ICICI Securities

presents

India Financials e-Conference 2020

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SURVIVE, REVIVE, THRIVE

Conference Compendium

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India Financials Conference 2020 – Survive, Revive, Thrive - A common running theme

We concluded action-packed **ICICI Securities India Financials e-Conference 2020** spanning over 4 days from 19th-24th November with the underlying theme **'Survive, Revive, Thrive'**. The deep and intense conversations among **45 corporates, 15 experts and more than 150 domestic institutional investors and >40 foreign investors, were essentially enriching and insightful.** Indian financial system is responding to the crisis with a new rhythm redefining, refocusing, and reorienting their approach and thinking. True to the theme, corporates, having managed interim pandemic turbulence to the best of their abilities, now seemed more confident, more optimistic, more focused and distinctly clear about near to medium path of risk calibrated quality growth, cost efficiency, capital efficiency and profitability. They are not only surviving, but staging a resurgence in these uncertain times to revive and thrive. The focus is on making the businesses bigger, leaner and better.

In this conference compendium, we detail the insights, opinions and views shared and the perspective gained from various sessions and meeting organised over the for days spreading across a wide gamut of financial services sub-segments.

We unveiled the event with inaugural and keynote address by **distinguished Guest of Honour, Shri Anurag Singh Thakur, Hon'ble Minister of State for Finance and Corporate Affairs, Government of India.** Hon'ble Minister highlighted how the current government is focused on multiple, holistic, structural, long-term oriented reforms with time-bound implementation and participatory policy-making process. This will aid in accelerating India's pace on the path of leading global growth and re-emerge as one of the fasted growing economies of the world. Several path-breaking, bold reforms (GST, IBC), and pandemic-specific initiatives in three tranches of *AtmaNirbhar Bharat* package will go a long way in making India a manufacturing and export powerhouse and a hub of the world's largest skilled workforce and talent pool.

Event was further graced by **leading investment managers**, who amongst them manage AUM worth >US$200bn in Indian capital markets, including **Mr. Nilesh Shah (Kotak Mahindra Asset Management Company), Mr. Navneet Munot (SBI Funds Management), Mr. Prashant Jain (HDFC Asset Management Company), Mr. Sankaran Naren (ICICI Prudential Asset Management Company), Mr. Mahesh Patil (Aditya Birla Sunlife AMC) and Mr. Anirudha Dutta (Capital Group)** giving out-of-the-box suggestions, views and feedback. They provided valuable suggestions to enhance India's economic growth path through more financial sector reforms (over legislative and administrative reforms), sustained government expenditure (in the form of further stimulus), comprehensive view over strategic disinvestments + dividend + buyback of PSU undertakings, rendering further support to MSMEs, differentiated suggestions about raising resources through monetisation of custodian of enemy property, gold amnesty scheme, etc.

Click on the link below to view our Inaugural and keynote address

Link to Inaugural & keynote session

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Common read-throughs inferred from interactions with 45 corporates

- Most ***corporates echoed optimism with respect to demand revival and consistently improving MoM collection trends.*** However, they exhibited a ***sense of caution and being guarded on extrapolating this trend*** and would await more data points in coming months.
- Further, management's stance was ***skewed more towards kick-starting growth in a risk calibrated manner with collection stabilising*** and already reaching breached pre-Covid levels in a couple of fortnights or months.
- ***Retail segment reined in lot of enthusiasm – players are queuing up to tap opportunities in here.*** Within retail, demand recovery in housing segment and resilience shown by unsecured PL has positively surprised most unlisted players and experts like Anarock, which too reinforced the view of better than anticipated housing demand.
- ***Portfolio behaviour of SME segment is panning out much better than anticipation,*** supported by ECLGS scheme and expansion of the scope through ECGLS 2.0 will only enhance its efficiency.
- The underwriting standards that were tightened in Q1FY21 amidst uncertainty, have now been normalised to a larger extent.
- With some sense of normalisation setting in, now financiers are distinctly charting out the road ahead on the path of growth, sustainability and profitability.
- Clear winners would be entities with adequate capitalization, product offerings, steady liability flows, and cost advantage.
- ***They seem more confident on being able to keep close tabs on cost, quality, managing balance sheet risks and capital efficiency.*** The cost rise going forward would be more business volume correlated, with efficiency being worked out across the fixed costs.
- NBFCs seemed more confident now in accessing the liability with debt market and banking channel opening up flow of funds after initial support under various government schemes. Portfolio sell-down will continue to be resorted to actively.
- Digital evolution in financial space and role of fintech was the centre of discussion during most part of the interaction. One common feedback was, ***lenders see fintech as business partners and not competitors, be it on payment ecosystem,*** extending credit to borrowers at lower pyramid, data analytics or cross-selling. Fintechs not only bring fresh perspective but also help lenders deepen distribution and strengthen customer relationship.
- On RBI's IWG report, most participants reserved comments and will await the final guidelines. However, large and well-run NBFCs will evaluate the recommendations at Board level and incumbent banks suggested that conditionality of tax neutrality will extend the implementation framework.

