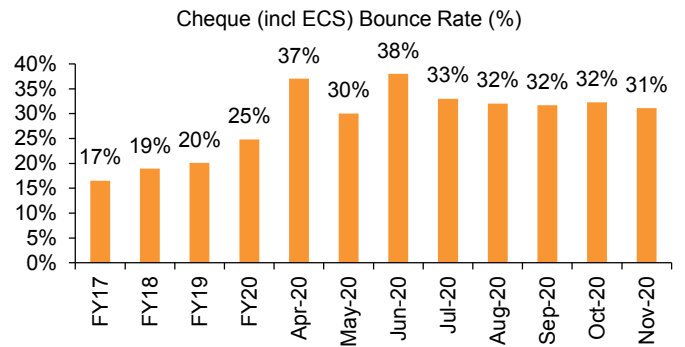
Source: Company, Emkay Research

**Exhibit 3: Fresh slippages are expected to be optically higher due to clubbing of untagged slippages from the previous quarter**



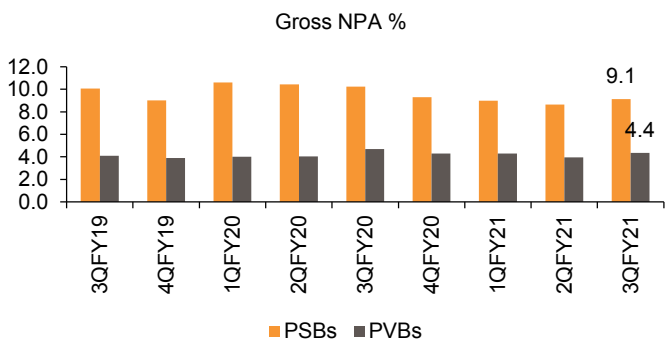
Source: Company, Emkay Research

**Exhibit 4: Bounce rates marginally improved in the month of November but still remain elevated**



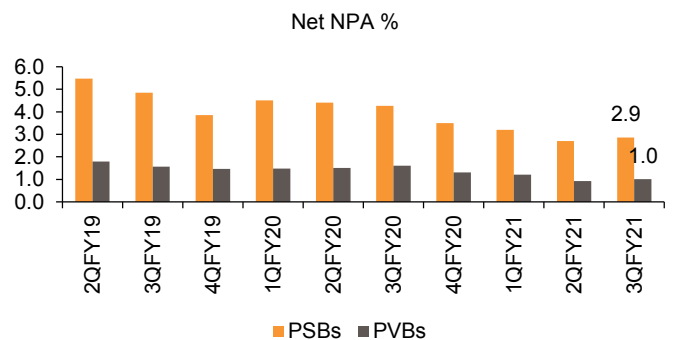
Source: Company, Emkay Research

**Exhibit 5: Higher slippages during the quarter may lead to increase in GNPA but to a limited extent**



Source: Emkay Research, Company

**Exhibit 6: Cushion of higher PCR to support NNPA**



Source: Emkay Research, Company

Exhibit 7: Valuation summary for Banks, NBFCs and Insurance companies under our coverage

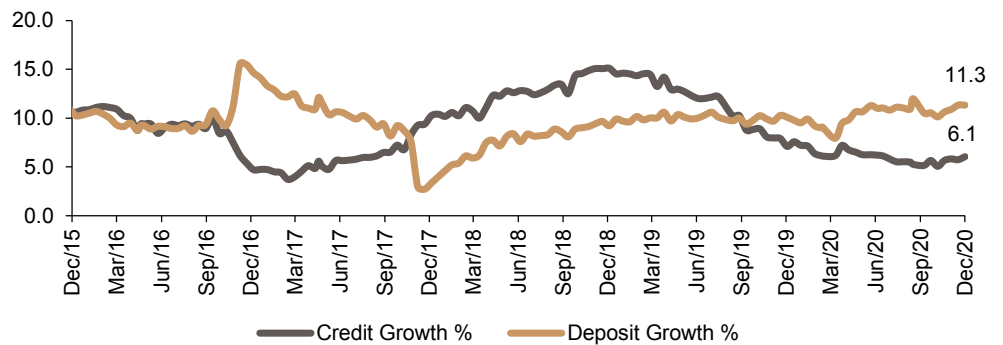
Companies	Reco	Market Cap		RoA %				RoE %				P/ABVx			
		Rs bn	USD bn	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E
<b>Large PVBs</b>															
AXIS	Buy	2,068	28.2	0.2	0.7	1.1	1.4	2.2	6.6	10.6	13.1	2.1	2.0	1.8	1.5
HDFCB	Buy	7,856	107.1	1.9	1.8	1.9	2.0	16.4	16.2	16.6	17.1	4.5	3.8	3.3	2.8
ICICI	Buy	3,754	51.2	0.8	1.1	1.4	1.6	7.3	9.7	11.6	13.6	2.6	2.2	2.0	1.8
INDUSIND	Hold	729	9.9	1.5	0.8	1.3	1.6	14.6	6.9	11.0	14.5	2.0	1.9	1.7	1.5
KOTAK	Hold	3,860	52.6	1.8	1.8	1.9	1.9	13.1	12.0	11.1	11.4	6.4	5.2	4.6	4.1
YES	Sell	455	6.2	-5.1	-0.4	-0.1	0.5	-68.6	-3.3	-1.0	4.3	0.9	1.2	1.7	1.6
<b>Small-Mid PVBs</b>															
CUB	Hold	138	1.9	1.0	1.1	1.2	1.5	9.4	9.6	11.0	13.1	2.9	2.7	2.4	2.1
DCB	Sell	38	0.5	0.9	0.8	0.8	0.8	11.2	9.2	8.8	9.3	1.3	1.2	1.1	1.0
FB	Buy	152	2.1	0.9	0.7	0.8	1.0	11.2	8.6	10.2	12.4	1.1	1.0	1.0	0.8
KVB	Hold	39	0.5	0.3	0.4	0.5	0.7	3.6	4.5	4.9	7.7	0.7	0.7	0.6	0.6
RBL	Hold	162	2.2	0.6	0.6	1.1	1.4	5.6	5.2	8.9	11.2	1.3	1.3	1.3	1.1
<b>New Age PVBs/SFBs</b>															
AU SFB	Hold	273	3.7	1.8	2.0	2.0	2.0	17.9	18.6	17.9	18.7	6.3	5.3	4.5	3.8
BANDHAN	BUY	668	9.1	4.1	3.0	3.4	3.6	22.9	17.9	20.4	21.8	4.5	3.8	3.2	2.6
EQUITAS	Buy	25	0.3	1.1	1.1	1.3	1.6	7.7	8.2	10.2	14.0	0.9	0.9	0.8	0.7
UJJIVAN	Sell	74	1.0	2.2	1.4	1.6	1.8	15.3	9.1	10.9	13.5	2.5	2.3	2.1	1.9
<b>PSBs</b>															
BOB	Buy	308	4.2	0.1	0.0	0.1	0.4	0.9	0.7	2.3	6.6	0.6	0.6	0.6	0.5
CANARA	Hold	220	3.0	-0.3	0.1	0.1	0.2	-7.1	1.7	2.3	4.9	0.7	0.6	0.7	0.6
INDIAN	Hold	99	1.4	0.3	0.2	0.2	0.3	4.3	3.0	3.5	6.4	0.3	0.5	0.5	0.4
PNB	Sell	372	5.1	0.0	-0.2	0.1	0.2	0.7	-2.5	1.8	3.8	0.6	0.8	0.8	0.8
SBI	Buy	2,586	35.3	0.4	0.3	0.4	0.6	7.2	6.5	7.8	10.9	0.7	0.7	0.6	0.5
UBI	Sell	206	2.8	-0.6	-0.0	0.0	0.2	-10.6	-0.3	0.5	2.8	0.6	0.6	0.6	0.5
<b>NBFCs</b>															
NBFCs	Reco	Market Cap		RoA %				RoE %				P/ABVx			
		Rs bn	USD bn	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E
HDFC	BUY	4,610	61.5	3.6	2.1	2.3	2.3	21.7	12.4	13.7	14.4	2.3	2.1	1.9	1.7
LICHF	HOLD	220	2.9	1.2	1.2	1.3	1.3	13.9	14.3	14.5	13.8	1.4	1.3	1.2	1.1
BAF	HOLD	2,931	39.1	3.6	2.6	3.9	4.3	20.2	12.6	19.4	22.7	9.4	8.8	7.5	6.2
CIFC	BUY	354	4.7	1.7	2.2	2.6	2.8	14.7	16.9	18.0	18.4	4.7	4.1	3.5	2.9
MMFS	HOLD	121	1.6	1.3	1.7	2.4	2.7	8.1	9.6	12.1	13.6	1.4	1.9	1.7	1.5
MGMA	HOLD	11	0.2	0.2	0.8	1.2	1.4	1.0	4.7	6.6	7.0	0.5	0.5	0.4	0.4
SCUF	HOLD	74	1.0	3.3	2.8	3.0	3.3	14.7	11.7	11.5	12.7	1.2	1.0	0.9	0.9
SHTF	HOLD	296	4.0	2.3	1.2	1.6	2.4	14.8	7.7	10.0	14.2	2.2	2.2	1.9	1.6
LTFH	HOLD	190	2.5	1.5	1.3	1.7	2.1	11.1	9.1	11.5	13.3	1.6	1.5	1.4	1.3
<b>Insurance</b>															
Insurance	Reco	Market Cap		RoEV %				RoE %				P/EVx			
		Rs bn	USD bn	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E
ICICI Pru	Hold	741	9.9	15.2	13.2	13.9	14.2	15.0	20.4	20.1	21.8	3.3	2.8	2.5	2.1
HDFC Life	Buy	1,450	19.3	18.1	17.2	17.6	18.2	20.8	22.5	21.8	21.3	7.0	5.8	5.0	4.2
SBI Life	Buy	911	12.1	17.4	16.1	15.7	15.7	17.4	19.0	18.2	17.9	3.4	3.0	2.6	2.3
Max Financial	Buy	191	2.6	20.3	20.0	19.3	18.7	17.2	18.3	19.9	21.5	2.0	1.7	1.5	1.3