Specific nuances and perspective shared by 15 experts

Policymakers

- **Dr. Ashima Goyal (Member – MPC and professor at IGIDR),** who in her independent professional view, highlighted that learnings from global stimulus packages in Western countries post GFC and its fiscal imbalance repercussion, have ensured that Indian government is following the right path by not going overboard in announcing stimulus, but utilising resources prudently. Also, with several innovative, long-term oriented and proactive measures by government/RBI, India is well set for higher than average sustained economic growth once the pandemic evaporates.
- **Mr. Ashvin Parekh, one of the members of RBI's Expert Committee** that submitted the report on Covid-related stress resolution framework, too highlighted that feedback from the financiers top as well as middle management suggests that Covid-related stress and restructuring requests are much lower than anticipated. Also, timely extension of the scope of ECLGS 2.0 to 26 stressed sectors will moderate the severity of Covid stress for entities in these segments.

Payment providers

- **Pine Labs - Mr. Nitish Asthana, President & COO,** highlighted that the share of digital payments was <20% two years ago and is likely to increase to ~40/50% in the near term. Value of transactions is already back to pre-Covid levels. However, footfalls and transaction volumes in large format retails (especially malls) are still marginally below pre-Covid levels.
- **PayU India - Mr. Anirban Mukherjee, CEO**, is of the view that payments market in India is expected to grow at a rapid pace of 25-30% for the next 10 years and expects digital payments in India to grow to US$3trn by FY30. Currently, retail GDP is 15-20% digitalised; same is expected to increase to 50% going forward. There are 30+mn merchants in India, but only 5mn have PoS machines & 10mn accept digital payments (via QR etc.).
- **Fino Payments Bank - MD & CEO Mr. Rishi Gupta,** highlighted the company's DNA of building a differentiated (alternate banking), asset light, low cost, profitable business model with merchants as the core focal point. 3S strategy – of scale, speed and security – will touch a million customers reinforcing confidence in its market positioning. It is the first profitable payments bank within 2-3 years of commencement of business. Profitable in March 2020 and continues to be so in H1FY21.
- **BTI Payments - Mr. K Srinivas, MD & CEO** highlighted that cash in circulation in India has been growing at a CAGR of 12% from Mar'16 to Oct'20. Digital payments are growing but on the contrary, cash is also not dying. ATM transactions have grown at a CAGR of 14% over FY16 to FY20, while white label ATM transactions have been growing at 31% CAGR. Overall, industry-wide, BTI believes there can be another 100,000 ATMs in semi-urban and rural areas over the next five years.

Aggregators

- **Andromeda - Mr. Raoul Kapoor – Business Head,** highlighted the experience of past 14-15 years suggests that a surge in home loan is always followed by a surge in LAP. There is a lot of reworking going on in home loans wherein the bank will sanction lower loan against the demand and ask the borrower to bring more equity. On personal loans, if rate of interest reduces from 10.5% to 9%, then there can be a drastic improvement in demand for personal loans.
- **Policy Bazaar - Mr. Sarbvir Singh, CEO** highlighted that it has seen growth in last two years due to: 1) Growing penetration of term products and 2) consumer preference for digital platforms for making purchases. Less than 5% of middle class population has term insurance or retail health insurance, which leaves significant headroom to grow. In last 12 months, 7.5mn transactions were done by 5.5mn customers, which is 1.3 transactions per customer. This is an improvement from less than 1.2x in the prior 12 months.

Real Estate

- **Anarock. Mr. Anuj Puri, Chairman,** is of the view that the overall sentiment in real estate sector has improved considerably as the market headed into the festive season from October compared to the mood in March. While the office market has been the most resilient among asset classes, residential market is showing green shoots of recovery with retail consumption gradually getting back on its feet.

Special experts

- **Mr. Sathya Kalyanasundaram, India Country Head and MD of Experian India,** shared an interesting anecdote that India, in terms of payment ecosystem landscape is at par, or better than, the Western world, but lags in terms of sourcing. Digital loan sourcing in the US is 90% while in India it is hardly 30-35% (~65-70% is sourced physically).
- **Mr. Rajkumar Bansal, MD & CEO, Edelweiss ARC,** had an interesting observation: Stressed asset recovery rate has improved to 43% (from 26% pre-IBC) and resolution time has reduced to 1-2 years from >four years in addition, stressed asset recovery is a sizeable opportunity in India and Edelweiss ARC expects industry-wide GNPLs to rise to 12.5% by FY21. Also, with respect to the business model, it would closely evaluate stress assets in retail/MSME segments and, in terms of structure, it will find an ideal mix of ARC and AIF for optimal RoC.
- **Mr. Aseem Dhru, CEO, SBFC Finance**, drew an interesting anecdote that it is important to get the cost of credit, cost of funds and cost of operations right across cycles as businesses gain scale to be successful. He highlighted how SBFC Finance is focused on building a differentiated micro enterprise lending entity with pan-India presence. His views are contradictory to leading financiers in the sense that ground reality suggests much more stress than perceived and, after a couple of quarters, asset quality pain will become more visible.
- **Dr. Prakash Subbarayan, MD, Star Health & Allied Insurance,** indicated the company has witnessed enhanced business during this period, but claims have also seen a significant increase. Unpredictable quantum of outgo, no standard cost structures across hospitals and no standard protocol issued by the governments, are the challenges faced in processing Covid-19 claims.

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Disclaimer: I-Sec doesn't cover companies for Research which are categorised as "Unrated/Unlisted". For the experts, summary is purely based on the discussions held in the conference with respective industry experts, and is only for your ready reference.

Expert Access – Dr. Ashima Goyal

We hosted current MPC member and former member of PMEAC, Dr. Ashima Goyal – Professor at IGIDR

Key Takeaways

India responding to Covid more effectively

- India responded to Covid in the most effective manner as reflected in lower casualties than the West, despite being the world's largest democracy. So far, the country also avoided a second wave of infections despite some stray cases like Delhi. Compared to other countries, India's unlock process has been gradual.

Don't see signs of persistent stress

- Government's timely and innovative measures like ensuring adequate liquidity, allowing restructuring to adversely impacted borrowers, credit guarantee schemes for the most vulnerable SME sector, fiscal stimulus under AtmaNirbhar Bharat package, would ensure that India restores the growth momentum and most likely outpaces global growth. Further, curtailed oil prices with focus on green and renewable power, series of reforms in agri, focus on reducing cost of business (launched production-linked incentives) and focus on Digital India (like GST, DBT, etc.) would ensure long term sustainable growth.
- Smart campaign of promoting local goods under *Make in India*, increasing global preference to diversify risk rather than depending on one country (China) and government's commitment to continue industrial reforms (land, labour and cost) would revive demand much faster than anticipated.

Government need not go overboard on fiscal stimulus

- India learnt from the large fiscal stimulus given globally post global financial crisis (GFC). The massive stimulus post-GFC led to stretched asset prices and deterioration in fiscal situation. Hence, India's fiscal response to Covid has been measured and targeted. Western countries are still finding it difficult to lower fiscal imbalance even after a decade.
- Learning from global financial crisis, India is very judiciously utilizing fiscal-led stimulus, but will not shy away from accelerating the pace of stimulus if needed. Hence, the perception that India's fiscal response has not been enough is not correct. As per estimates, Central fiscal deficit is likely to be ~8% in FY21 and that of Centre + states is likely to be ~12%. This is a large slippage from budget estimates and the deviation indicates quantum of fiscal support.

Credit growth modest but players would push the paddle for growth

- Despite, adequate liquidity in the system lenders are not actively pursuing credit and are maintaining a cautious stance in expanding the balance sheet. As a result, credit growth is muted, but if the current momentum continues players would push paddle for growth.
- SME – Small firms and MSEs would have been impacted the most due to pandemic, but have shown great resilience and revived much quicker than earlier expectations. Funding support under ECLGS scheme, people's preference to buy

local goods and timely switch to other products that were in demand, helped the sector recover at a faster pace.

- Retail demand revived quickly led by surplus liquidity in the hands of customers (lack of avenues to spend during lockdown) and festive season in Oct/Nov'20. Contrary to general perception, job losses are very limited as people / businesses have smoothly transitioned to the new normal 'Work from Home'. Whatever limited job loses have happened, it is mostly towards unskilled and migrant labour; however timely government support by DBT, work under NAREGA and active support from NGOs helped people get back to normalcy quicker.

On infra spending

- Government is planning to kickstart infra spending; large infrastructure projects particularly are near finalization stage. Low credit growth will not hurt infra spending as the government is of the view that infra funding will be largely met with innovative instruments through long-term bonds, strategic tie-ups, AIFs, etc. Key learnings from the past cycle is infra funding through bank lending is not an optimal option as it results in significant ALM mismatch.

Deficit monetization

- There is sufficient demand for government debt and there is no need to monetise the fiscal deficit.

Inflation a supply side constraints; headline inflation to align to core inflation

- Current inflation is due to supply constraints. Research shows that headline inflation affects core inflation only when food inflation exceeds a certain threshold for a sustained period. During episodes of moderate food inflation, core inflation affects headline inflation.

Financial conditions

- Large liquidity surplus has eased financial conditions. Spreads on papers below AAA rating have started narrowing, indicative of easing financial conditions.