Source: Emkay Research

## Credit growth remains sub-par but prospects improving

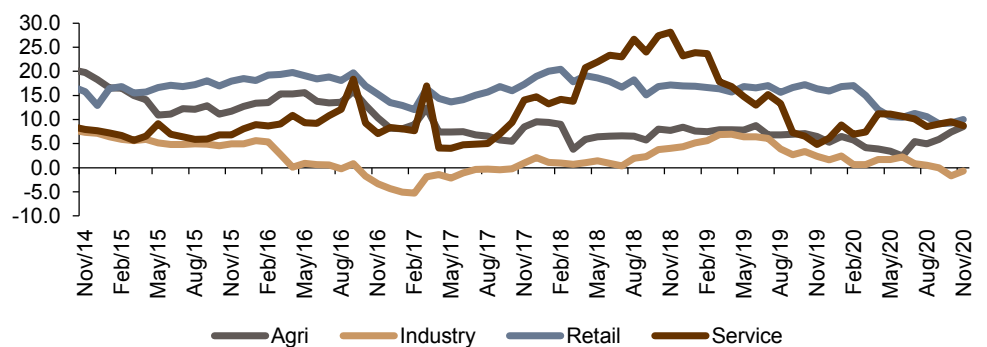
Systemic credit growth remains moderate at ~6% yoy though there is some pick-up in select retail segments such as home loans, PL and car finance, while growth in PL and CV remains lackluster. Amid the fear of likely slowdown after the festive cheer, demand dynamics in mortgages and the auto segment except CVs remain strong with banks leading from the front. Corporate loan growth remained subdued to disintermediation by bond markets but Q4 should see some seasonal pick-up. Deposit growth continues to be far higher at 11% yoy, reflecting systemic deposit trend backed by strong traction in CASA deposits, which we believe will support margins a bit amid falling LDRs and interest reversal on NPAs. Some banks have provided business update, where too deposit growth has been far stronger, while credit acceleration was seen in some banks such as HDFCB, Bandhan and CSB.

**Exhibit 8: Moderate credit growth but deposit growth remains strong driven by CASA growth**



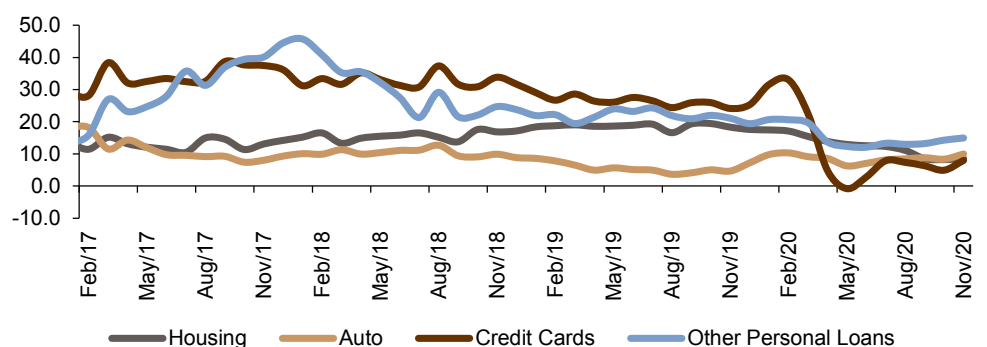
Source: Emkay Research

**Exhibit 9: Barring corporate, other segments reported a slight pick-up of which agri grew the most**



Source: Emkay Research

**Exhibit 10: Economic recovery, unlocking and festive season led to visible growth in select retail segments but is now tapering down for Housing**

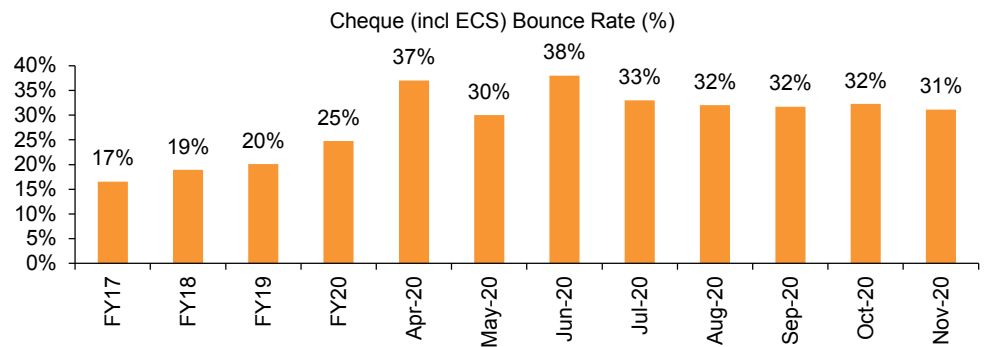


Source: Research

## Banks guide for soft asset-quality landing, after a big scare

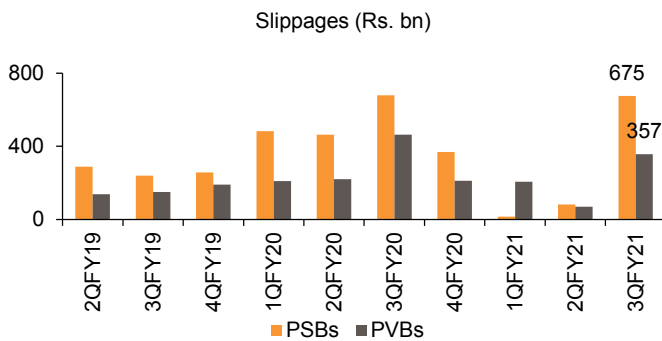
The SC has reserved the judgment on 17<sup>th</sup> Dec and has asked affected parties to submit their written submission. If the SC removes the stay, then Banks will have to report slippages of both Q2 and Q3 now leading to optically higher NPA. If the SC gives a 90-day grace period as demanded by petitioners, then slippages in Q3 would be limited and the cumulative effect of slippages would shift to Q4. However, we believe banks would disclose pro forma slippages and NPA if the SC does not remove the stay before the quarterly results. Our discussion with the bankers suggests that overall stress formation has been lower than expected, even to their surprise, but caution to remain watchful for any tail-end risk flowing through in FY22. That said, we expect banks to prudently provide for actual/pro forma NPAs as well as restructuring in Q3.

**Exhibit 11: Bounce rates have improved in the month of November but still remain elevated**



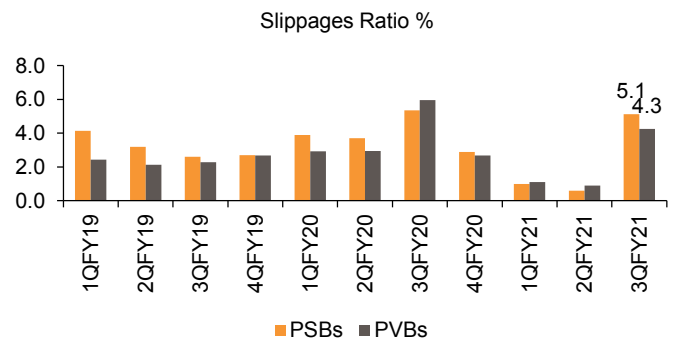
Source: Emkay Research, Emkay Research

**Exhibit 12: Fresh slippages are expected to be higher due to addition of untagged slippages from expected removal of SC stay**