Employment

- It is true that some white-collar jobs have been lost due to Covid. However, effective work-from-home policies have limited white-collar job losses. On the contrary, blue-collar jobs have been worst-affected.

Expert Access – Mr. Ashvin Parekh,Partner, Ashvin Parekh Advisory Services

We hosted Mr. Ashvin Parekh, Managing Partner, Ashvin Parekh Advisory Services LLP

Key Takeaways

RBI Expert Committee Report

- ***Ashvin Parekh was one of the members of RBI's Expert Committee that submitted the report on Covid-related stress resolution framework to RBI.***
- ***Basic objective was to empower the borrower and lender to examine the parameters and severity (mild, moderate, severe) of the crisis for making a case for resolution under the guidance of the RBI framework.***
- Accounts that were stressed prior to 1st Mar'20 due to various reasons – be it overcapacity or demand weakness – were not part of the Committee's briefing.
- ***Deadline for restructuring (31st Dec'20) was not the Committee's prerogative, but it emerged in the course of discussion that fast resolution would be in the interest of lenders.***
- If performing standard accounts receive support from the system and get resolved faster, it will benefit the borrower, lender and the system at large as there will be certain flow of credit into the economy.

ECLGS

- ***Under ECLGS 3.0, amount for eligible loans has been extended from Rs 500mn to Rs 5bn***

Feedback from banks

- Mr. Parekh's team conducted a survey of 12-13 banks (a week back) wherein there were discussions held with bankers, regional officers, etc.
- Findings of this survey inferred that Covid impact seems to be much less than anticipated by banks. On restructuring, bankers are telling that the restructuring impact is much lesser than anticipated.

Expert Access – Mr. Anirban Mukherjee, CEO, PayU

We hosted Mr. Anirban Mukherjee, CEO, PayU

Key Takeaways

On PayU

- PayU is one of the leading merchants payment platform in the country serving ~600k merchants in India and has best-in-class tech platform which has ~2.4% higher success rates than industry
- ***Payments is PayU's largest business – it does US$30bn of annual processing volumes and this business is EBITDA positive.***
- ***Overall, market size would be in the range of US$120bn-1250bn and this market can scale up to US$600bn over the next five years.***
- In payments, PayU bought a company called Wibmo, a digital financial security firm which processes digital payments on the banks platform.
- PayU believes that for making more and more small and medium businesses (SMB) opt for digital payments, they need to be provided with one platform, wherein they can be connected with digital savvy Indians.

On opportunity size

- Payments market in India is expected to grow at a rapid pace of 25-30% for the next 10 years.
- All the large sized offline merchants are on digital platforms today.
- In-store, government payment and bill payment segments are also growing rapidly.
- Currently, retail GDP is 15-20% digitalised; same is expected to increase to 50% going forward.
- Digital credit is expected to see massive growth going forward.

On digital payments

- Payments is a tool to get stickiness of consumers and then monetize using cross-sell and lending.
- ***There are 30+mn merchants in India, but only 5mn have POS machines & 10mn accept digital payments (via QR etc.)***
- ***Online payments are growing very rapidly and will continue to grow faster. Beyond payments, new product creation and distribution is also a large opportunity***
- There is very low penetration of products namely digital payments, credit card penetration and consumer credit penetration in India as compared to developed countries.
- ***For Payu, telecom and utility payments were among the fastest segments for PayU during lockdown***
- ***PayU expects digital payments in India to grow to USD 3tn by FY30***

- Bank themselves are also launching digi payments app like YONO by SBI, PayzApp by HDFC Bank
- ***There is a surge in contactless payments driven by social distancing norms***
- ***Currently, e-commerce is only ~5% of total retail sales, while ~50% is cash on delivery***

On players in digital payments space

- ***Tech platforms like GPay, PhonePe and Paytm have grown rapidly on the back of heavy promotions and UPI platform.***
- ***Consumer payments landscape is highly competitive and unlikely to be a winner takes all market.*** Despite major tech giants in this segment, there is limited customer loyalty and stickiness
- ***As long as UPI market remains open, there won't be a winner take all. Moreover, NPCI is very clear that no single player can have more than 1/3rd share and hence no single player can dominate the UPI transactions market.***

On small and medium business (SMB)

- SMB segment has most number of players competing for market share.
- ***SMB segment for both offline and online channel is very profitable and growing rapidly which will create large profit pool in the long term.***
- Of the total 5mn SMBs, there is hardly digital adoption beyond 1-1.5mn.
- Challenges in SMB segment include, lending can't be done to them from day 1 as there is very less data to offer any lending to them. One thing which can be done for them is to offer complete digital platform which will enable them to run the business efficiently.

Expert access – Mr. Nitish Asthana, President & COO, Pine Labs

We hosted Mr. Nitish Asthana, President & COO, Pine Labs

Key takeaways

Pine Labs operating size

- $30bn of processed payments in a year processed today by Pine Labs and $2bn in PayLater EMI, 450K merchant terminals, 250-300k new customer addition annual run-rate and $1bn annualized transactions.

Pay Later (Pine Labs product)

- Delivering credit at the point of transactions. The business has doubled in Oct'20 vs Feb'20.

How PayLater works

- Customer selects EMI offers on any credit card or debit card or alternative identifier (e.g. mobile phone). In case of a debit card, customers can verify the eligibility for Pay Later transaction directly at the POS.
- ***If a customer wants to avail Pay Later without CC or Debit card, Pine Labs has tied-up with NBFCs like Zest, Bajaj Finance to fund the transactions.*** In case of 2W purchase, customers do not need to hypothecate the vehicle.
- Pay Later platform enables all the three parties to come together and deliver credit to customers. It is clocking $2bn annually in PayLater volumes. $270mn delivered in October 2020 and $350mn expected in Nov 2020 on Pay Later. It provides a platform and network in Pay Later and Banks/NBFCs deliver the credit.
- ***In the India market, 10mn digital payments acceptance points today including physical and digital/UPI. Physical POS is 5.2mn but many merchants have multiple POS machines, so that unique merchants will be ~3.5mn, while digital POS which is QR based and other platforms of payments can be around ~6mn-7mn.***

Others

- Digital payment landscape in India has been evolving at a rapid pace with regulatory support, increasing awareness about the benefits of adopting digital transaction mode. RBI reduced MDR rates to as low as 0.40% and selectively 0% from >1% earlier played a huge role in faster adoption of digital payment mode.
- Addressable market of 10mn small merchants for payments, Pay Later, etc.
- External events like demonetization, GST and now Covid-19 has accelerated the pace of adoption. Especially, Covid-19 has pushed digital payment adoption at both the ends, i.e. at merchant's as well as customer's end and more importantly not limited to large cities. Nearly 60% of incremental merchant acquisition by Pine Labs during the past six months has been outside Tier 2 cities.
- The share of digital payments was <20% two years ago and is likely to increase to ~40/50% in the near term.

- ***Creation of Payments Infrastructure Development Fund is likely to encourage digital payment mode in Tier 3-6 cities. This fund will subsidise the cost of a PoS device.***
- ***RBI announcing "framework for authorization of pan-India umbrella entities for retail payments" is likely to further accelerate the pace of digital payment adoption at Pan-India level.*** Umbrella entities, being focused on Payments only, is likely to completely change the traditional payment ecosystem and offer cost-effective innovative digital payment solutions.
- UPI connects 140 banks together for the P2P and P2M ecosystem. UPI at 2bn transactions a month is currently not interoperable with the rest of the world but this can happen over a period of time. UPI was gathering pace and was already at an inflection point, Covid-19 provides impetus to the digital payment adoption.
- UPI – likely to coexist along with cards. Transaction value under UPI is lower than card transaction and mostly towards non-discretionary spends.
- ***Pine Labs has 60% market share in enterprise and large format businesses.***
- ***Sales of terminals grew rapidly month on month – it was 13,000 in August'20, 18,300 in Sep'20 and 24,500 in Oct'20.*** Value of transactions is already back to pre-Covid levels. However, footfalls and transaction volumes in large format retails (especially malls) is still marginally below pre-Covid levels.

Expert Access – Mr. Sathya Kalyanasundaram - Experian

We hosted Mr. Sathya Kalyanasundaram, Country Head & MD at Experian

Key Takeaways

- Covid is likely to change the way financial institutions were using technology. They will be forced to use technology in more comprehensive way to – a) predict the better quality, b) leverage customers to upsell and cross sell, and c) rebuild / redesign collection mechanism.
- ***Digital penetration – Digital loan sourcing in the US is 90% while that in India is hardly 30-35% (~65-70% sourced physically). The higher digital penetration in US helped Experian revive revenues within 1.5 months while in India it took longer.***
- Government and financial institutions have realized the importance of power of digital. On payment ecosystem-side, India is at par with the Western world but on sourcing it is far behind.
- Power of alternate data – With evolving customer preference and availability of data, the use of alternate data like telephone data, e-commerce data, etc. could help FIs to build additional revenue streams. It provides great amount of insights on customer behaviour and could be used to upsell and cross-sell.
- Credit volumes in Sep'20 were at 90%-92% of same time last year *vs* 42% in Jun'20.
- Aviation, construction and hospitality were impacted the most, but slowly started recovering.
- Retail unsecured portfolio: ~60% of the portfolio was in red zone with a similar share of ~59-60% of unsecured for private banks and NBFCs, while the share of PSBs was much lower at 35%.
- Retail secured portfolio: ~63% of the portfolio was in red zones with private banks and NBFCs' share at ~65% while PSBs' share was at ~45-55%.
- Many sectors have shown strong resilience even in Covid.
- Lack of updated bureau data is not the correct reason for tepid credit growth; risk aversion is the key reason. Lenders who are aggressive are having acceptance ratio of ~94% over past three months. Further, data on moratorium is also available, but inability to analyse and build score-card around it by lenders side is also hurting credit growth.
- Financial penetration can get big boost with digital support.