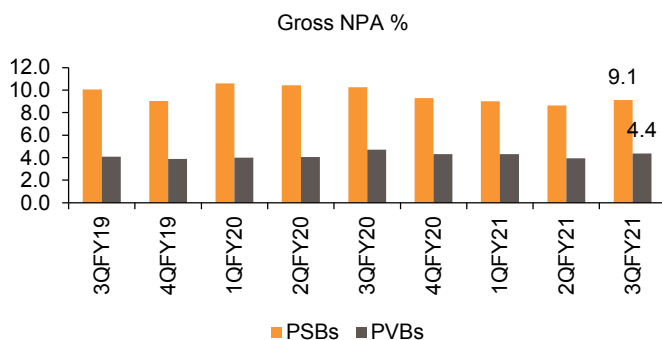
Source: Emkay Research

**Exhibit 13: ...leading to a higher slippage ratio**



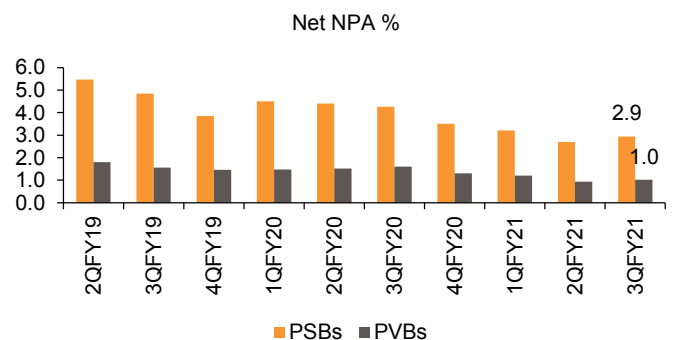
Source: Emkay Research

**Exhibit 14: Higher slippages during the quarter may lead to increase in GNPA but to a limited extent**



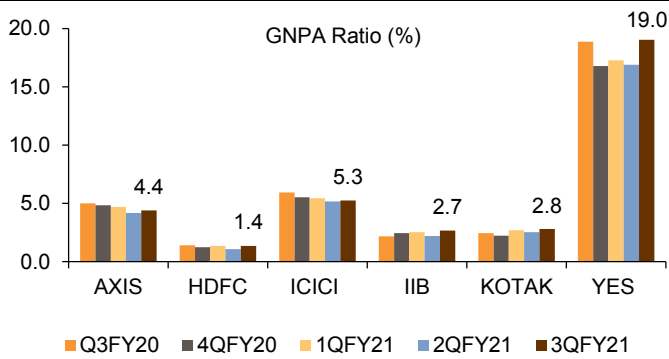
Source: Emkay Research

**Exhibit 15: Cushion of higher PCR to support NNPA**



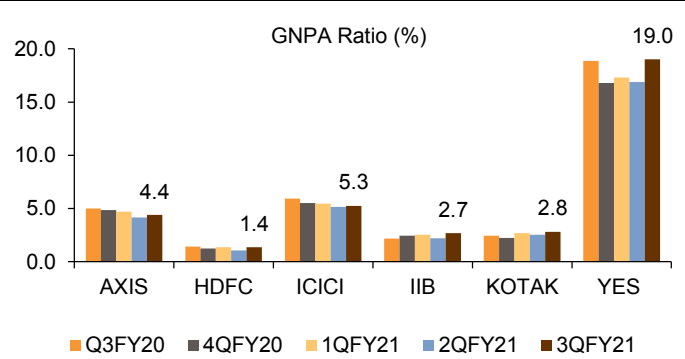
Source: Emkay Research

**Exhibit 16: GNPA to inch up across large banks with addition of untagged slippages from Q2; YES to see the highest movement**



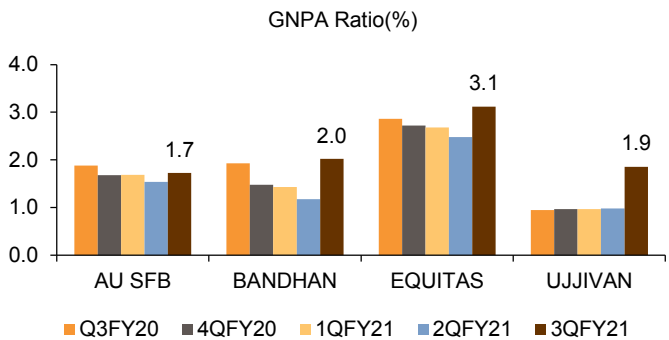
Source: Emkay Research

**Exhibit 17: Within Mid-size banks, CUB to witness the highest movement in NPA formation**



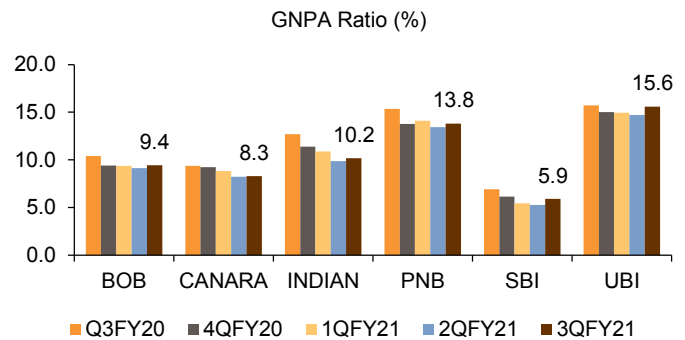
Source: Emkay Research

**Exhibit 18: AU SFB to see a marginal increase while other New-age banks to witness significantly higher NPA formation**



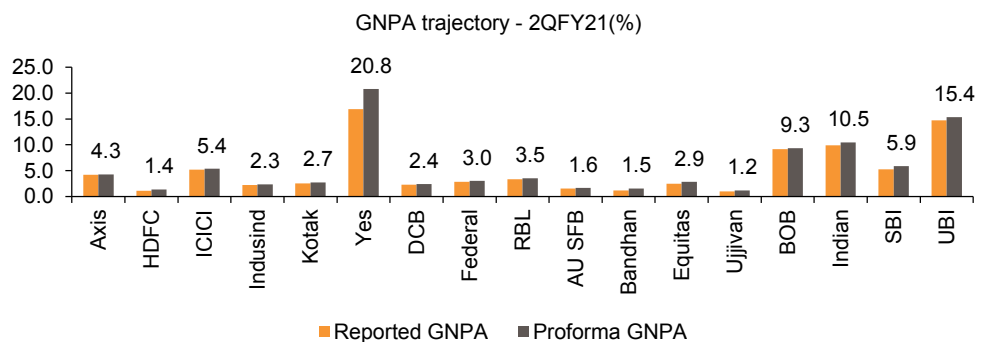
Source: Emkay Research

**Exhibit 19: SBI and Union to see a relatively higher NPA formation compared with peers**



Source: Emkay Research

**Exhibit 20: GNPA's reported in Q2FY21 would have been higher had the stay on NPA tagging not been in place**



Source: Emkay Research, Company

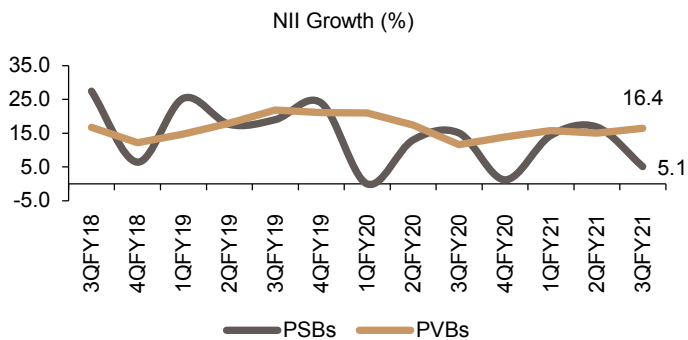
## Prudent provisioning despite better-than-expected recovery should keep earnings growth in check

We expect overall PPOp growth to be tad moderate due to lower treasury gains, some softness in NIMs due to lower LDR/interest reversal and moderate pick-up in opex as operations normalize. Amid better-than-expected asset-quality experience, we believe incremental contingent provisioning will be limited for banks with otherwise strong provisioning buffer (for e.g., ICICI, Axis and Bandhan), while some may use the opportunity to shore up the provisioning buffer (for e.g., IndusInd and RBL).