Expert Access – Mr. Rajkumar Bansal, MD & CEO, Edelweiss ARC

We hosted Mr. Rajkumar Bansal, MD & CEO, Edelweiss ARC

Key Takeaways

Stressed assets opportunity

- The opportunity of stressed assets market in India is sizeable as GNPLs of banks in FY21 are estimated to be at 12.5% or ~USD150bn. Besides this, NPAs in wholesale lending done by NBFCs is also expected to go upto 4% (from 1%).
- Majority of NPAs traditionally have been in corporate segment - 70%, MSME at 15%, AGRI at 10% and Retail at 5%.
- Stress pool is concentrated in specific sector namely infrastructure, power, metals, textile, engineering, construction etc. Major stress is observed in power sector with 15-16 incomplete power plants and 16-17 plants with one or more completed units without PPAs. The other sectors having these NPAs are mid-sized steel companies and in textiles where many of the old units which have lost their viability, not finding any buyers.

What led to the current stressed assets?

- **Policy hurdles:** delay in payments like delay by NHAI, telecom etc.
- **Commodity super cycle leading to overcapacity:** prices got too high for steel, oil, etc.
- **Over optimistic growth expectations of companies leading to** overleveraged balance sheets.

With the introduction of IBC norms, all regulatory guidelines pertaining to restructuring loans under different schemes of the central bank such as CDR, JLF, SDR, S4A are withdrawn.

Sec-29A in IBC was introduced: Changed lot of things, where existing promoters need to exit the company.

Why was the code required and how does it help

Time taken to resolve bankruptcy is 7 years in India – much higher when compared globally. Delay was causing damage to the image of ease of doing business. Cost of resolution gets high and recovery is low.

- **What does IBC bring to the table?**
  - Consolidation of existing laws
  - Creditor in possession model
  - Defined distribution waterfall
  - Insolvency professional (IP) plays a key role
  - Existing promoters are barred from participation
  - Defined time period of 330 days

- **Pre IBC:** Recovery rate was 26%, that has now gone upto 43% now and resolution time also has reduced to 1-2 years from more than 4 years.

Status of resolution under IBC

- Success: out of roughly 4k cases admitted, 598 closed cases, resolution plan approved for 250 cases.
- Out of liquidation orders, actually only 60-70% companies got liquidated as there are not many investors bidding for the assets. Currently, there are 7k-8k cases waiting to get admitted into NCLT and some of them could not get admitted due to infrastructure constraint.

ARC model to involve as a combination of AIFs

- ARC model, since it requires 15% equity is gradually transitioning towards the fund model. RBI has recently come up with the guidelines where FPIs, FIIs can directly pay for the assignment of debt. Since they don't have to pay the stamp duty, it helps companies to avoid tax, write offs.
- In the shortcomings, AIFs are not allowed to buy debt directly and cannot take SARFAESI action. Hence evolution of business model will be combination of ARCs and AIFS together.

Effectiveness of SWAMIH Investment Fund

- SWAMIH Investment Fund is restricted to only small ticket affordable housing segment. Constraints like 60% should be complete and each flat should not go more than Rs15mn in Delhi, Rs20mn in Mumbai further restricts the size of the fund. SWAMIH is not able to do justice to all the projects. May be there is a need to increase the size of the fund.

How does it expect resolution of stress relating to various sectors

- **Coal based power projects**: The projects that are operational but facing liquidity issues as discoms are not paying regularly can be resolved through normal resolutions. Power plants without PPAs should take a haircut and go for restructuring. Incomplete or initial stage under-construction plants will likely go for liquidation.
- Resolution for EPC projects will be possible by collaborating with EPC customers. There is nothing much to liquidate in EPCs.
- Resolution of Bhushan Power should hopefully happen before march.

Expert Access – Mr. Sarbvir Singh, CEO, Policy Bazaar

We hosted Mr. Sarbvir Singh, CEO, Policy Bazaar

Key Takeaways

Opening remarks

- PolicyBazaar is the largest distributor of policies both online and offline
- Protection products constitute a large portion of its business
- Does not deal with endowment products.
- PolicyBazaar has 90% market share in digital distribution of products.
- It has seen growth in last two years due to: 1) growing penetration of term products, 2) consumer preference for digital platforms for making purchases.
- Less than 5% of middle income class have term insurance or retail health insurance, which leaves significant headroom to grow.
- 90% of sales come directly to PolicyBazaar. Nothing is paid to intermediaries (like Google) to bring customers to website.
- Works with 46 insurance companies and has more than 400 products online.
- Data is collected from customers regarding their declaration made by them on the website. Additionally, PolicyBazaar also captures whether the information was submitted at one go or a number of changes were made before submission. Data and risk management systems, which have been developed, allow the company to offer much better business to insurance partners, which in turn helps them lower the loss ratios or improve mortality experience.
- Going ahead, profitability will be driven by the annuity business, which comprises renewals.