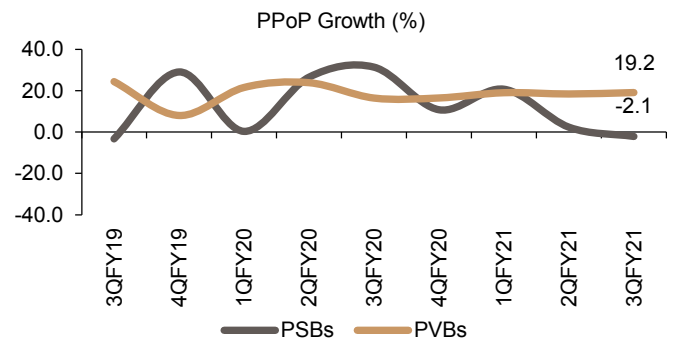
**Exhibit 21: Despite a decent NII growth, lower treasury gains and higher opex coupled with prudent provisioning to keep earnings under pressure**

(Rs bn)	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21E	YoY %	QoQ %
NII	993	964	1,043	1,096	1,092	10.0	-0.4
Non-interest Income	445	520	382	404	440	-1.2	8.8
Total Net Income	1,438	1,484	1,425	1,500	1,532	6.5	2.1
PPOP	765	708	799	819	825	7.8	0.8
LLP	681	836	553	454	564	-17.2	24.3
PAT	38	-155	187	269	195	414.7	-27.6
PAT - PVBs	-4	59	139	187	171	NA	-8.5
PAT - PSBs	42	-214	47	82	24	-42.8	-70.9

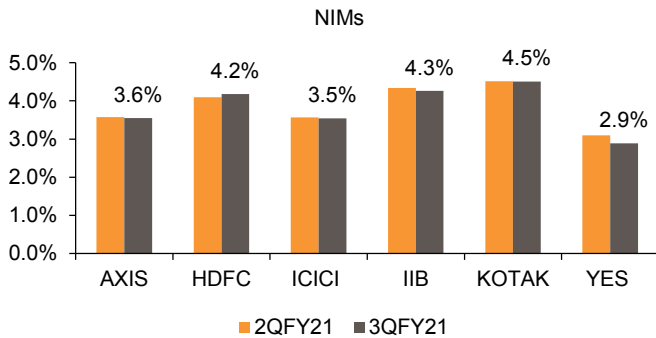
Source: Emkay Research

**Exhibit 22: Expect a pickup in NII growth only for PVBs led by growth in high-margin retail business, while PSBs to see a moderation**

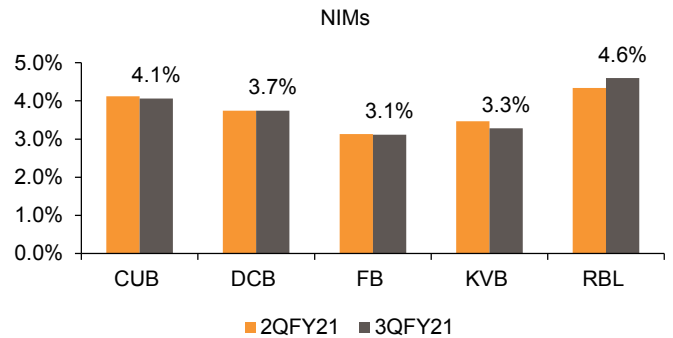
Source: Emkay Research

**Exhibit 23: NII growth, treasury gains and pick-up in fee income to drive PPOP growth for PVBs**

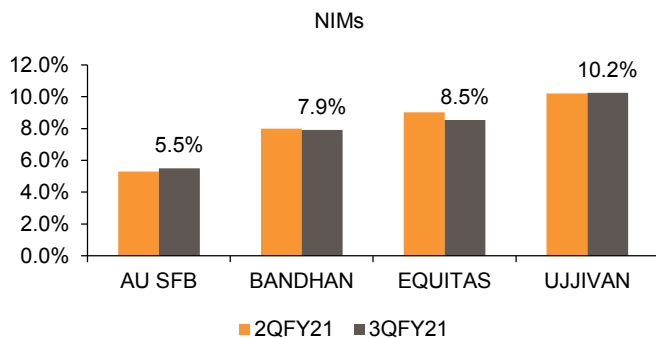
Source: Emkay Research

**Exhibit 24: Margins likely to remain stable for large banks except for that of Yes bank**

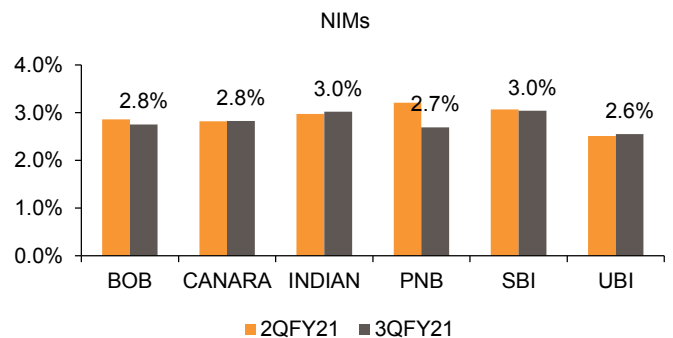
Source: Emkay Research, Emkay Research

**Exhibit 25: RBL likely to report better margins among mid-sized banks**

Source: Emkay Research, Emkay Research

**Exhibit 26: Equitas to witness the most margin pressure among new-age banks**

Source: Emkay Research

**Exhibit 27: Margins for PSUs overall are likely to remain under pressure**

Source: Emkay Research

Exhibit 28: Summary of financial estimates – Q3FY21E

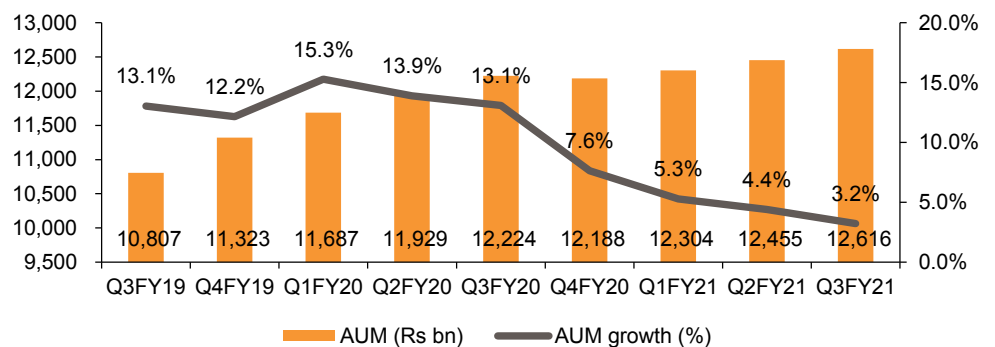
Banks	NII			PPoP			PAT			
	Rs mn	3QFY21E	YoY %	QoQ %	3QFY21E	YoY %	QoQ %	3QFY21E	YoY %	QoQ %
<b>Large Private</b>										
Axis	75,149	16.5	2.6	69,245	20.6	0.4	18,819	7.1	11.8	
HDFC	166,890	17.8	5.8	146,067	12.8	5.7	81,979	10.5	9.1	
ICICI	94,906	11.1	1.3	82,156	8.8	-0.6	37,121	-10.5	-12.7	
IndusInd	32,913	7.1	0.4	29,064	5.4	1.9	6,266	-52.1	-5.5	
Kotak	38,867	13.3	-0.7	29,424	23.2	-10.8	16,937	6.1	-22.5	
Yes	18,742	76.0	-5.0	11,402	NA	-16.2	-8,761	NA	NA	
<b>Small-Mid Private</b>										
City Union	4,768	11.6	0.4	3,705	20.1	-3.7	1,009	-47.5	-36.0	
DCB	3,322	2.8	-0.5	2,073	9.2	-7.8	550	-43.1	-33.2	
Federal	13,933	20.6	1.0	9,932	33.5	-1.3	3,010	-31.7	-2.2	
Karur Vysya	5,854	1.4	-2.7	4,352	13.2	-3.0	289	93.0	-74.8	
RBL	10,006	8.5	7.4	8,114	10.8	12.7	926	32.4	-35.8	
<b>New Age/SFBs</b>										
AU SFB	5,890	16.2	5.1	7,889	152.2	69.2	4,352	128.9	35.2	
Bandhan	19,869	29.0	3.3	16,631	31.6	2.2	6,945	-5.0	-24.5	
Equitas	4,634	20.8	0.5	2,134	34.7	-2.9	675	-28.2	-34.4	
Ujjivan	4,793	12.4	2.0	2,248	56.1	-3.2	646	-27.9	-32.7	
<b>PSBs</b>										
BOB	74,526	4.5	-0.7	54,329	9.6	-2.1	-3,954	NA	NA	
Canara	61,165	15.3	-2.9	43,276	17.9	-6.7	1,842	-75.9	-58.6	
Indian	41,311	25.5	-0.3	29,236	3.8	-2.4	2,573	NA	-37.6	
PNB	69,476	6.9	-17.2	51,973	-7.4	-8.4	-4,358	NA	NA	
SBI	281,959	1.5	0.1	181,579	-0.4	10.3	30,061	-46.2	-34.3	
UBI	62,874	0.6	-0.1	40,307	-28.6	-14.9	-2,151	NA	NA	

Source: Emkay Research

## NBFCs – Growth to remain on back foot as asset-quality recognition begins

We expect a sharp improvement in disbursements and collections in Q3 compared to the previous quarter on normalization of activities and a strong festive season. We expect NBFCs to continue to report elevated levels of liquidity on their balance sheet as they remain cautious before lending and opportunities remain selective. We believe asset-quality pain will emerge from this quarter; however, the extent of restructuring to be limited as managements choose not to over-risk. We expect HDFC Ltd (Buy with a TP of 2,980) to bounce back sharply due to strong mortgage demand on the back of lower interest rates, price cuts by developers and stamp duty cuts – with industry real estate loans growing by 29% over the same quarter last year. We believe CIBC (Buy with a TP of 531) will gain market share on the back of its deep rural penetration and a diversified loan book and liability franchise. We expect relatively weak performance from MMFS due to market share loss in tractors and a sizeable cab aggregator/tours and travel portfolio.

Exhibit 29: NBFCs' AUM growth to moderate further but soon could bottom out



Source: Emkay Research



**Exhibit 30: Summary of financial estimates for NBFCs under our coverage – Q3FY21**

NBFCs	NII			PPoP			PAT		
	3QFY21	YoY %	QoQ %	3QFY21	YoY %	QoQ %	3QFY21	YoY %	QoQ %
Rs mn									
Bajaj Finance	45,576	1%	9%	32,012	7%	6%	12,050	-25%	25%
Chola	11,747	9%	-6%	8,055	22%	-10%	4,126	6%	-4%
HDFC	34,812	18%	2%	35,464	14%	-11%	23,254	-72%	-19%
LICHF	12,439	1%	0%	10,962	-4%	-2%	6,826	14%	-14%
LTFH	17,069	-7%	5%	12,477	-5%	7%	5,511	-7%	123%
MAGMA	2,746	-8%	-11%	1,272	-14%	-29%	264	18%	-31%
MMFS	14,173	3%	2%	9,823	11%	-5%	3,070	-16%	1%
SCUF	8,574	-9%	-2%	5,234	-9%	-7%	2,339	-21%	-9%
SHTF	20,617	-1%	1%	15,695	-4%	0%	6,867	-22%	0%

Source: Emkay Research

## Insurance – Moderate growth but margins remain strong

Though retail APEs may remain weak yoy, we expect robust improvement on a sequential basis, with the country moving from one unlock to another. We expect VNB margins for our insurance universe to remain healthy due to the rising share of traditional products vs. ULIPs. We remain concerned about the recent fall in yields due to the consistent accommodative policy from the RBI as this decline would adversely impact guaranteed return products such as 'Sanchay' for HDFC Life, which had seen strong traction in the previous year. We expect strong growth momentum in Q3 for HDFC Life, SBI Life and Max Life but a weak quarter for IPru Life.

**Exhibit 31: Financial summary of Insurance – Q3FY21E**

Insurance	GWP (Rs mn)			APE (Rs mn)			VNB Margin (%)			PAT (%)		
	3QFY21E	YoY%	QoQ%	3QFY21E	YoY%	QoQ%	3QFY21E	Bps YoY	Bps QoQ	3QFY21E	YoY%	QoQ%
ICICI Pru Life	85,887	4%	-2%	18,090	-9%	34%	27.5%	11.0	660.0	3,430	13%	13%
HDFC Life	99,177	24%	-3%	21,110	17%	1%	26.0%	30.0	137.0	3,621	45%	11%
SBI Life	121,495	3%	-7%	31,348	-5%	17%	19.5%	68.0	116.0	3,353	-14%	8%
Max Life	46,320	19%	2%	12,951	25%	10%	22.0%	(614.0)	101.0	4481	175%	11%

Source: Emkay Research

## BFSI – Banks Q3FY21E Result Preview (contd.)

Name			Q3FY21E	Q2FY21	Q3FY20	% Chg YoY	% Chg QoQ	Comments
<b>Axis Bank</b>								
CMP(Rs)	664	NII (Rs mn)	75,149	73,261	64,530	16.5%	2.6%	Growth remains moderate, but already higher provisioning buffer should lead to reasonable profitability. Slippages could remain elevated including proforma for 2Q. Corporate stress includes SREI group, Future retail.
Mkt Cap (Rs bn)	2,034	Op. Profit (Rs mn)	69,245	68,977	57,427	20.6%	0.4%	
Reco	Buy	NIM (%)	3.6	3.6	3.6	-2bps	-3bps	
		PAT (Rs mn)	18,819	16,827	17,570	7.1%	11.8%	
		EPS (Rs)	6.1	5.5	5.7	7.1%	11.8%	
<b>HDFC Bank</b>								
CMP(Rs)	1427	NII (Rs mn)	166,890	157,764	141,729	17.8%	5.8%	Credit growth remains healthy, while margins should improve a bit from sharp fall in 1Q. However, higher base should lead to moderate profit growth. Overall asset quality to remain stable given healthy collection efficiency
Mkt Cap (Rs bn)	7,858	Op. Profit (Rs mn)	146,067	138,138	129,454	12.8%	5.7%	
Reco	BUY	NIM (%)	4.2	4.1	4.2	-2bps	8bps	
		PAT (Rs mn)	81,979	75,131	74,165	10.5%	9.1%	
		EPS (Rs)	14.9	13.6	13.5	10.5%	9.1%	
<b>ICICI Bank</b>								
CMP(Rs)	537	NII (Rs mn)	94,906	93,660	85,453	11.1%	1.3%	Overall growth remains moderate due to drag from corporate/overseas book, but mortgages and auto finance remains strong. Overall profitability to remain healthy including one-off gain from I-Sec. Overall slippages to inch-up qoq including proforma slippages of 2Q, but bank remains well provided
Mkt Cap (Rs bn)	3,709	Op. Profit (Rs mn)	82,156	82,611	75,486	8.8%	-0.6%	
Reco	BUY	NIM (%)	3.5	3.6	3.8	-22bps	-2bps	
		PAT (Rs mn)	37,121	42,513	41,465	-10.5%	-12.7%	
		EPS (Rs)	5.4	6.2	6.0	-10.5%	-12.7%	

Source: Company, Emkay Research

## BFSI – Banks Q3FY21E Result Preview (contd.)

Name			Q3FY21E	Q2FY21	Q3FY20	% Chg YoY	% Chg QoQ	Comments
<b>IndusInd Bank</b>								
CMP(Rs)	922	NII (Rs mn)	32,913	32,780	30,742	7.1%	0.4%	The bank would strive to accelerate provision cover leading to sub-par profitability. Slippages to be elevated including pro forma from Q2 and elevated stress in CV, LAP and real-estate book.
Mkt Cap (Rs bn)	698	Op. Profit (Rs mn)	29,064	28,520	27,577	5.4%	1.9%	
Reco	Hold	NIM (%)	4.3	4.3	4.4	-9bps	-8bps	
		PAT (Rs mn)	6,266	6,631	13,092	-52.1%	-5.5%	
		EPS (Rs)	8.3	8.8	17.3	-52.1%	-5.5%	
<b>Kotak Bank</b>								
CMP(Rs)	1960	NII (Rs mn)	38,867	39,132	34,295	13.3%	-0.7%	Overall growth to remain moderate, while profitability too should moderate qoq due to higher opex and lower other income. Overall NPA formation to remain moderate barring some stress in CV.
Mkt Cap (Rs bn)	3,881	Op. Profit (Rs mn)	29,424	32,975	23,880	23.2%	-10.8%	
Reco	Hold	NIM (%)	4.5	4.5	4.7	-18bps	-1bps	
		PAT (Rs mn)	16,937	21,845	15,959	6.1%	-22.5%	
		EPS (Rs)	8.6	11.0	8.1	6.1%	-22.5%	
<b>Yes Bank</b>								
CMP(Rs)	18	NII (Rs mn)	18,742	19,734	10,646	76.0%	-5.0%	Deposit growth has been far stronger, while credit growth has improved a bit. Elevated provisions could lead to loss. Higher pro forma slippages from 2Q as well as fresh stress could lead to elevated slippages.
Mkt Cap (Rs bn)	451	Op. Profit (Rs mn)	11,402	13,600	-65	NA	-16.2%	
Reco	Sell	NIM (%)	2.9	3.1	1.4	149bps	-21bps	
		PAT (Rs mn)	-8,761	1,294	-185,604	NA	NA	
		EPS (Rs)	(0.3)	0.1	(7.4)	NA	NA	

Source: Company, Emkay Research

## BFSI – Banks Q3FY21E Result Preview (contd.)

Name			Q3FY21E	Q2FY21	Q3FY20	% Chg YoY	% Chg QoQ	Comments
<b>City Union Bank</b>								
CMP(Rs)	183	NII (Rs mn)	4,768	4,751	4,272	11.6%	0.4%	
Mkt Cap (Rs bn)	135	Op. Profit (Rs mn)	3,705	3,847	3,084	20.1%	-3.7%	Elevated provisions could keep earnings under pressure. Overall slippages could remain elevated and so even restructuring pool (4-5%) with some spillover in Q4.
Reco	Hold	NIM (%)	4.1	4.1	4.0	10bps	-6bps	
		PAT (Rs mn)	1,009	1,577	1,924	-47.5%	-36.0%	
		EPS (Rs)	1.4	2.1	2.6	-47.5%	-36.0%	
<b>DCB Bank</b>								
CMP(Rs)	125	NII (Rs mn)	3,322	3,339	3,231	2.8%	-0.5%	
Mkt Cap (Rs bn)	39	Op. Profit (Rs mn)	2,073	2,248	1,899	9.2%	-7.8%	Subdued growth, margins and elevated provisions should weigh on earnings. Slippages to remain lower yoy but should be up qoq.
Reco	Sell	NIM (%)	3.7	3.7	3.7	5bps	1bps	
		PAT (Rs mn)	550	823	967	-43.1%	-33.2%	
		EPS (Rs)	1.8	2.7	3.1	-43.1%	-33.2%	
<b>Federal Bank</b>								
CMP(Rs)	72	NII (Rs mn)	13,933	13,798	11,549	20.6%	1.0%	
Mkt Cap (Rs bn)	144	Op. Profit (Rs mn)	9,932	10,065	7,438	33.5%	-1.3%	Amid moderate stress formation, we expect the bank to accelerate PCR, keeping earnings under check. Slippages/restructuring to be lower than earlier expected
Reco	Buy	NIM (%)	3.1	3.1	3.0	12bps	-1bps	
		PAT (Rs mn)	3,010	3,076	4,406	-31.7%	-2.2%	
		EPS (Rs)	1.5	1.5	2.2	-31.7%	-2.2%	