Others

- In early phase of the pandemic, Apr-May'20, there was lot of interest towards term products. Jun-Aug'20 health business gained traction. But, as of now, consumers are realising that everything is back to normal, hence the conversion rate is not as high as it was during earlier phase of pandemic.
- Affordability is creating a challenge. In term plans, there are physical (and) medical (tests) necessary in certain plans, which are holding back the consumer currently.
- Concentration is currently not a risk.
- All employees are on the roll and there is a robust system for incentives.
- Lower loss ratios and better mortality rates for policies issued from the PolicyBazaar platform is appreciated by the insurance partners.
- In last 12 months, 7.5mn transactions were done by 5.5mn customers, which is 1.3 transactions per customer. This is an improvement from the less than 1.2x in the prior 12 months.

Expert Access- Mr. Rishi Gupta, MD & CEO, Fino Payments Bank

We hosted Mr. Rishi Gupta, MD & CEO, Fino Payments Bank

Key Takeaways

- **Journey over last 3.5 years:**
  - Fino concentrates on Bharat ecosystem. Banking credit is a very low number in rural segment and from all parameters rural pop gives a big opportunity for Bharat as an ecosystem.
  - Looking at accessibility, insufficient network, travelling, not so robust technology access, opportunity lies in digitization of small value transactions.
- **Genesis of alternative banking channel (ABC):**
  - Convenience banking at doorstep,
  - Stimulus on digital transformation,
  - Cost effective and service oriented technological solutions for more than 50% of Indian population.
- **Merchant as a banker:**
  - Locational resilience as merchant is embedded in local community
  - Additional income through banking services (fee income)
  - Ready setup: Minimum on boarding, no need of separate infra
  - Equipped for cross sell products
- **Payment banks is differentiated bank:** Operating on a smaller ticket size without involving any credit risk by promoting digital, paperless and cashless banking across country.
- **FINO DNA:**
  - Focus on Rural India and an asset light low cost merchant model against traditional Branch Banking.
  - Network of 2.75L+ existing merchants – growing at 13k per month – plans to take in to 10L in the medium term (1 merchant per 1000 people in next 3 years)
  - 54% of customers are millennials
  - 1st profitable payments banks within 2-3 years of commencement of business. Profitable in March 2020 and continues to be so in H1FY21.

- **Focus and strategy**
  - The company focused on 3S strategy of speed, scale and security.
  - Products offered: Money transfer, cash withdrawal, CMS, cross sell-insurance, bill payments.
  - The vision of the company is to become a focus points for lot of merchants – it is already in the process of tying up with ecommerce players, some of the other physical companies that sell products - idea is to leverage merchant payment system as much as possible.
  - Most of the merchants who come on board they don't leave the network but some may become inactive. Currently, 65-75% of its customers are active in a particular month.

On remittances

- **Remittances:** In terms of recovery North has recovered more than west. Bombay, Gujarat recovery is slower. In South Telangana, AP, Karnataka recovered faster. In October it is seeing 90% recovery in remittances. In March, it should be 100-110% of pre-Covid levels.
- Revenue stream across remittances will contribute to 10-15% of overall revenue.

On lending

- Credit is something that is need of its customers and merchants - however, it will offer credit through partnerships. It has launched credit to merchants with a tie up with NBFC and also distributes gold loan in tie-up with banks
- Credit is never going to be its mainstay business model.

Conversion into small finance bank

- As a payment bank, there is no hurdle to convert into small finance bank. At right time it will apply for conversion.
- It will never be a typical small finance bank. Rather it will be completely digital in terms of data and disbursements that it would be doing.

Expert Access - Mr. Anuj Puri, Chairman, Anarock Property Consultants

We hosted Mr. Anuj Puri, Chairman, Anarock Property Consultants

Key Takeaways

The overall sentiment for the real estate sector has improved considerably as we head into the festive season from October 2020 onwards as compared to the mood at the beginning of the pandemic in March 2020. While the office market has been the most resilient among asset classes, the residential market is showing green shoots of recovery while retail consumption is slowly getting back on its feet.