Source: Company, Emkay Research

## BFSI – Banks Q3FY21E Result Preview (contd.)

Name			Q3FY21E	Q2FY21	Q3FY20	% Chg YoY	% Chg QoQ	Comments
<b>Karur Vysya Bank</b>								
CMP(Rs)	48	NII (Rs mn)	5,854	6,015	5,771	1.4%	-2.7%	
Mkt Cap (Rs bn)	39	Op. Profit (Rs mn)	4,352	4,488	3,846	13.2%	-3.0%	Sub-par growth, margins and elevated provisions should lead to depressed earnings. Overall slippages may remain elevated due to stress in SME and mid-corporates.
Reco	Hold	NIM (%)	3.3	3.5	3.3	-5bps	-19bps	
		PAT (Rs mn)	289	1,149	150	93.0%	-74.8%	
		EPS (Rs)	0.4	1.4	0.2	93.0%	-74.8%	
<b>RBL Bank</b>								
CMP(Rs)	251	NII (Rs mn)	10,006	9,321	9,227	8.5%	7.4%	
Mkt Cap (Rs bn)	150	Op. Profit (Rs mn)	8,114	7,198	7,322	10.8%	12.7%	Subdued growth and elevated provisions could keep earnings under pressure. Slippages could be elevated given stress in SME, BB and Cards.
Reco	Hold	NIM (%)	4.6	4.3	4.6	3bps	26bps	
		PAT (Rs mn)	926	1,442	700	32.4%	-35.8%	
		EPS (Rs)	1.5	2.4	1.2	32.4%	-35.8%	

Source: Company, Emkay Research

## BFSI – Banks Q3FY21E Result Preview (contd.)

Name			Q3FY21E	Q2FY21	Q3FY20	% Chg YoY	% Chg QoQ	Comments
<b>AU SFB</b>								
CMP(Rs)	885	NII (Rs mn)	5,890	5,606	5,068	16.2%	5.1%	One-off gain from stake sale in Aavas Finance could lead to strong profitability. Slippages could remain optically elevated including pro forma slippages from Q2, but overall collection efficiency is healthy.
Mkt Cap (Rs bn)	271	Op. Profit (Rs mn)	7,889	4,663	3,128	152.2%	69.2%	
Reco	Hold	NIM (%)	5.5	5.3	5.6	-13bps	20bps	
		PAT (Rs mn)	4,352	3,219	1,902	128.9%	35.2%	
		EPS (Rs)	14.2	10.5	6.2	128.9%	35.2%	
<b>Bandhan Bank</b>								
CMP(Rs)	402	NII (Rs mn)	19,869	19,231	15,402	29.0%	3.3%	Overall profitability to remain healthy on the back of strong growth, margins and heavy lifting in terms of provisions being already behind. Slippages could be elevated in MFI but largely on guided lines.
Mkt Cap (Rs bn)	647	Op. Profit (Rs mn)	16,631	16,275	12,638	31.6%	2.2%	
Reco	Buy	NIM (%)	7.9	8.0	7.9	2bps	-8bps	
		PAT (Rs mn)	6,945	9,200	7,310	-5.0%	-24.5%	
		EPS (Rs)	4.3	5.7	4.5	-5.0%	-24.5%	
<b>Equitas SFB</b>								
CMP(Rs)	69	NII (Rs mn)	4,634	4,612	3,836	20.8%	0.5%	Elevated provisions could weigh on earnings. Slippages could be elevated due to stress in CV, LAP and MFI.
Mkt Cap (Rs bn)	23	Op. Profit (Rs mn)	2,134	2,197	1,584	34.7%	-2.9%	
Reco	Buy	NIM (%)	8.5	9.0	9.2	-63bps	-48bps	
		PAT (Rs mn)	675	1,030	940	-28.2%	-34.4%	
		EPS (Rs)	0.6	0.9	0.8	-28.2%	-34.4%	

Source: Company, Emkay Research

## BFSI – Banks Q3FY21E Result Preview (contd.)

Name			Q3FY21E	Q2FY20	Q3FY20	% Chg YoY	% Chg QoQ	Comments
<b>Ujjivan Small Finance</b>								
CMP(Rs)	279	NII (Rs mn)	4,793	4,701	4,265	12.4%	2.0%	
Mkt Cap (Rs bn)	34	Op. Profit (Rs mn)	2,248	2,322	1,440	56.1%	-3.2%	Moderate growth, rising opex and provisions could keep earnings under check. Slippages to be elevated due to higher stress in the MFI book.
Reco	Sell	NIM (%)	10.2	10.2	10.9	-65bps	5bps	
		PAT (Rs mn)	646	960	897	-27.9%	-32.7%	
		EPS (Rs)	5.3	7.9	7.4	-27.9%	-32.7%	

Source: Company, Emkay Research

## BFSI – Banks Q3FY21E Result Preview (contd.)

Name			Q3FY21E	Q2FY21	Q3FY20	% Chg YoY	% Chg QoQ	Comments
<b>Bank of Baroda</b>								
CMP(Rs)	66	NII (Rs mn)	74,526	75,075	71,291	4.5%	-0.7%	Moderate treasury gains, rising opex and elevated provisions should keep earnings under pressure. Overall slippages and restructuring pool to be moderate than expected. No major corporate NPAs.
Mkt Cap (Rs bn)	303	Op. Profit (Rs mn)	54,329	55,518	49,585	9.6%	-2.1%	
Reco	Buy	NIM (%)	2.8	2.9	2.8	-5bps	-11bps	
		PAT (Rs mn)	-3,954	16,786	-14,070	NA	NA	
		EPS (Rs)	(0.9)	3.6	(3.0)	NA	NA	
<b>Canara Bank</b>								
CMP(Rs)	135	NII (Rs mn)	61,165	62,965	53,064	15.3%	-2.9%	Elevated provisions and banks stance to improve PCR should keep earnings in check. Fresh slippages could be elevated including some stress from SME segment.
Mkt Cap (Rs bn)	223	Op. Profit (Rs mn)	43,276	46,398	36,701	17.9%	-6.7%	
Reco	Hold	NIM (%)	2.8	2.8	2.4	47bps	1bps	
		PAT (Rs mn)	1,842	4,444	7,644	-75.9%	-58.6%	
		EPS (Rs)	1.1	2.7	4.6	-75.9%	-58.6%	
<b>Indian Bank</b>								
CMP(Rs)	88	NII (Rs mn)	41,311	41,440	32,927	25.5%	-0.3%	Moderate treasury gains, elevated provisions should lead to lower earnings. Slippages could remain elevated. Corporate stress pool includes exposure to Srei Group and MMTC.
Mkt Cap (Rs bn)	99	Op. Profit (Rs mn)	29,236	29,949	28,164	3.8%	-2.4%	
Reco	Hold	NIM (%)	3.0	3.0	2.7	33bps	5bps	
		PAT (Rs mn)	2,573	4,122	-17,392	NA	-37.6%	
		EPS (Rs)	2.3	3.7	(15.4)	NA	-37.6%	

Source: Company, Emkay Research



## BFSI – Banks Q3FY21E Result Preview (contd.)

Name		Q3FY21E	Q2FY21	Q3FY20	% Chg YoY	% Chg QoQ	Comments
<b>Punjab National bank</b>							
CMP(Rs)	36	NII (Rs mn)	69,476	83,932	64,966	6.9%	-17.2%
Mkt Cap (Rs bn)	373	Op. Profit (Rs mn)	51,973	56,749	56,129	-7.4%	-8.4%
Reco	Sell	NIM (%)	2.7	3.2	2.0	65bps	-52bps
		PAT (Rs mn)	-4,358	6,208	-1,770	NA	NA
		EPS (Rs)	(0.4)	0.6	(0.2)	NA	NA
<b>State Bank of India</b>							
CMP(Rs)	282	NII (Rs mn)	281,959	281,815	277,788	1.5%	0.1%
Mkt Cap (Rs bn)	2,515	Op. Profit (Rs mn)	181,579	164,598	182,226	-0.4%	10.3%
Reco	Buy	NIM (%)	3.0	3.1	3.1	-1bps	-3bps
		PAT (Rs mn)	30,061	45,742	55,834	-46.2%	-34.3%
		EPS (Rs)	3.4	5.1	6.3	-46.2%	-34.3%
<b>Union Bank of India</b>							
CMP(Rs)	32	NII (Rs mn)	62,874	62,929	62,503	0.6%	-0.1%
Mkt Cap (Rs bn)	205	Op. Profit (Rs mn)	40,307	47,348	56,436	-28.6%	-14.9%
Reco	Sell	NIM (%)	2.6	2.5	2.7	-12bps	4bps
		PAT (Rs mn)	-2,151	5,167	11,751	NA	NA
		EPS (Rs)	(0.3)	0.8	1.8	NA	NA

Source: Company, Emkay Research

## BFSI – NBFCs Q3FY21E Result Preview (contd.)

Name			Dec'20E	Sep'20	Dec'19	% Chg YoY	% Chg QoQ	Comments
<b>Bajaj Finance</b>								
CMP(Rs)	5,082	NII (Rs mn)	45,576	41,652	45,347	0.50%	9.42%	Bajaj Finance's AUM has de-grown by 1% yoy and but grew at 4.8% sequentially in an otherwise best quarter as the company remained risk-averse. Customer franchise has come in at 46.3mn in Q3 vs. 44.1mn in Q2. The company sits on adequate liquidity buffer of Rs146bn. We await commentary on demand recovery.
Mkt Cap (Rs bn)	3,031	Op. profit (Rs mn)	32,012	30,059	30,008	6.68%	6.50%	
Reco	Hold	NIM (%)	12.99%	12.11%	12.93%	6 bps	87 bps	
		PAT (Rs mn)	12,050	9,649	16,141	-25.35%	24.89%	
		EPS (Rs)	20.1	16.1	26.9	-25.45%	24.89%	
<b>Cholamandalam Finance</b>								
CMP(Rs)	431	NII (Rs mn)	11,747	12,512	10,825	8.5%	-6.1%	We expect disbursements to fall 19% yoy due to weakness in MHCV/Bus segments. However, going ahead, we expect CIFIC to revive sharply on the back of a strong liability franchise and robust underwriting processes. We await commentary on demand outlook, asset quality and restructuring.
Mkt Cap (Rs bn)	356	Op. profit (Rs mn)	8,055	8,996	6,581	22.4%	-10.5%	
Reco	Buy	NIM (%)	7.04%	7.66%	7.21%	-15 bps	-62 bps	
		PAT (Rs mn)	4,126	4,319	3,885	6.2%	-4.5%	
		EPS (Rs)	5.0	5.3	5.0	1.3%	-4.5%	
<b>HDFC Limited</b>								
CMP(Rs)	2,661	NII (Rs mn)	34,812	34,260	29,578	17.69%	1.61%	With retail loan disbursements growing by 26% in Q3FY20 level, we expect HDFC's AUM growth to be at ~9% on the back of pent-up demand in the retail segment, stamp duty cuts and low interest rates. Trend in commercial real estate portfolio will be a key monitorable. We await management commentary on NIMs and market share.
Mkt Cap (Rs bn)	4,750	Op. profit (Rs mn)	35,464	39,678	31,182	13.73%	-10.62%	
Reco	Buy	NIM (%)	3.25	3.30	3.30	-5 bps	-5 bps	
		PAT (Rs mn)	23,254	28,701	83,725	-72.23%	-18.98%	
		EPS (Rs)	13.1	16.2	48.3	-72.84%	-19.14%	

Source: Company, Emkay Research

## BFSI – NBFCs Q3FY21E Result Preview (contd.)

Name			Dec'20E	Sep'20	Dec'19	% Chg YoY	% Chg QoQ	Comments
<b>LIC Housing Finance</b>								
CMP(Rs)	435	NII (Rs mn)	12,439	12,380	12,279	1.30%	0.48%	Loan book is expected to grow by 6% yoy as demand has improved for residential real estate. Asset quality and moratorium numbers will be key monitorables. We are watchful of any development around capital raise.
Mkt Cap (Rs bn)	206	Op. profit (Rs mn)	10,962	11,202	11,430	-4.09%	-2.14%	
Reco	Hold	NIM (%)	2.31%	2.34%	2.40%	-9 bps	-3 bps	
		PAT (Rs mn)	6,826	7,909	5,975	14.23%	-13.70%	
		EPS (Rs)	13.5	15.7	11.8	14.23%	-13.70%	
<b>Mahindra Finance</b>								
CMP(Rs)	195	NII (Rs mn)	14,173	13,913	13,717	3.32%	1.87%	Mahindra Finance could surprise on strong tractor volumes, and revival in other segments. PAT may remain a bit weak due to another quarter of elevated credit costs. Management commentary on disbursements, sustainability of rural recovery and asset quality would be key monitorables.
Mkt Cap (Rs bn)	233	Op. profit (Rs mn)	9,823	10,311	8,883	10.58%	-4.74%	
Reco	Hold	NIM (%)	6.97%	6.83%	7.38%	-41 bps	14 bps	
		PAT (Rs mn)	3,070	3,035	3,653	-15.95%	1.15%	
		EPS (Rs)	2.5	2.5	5.9	-57.99%	1.15%	
<b>Shriram City Union Finance</b>								
CMP(Rs)	1,118	NII (Rs mn)	8,574	8,782	9,468	-9.44%	-2.36%	AUM may grow sequentially on the back of SME/2W disbursements. NIMs are expected to marginally decline on continuing cash drag and elevated cost of funds. Asset quality particularly in the SME book is a key monitorable. Await management commentary on gold loans.
Mkt Cap (Rs bn)	71	Op. profit (Rs mn)	5,234	5,621	5,725	-8.59%	-6.89%	
Reco	Hold	NIM (%)	12.33%	12.55%	12.78%	- 45 bps	-22 bps	
		PAT (Rs mn)	2,339	2,569	2,968	-21.19%	-8.96%	
		EPS (Rs)	35.5	38.9	45.0	-21.19%	-8.96%	

Source: Company, Emkay Research

## BFSI – NBFCs Q3FY21E Result Preview (contd.)

Name			Dec'20E	Sep'20	Dec'19	% Chg YoY	% Chg QoQ	Comments
<b>L&amp;T Finance</b>								
CMP(Rs)	103	NII (Rs mn)	17,069	16,201	18,445	-7.46%	5.35%	Rural business may show signs of improvement collections in loan disbursals due to a strong rural economy. Leadership in tractor book is to be monitored. Changing business model toward retailization remains interesting to watch. Size of de-focused book will be a key monitorable.
Mkt Cap (Rs bn)	206	Op. profit (Rs mn)	12,457	11,618	13,146	-5.24%	7.22%	
Reco	Hold	NIM (%)	6.7%	5.0%	6.0%	70 bps	170 bps	
		PAT (Rs mn)	5,511	2,477	5,915	-6.82%	122.47%	
		EPS (Rs)	2.95	1.23	2.96	-0.22%	138.95%	
<b>Shriram Transport Finance</b>								
CMP(Rs)	1,307	NII (Rs mn)	20,617	20,427	20,779	-0.78%	0.93%	We expect AUM growth to decline marginally qoq but report a 2% yoy growth. We like SHTF's collection mechanism, and expect the company to report strong collection efficiency. We await management commentary on the cyclical revival of CVs portfolio (infra activities last to recover).
Mkt Cap (Rs bn)	303	Op. profit (Rs mn)	15,695	15,759	16,307	-3.75%	-0.40%	
Reco	Buy	NIM (%)	7.3%	7.3%	7.7%	-31 bps	9 bps	
		PAT (Rs mn)	6,867	6,846	8,792	-21.89%	0.32%	
		EPS (Rs)	27.12	27.79	38.75	-30.01%	-2.40%	

Source: Company, Emkay Research

## BFSI – Insurance Q3FY21E Result Preview (contd.)

Name			Dec'20E	Sep'20	Dec'19	% Chg YoY	% Chg QoQ	Comments
<b>ICICI Prudential Life</b>								
CMP (Rs)	526	GWP (Rs mn)	85,887	82,637	87,335	3.9%	-1.7%	We expect IPRU to remain a laggard in terms of premium growth, given the continued stress in ULIPs. However, the traction in the low-ticket, high-margin protection segment, restart of Par product sales and return to annual policies should aid growth. The VNB margin is likely to expand to 27.5% (+31bps over Q3FY20) on favorable mix.
Mkt Cap (Rs bn)	755	APE (Rs mn)	18,090	19,906	13,488	-9.1%	34.1%	
Reco	Hold	VNB Margin (%)	27.50%	20.90%	27.39%	31.6%	0.4%	
		PAT (Rs mn)	3,430	3,025	3,025	13.4%	13.4%	
		EPS (Rs)	2.39	2.11	2.11	13.5%	13.5%	
<b>HDFC Life</b>								
CMP(Rs)	717	GWP (Rs mn)	99,177	80,011	1,01,825	24.0%	-2.6%	We believe that HDFCL's margin will improve to 26% on scaling of Par product 'Sanchay Par advantage' as well as the gradual rise in share of protection products.
Mkt Cap (Rs bn)	1,449	APE (Rs mn)	21,110	18,122	20,949	16.5%	0.8%	
Reco	Buy	VNB Margin (%)	26.00%	24.63%	25.70%	5.6%	1.2%	
		PAT (Rs mn)	3,621	2,502	3,261	44.7%	11.0%	
		EPS (Rs)	1.77	1.24	1.61	42.7%	9.9%	
<b>SBI Life</b>								
CMP(Rs)	936	GWP (Rs mn)	1,21,495	1,17,597	1,30,897	3.3%	-7.2%	We expect SBIL to report a 3% premium growth qoq, supported by healthy traction in group premium and growth across products. We expect the VNB margin to expand to 19.5%, helped by the launch of new products in FY20 in annuity and non-par guaranteed products.
Mkt Cap (Rs bn)	936	APE (Rs mn)	31,348	32,998	26,779	-5.0%	17.1%	
Reco	Buy	VNB Margin (%)	19.50%	18.34%	18.82%	6.3%	3.6%	
		PAT (Rs mn)	3,353	3,898	3,112	-14.0%	7.8%	
		EPS (Rs)	3.35	3.90	3.00	-14.0%	11.8%	

Source: Company, Emkay Research

## BFSI – Insurance Q3FY21E Result Preview (contd.)

Name			Dec'20E	Sep'20	Dec'19	% Chg YoY	% Chg QoQ	Comments
<b>Max Financial</b>								
CMP(Rs)	727	GWP (Rs mn)	46,320	38,790	45,320	19.4%	2.2%	We expect MAXL to report APE growth of 24.6%, led by traction in group insurance business. We expect the VNB margin to expand to 22% on a change in product mix toward high-margin segments.
Mkt Cap (Rs bn)	251	APE (Rs mn)	12,951	10,393	11,738	24.6%	10.3%	
Reco	Buy	VNB Margin (%)	22.00%	20.99%	28.14%	4.8%	-21.8%	
		PAT (Rs mn)	4,481	1,629	4,055	175.1%	10.5%	

Source: Company, Emkay Research

**Exhibit 32: Glossary**

Term	Abbreviation	Description
Annualized Premium Equivalent	APE	APE is the sum of annualized first year premiums on regular premium policies and 10% of single premiums on the new business written during any period.
Bancassurance	Banca	An arrangement entered into by an insurance company with banks through which the bank sells or markets insurance products of the insurance company to the bank's clients
Embedded value	EV	It represents the present value of shareholders' interests in the earnings distributable from the assets allocated to the business after sufficient allowance for the aggregate risks in the business. It is the sum of retained earnings, invested capital and value in force (VIF). It is the value of company's existing business.
Embedded value operating profit	EVOP	EVOP is a measure of the increase in the EV during any given period due to matters that can be influenced by management. It includes value created due to writing off new business and positive operating variance due to better persistency and mortality experience, better expense efficiencies. It excludes changes in EV due to external factors like changes in economic variables and shareholder-related actions like capital injection or dividend pay-outs.
Operating return on embedded value	ROEV	Operating Return on EV is the ratio of EVOP for any given period to the EV at the beginning of that period.
First Year Premium	FYP	Insurance premium that is due in the first policy year of a life insurance contract
In-Force	-	An insurance policy or contract, reflected on records, which has not expired, matured or otherwise been surrendered or terminated.
Insurance Penetration	-	It is the insurance premium as % of GDP for any given period.
Morbidity Rate	-	It is an estimate of the number of persons that are expected to suffer a disease, illness, injury, or sickness and could vary by age or other factor such as occupation, health etc.
Mortality Charges	-	The risk charges that are deducted from the unit fund of a policy to provide for the mortality benefit to the policyholder.
Mortality Rate	-	An estimate of number of deaths, varying by such parameters as age, gender and health, used in pricing and computing policy liabilities.
New Business Premium	NBP	Insurance premium, which is due in the first policy year of a life insurance contract or single lump sum payment from the policyholder.
New business strain	NBS	New business strain arises when the premium paid at the commencement of a contract is not sufficient to cover the initial expenses, including acquisition costs and any mathematical reserve that a company needs to set up at that point.
Participating Product	-	A life insurance policy where the policyholder is entitled to share the surplus emerging in participating fund. The current minimum share that the policyholders are entitled to, as per the IRDAI regulations, is 90%.
Persistency Ratio	-	It can be measured in terms of number of policies or in terms of premium underwritten. It is in proportion of the business retained from business underwritten E.g. 49th Month persistency at 65% will mean that only 65 policies are in force today out of 100 policies sold 4 years back.
Value of New Business	VNB	VNB is the present value of expected future earnings from new policies written during a specified period and it reflects the additional value to the shareholders - expected to be generated through the activity of writing new policies during a specified period.
Value of new business margin	VNB margin	VNB margin is the ratio of VNB to New Business APE for a specified period and is a measure of the expected profitability of new business.
Solvency Ratio	-	It is the minimum amount of required capital to run insurance business smoothly. In India, it is set at 150% of the requirement by IRDAI.
Sum Assured	SA	The amount that an insurer agrees to pay on the occurrence of a stated contingency.

Source: DRHP, Industry data, Emkay Research

## Emkay Alpha Portfolio – BFSI-Banks



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#### Analyst bio

Anand Dama is a CA, CPM (ICFAI) with total 12 years of research experience, in addition to 3 years in the finance/rating industry. His team currently covers 21 banks and 15 stocks in the NBFC/Insurance space.

### EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
<b>BFSI-Banks</b>	<b>20.99</b>	<b>20.99</b>	<b>0.0%</b>	<b>0</b>	<b>100.00</b>
Axis Bank	2.23	2.38	7%	15	11.36
AU Small Finance Bank	0.23	0.20	-13%	-3	0.97
Bandhan Bank	0.37	0.53	44%	16	2.55
Bank of Baroda	0.11	0.11	1%	0	0.52
Canara Bank	0.09	0.00	-100%	-9	0.00
City Union Bank	0.17	0.17	-1%	0	0.81
DCB Bank	0.00	0.00	NA	0	0.00
Equitas Small Finance Bank	0.00	0.00	NA	0	0.00
Federal Bank	0.19	0.19	0%	0	0.91
HDFC Bank	7.28	7.46	2%	18	35.53
ICICI Bank	4.72	4.91	4%	20	23.41
Indian Bank	0.00	0.00	NA	0	0.00
Indusind Bank	0.68	0.78	15%	10	3.73
Karur Vysya Bank	0.00	0.00	NA	0	0.00
Kotak Mahindra Bank	3.22	2.59	-19%	-63	12.36
Punjab National Bank	0.11	0.00	-100%	-11	0.00
RBL Bank	0.17	0.15	-14%	-2	0.70
State Bank of India	1.39	1.50	8%	11	7.15
Ujjivan Small Finance Bank	0.00	0.00	NA	0	0.00
Union Bank of India	0.03	0.00	-100%	-3	0.00
Yes Bank	0.00	0.00	NA	0	0.00
<b>Cash</b>	<b>0.00</b>	<b>0.00</b>	<b>NA</b>	<b>0</b>	<b>0.00</b>

Source: Emkay Research

\* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

### Sector portfolio NAV

	Base					Latest
	1-Apr-19	9-Jan-20	9-Jul-20	8-Oct-20	8-Dec-20	7-Jan-21
EAP - BFSI-Banks	100.0	111.4	79.2	81.5	103.9	109.1
BSE200 Neutral Weighted Portfolio (ETF)	100.0	106.9	78.2	80.0	102.2	107.3

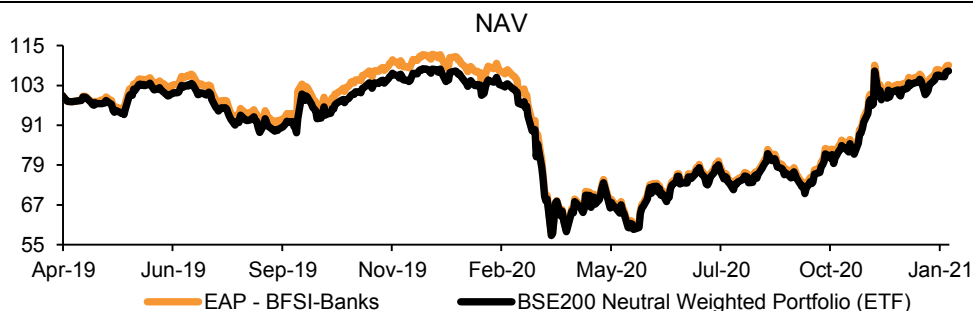
\*Performance measurement base date 1<sup>st</sup> April 2019 | Source: Emkay Research

### Price Performance (%)

	1m	3m	6m	12m
EAP - BFSI-Banks	5.0%	33.8%	37.7%	-2.0%
BSE200 Neutral Weighted Portfolio (ETF)	5.0%	34.1%	37.2%	0.4%

Source: Emkay Research

### NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”



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HOLD	Between -5% to 15%
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Completed Date: 11 Jan 2021 10:16:18 (SGT)

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