Residential Segment

- New launches and sales made a decisive comeback in Q3CY20; recovering 79% and 65%, respectively from the pre-COVID levels of Q1CY2020.
- Steep reduction in mortgage rates, stamp duty cuts in markets such as Mumbai, regained confidence and builders' flexibility to negotiate rates is driving sales in the property market.
- There is positivity on the onset of festive season. Good sales recorded in 2020 Navratri. Diwali sales are looking up.
- Need for larger and functional homes have emerged. Ready-to-Move Inventory (RTMI) is in demand. There is a rise in demand for plotted developments in the peripheral areas of Tier I and Tier II/III cities.
- Consolidation in the residential segment to accelerate and continue over the next 4-6 months with leading developers' sales holding up better compared to the broader market.
- SWAMIH Fund is gaining traction, many other last-mile funds to address stuck projects. Under the SWAMIH Fund, 123 projects have received funding approval up to October 2020 across 81,308 units with sanctioned funds of USD1,620mn.

Commercial Office Segment

- New leasing is facing difficulties in the short-term - CY20 net absorption may be around 23.5msf as compared to 40msf in CY19. Expect CY21E absorption to be over 30msf and CY22E may see office segment recovering strongly. Supply to also be delayed.
- Do not see office rentals falling in peripheral/suburban markets in Tier I cities as they are at Sub-dollar rentals continue to make office sector lucrative in India as compared to other developed and emerging markets.
- Consolidation of offices by occupiers may no longer remain the key theme. Rising focus on decentralization to ensure business continuity.
- New layouts have emerged as per social distancing norms leading to rise in per capita space allocation and higher space requirements.
- A blended Work-from-Home (WFH) policy may be the new norm

- ~98-99% of office rental collected by listed players in Q2-Q3CY20 is positive

Retail Segment (High Street and Malls)

- Retail demand is back selectively with South Indian markets seeing better performance as compared to North/West India in Q3CY20. While footfalls in Q3CY20 were just 25% as compared to pre-Covid levels, consumption was at ~50% of pre-Covid which illustrates that spend per customer has gone up as only genuine customers are going to high streets/malls.
- Tier 2 & 3 are recovering faster than Metro cities as there is less fear and spread.
- The festive season has seen footfalls and consumption improve further from October 2020 and November 2020 trends are also encouraging.
- People continue to prefer high streets over malls for shopping in the short-term.
- Grocery & essentials and electronics business has recovered. Luxury products' sales may take some time to comeback.
- Demand for new retail spaces has also kicked-off.

Expert access – Mr. Raoul Kapoor – Business Head at Andromeda

We hosted Mr. Raoul Kapoor – Business Head at Andromeda

Key Takeaways

- **Business insights**
- Andromeda has been in the business for 27-28 years and is the India's largest distributor of retail loans.
- ***Disbursements were Rs 21bn in Feb'20 which fell to Rs 1-1.2bn in Apr'20 and now in October were back to Rs 15.5bn***
- Total Rs15.5bn Andromeda disbursement in October break-up: Rs 7bn Home Loans, Rs 3.5bn LAP and rest is PL & BL
- ***For Nov'20, Andromeda is targeting Rs 17bn and it should be around Rs 21bn in Feb'21 which was in Feb'20 (pre-Covid).***

On home loans

- ***Experience of past 14-15 years suggests that a surge in home loan is always followed by a surge in LAP***
- Ticket size on the home loan segment are actually up, especially in the metros. ***Ticket size where there is maximum demand is Rs 15mn for Mumbai, Rs 8-12mn for Delhi, Bangalore & Chennai at Rs 15mn and Hyderabad at Rs 7-8mn***
- ***Most significant interest rate reduction has been seen in home loans***
- Rejection rate on home loans (first instance) is 9-10% for Andromeda while pre-Covid, it was below 5%
- ***There are a lot of reworking happenings in home loans wherein the bank would sanction for lower loan against the demand and ask the borrower to bring more equity***
- Momentum on home loans is likely to sustain over the next 12 months
- In Mumbai, they have seen 10% price reduction while in Delhi & Gurgaon, there is a 15-20% reduction in price. Price reduction is very geography specific and area specific.
- ***Majority of home loans are for ready to move flats (95-96% of the loans which Andromeda does is for ready to move flats)***
- ***On home loans, none of the Banks/NBFCs are having any particular impetus on balance transfer***
- ***Banks credit diligence process turnaround time has increased. Average TAT for home loans which used to be 4-5 working days is now been revised to 12-13 working days, since there is huge demand currently for home loans***

On personal loans

- If interest rate comes into play on unsecured segment, then a new set of demand will kick-in. So on personal loans, if rate of interest reduces from 10.5% to 9%, then there can be a drastic improvement in demand for personal loans.
- ***There is a drastic reduction in ticket size on PL post Covid. They have almost halved. On personal loans, rejection rate has more than doubled to 40%+ from 18-20% pre-Covid***
- ***For the industry, salaried PL disbursements were Rs 210bn in Feb pre-Covid. Post Covid, there were disbursements of Rs 60bn in July whereas it rose to Rs 135-140bn for salaried PL for the month of October. This is largely also attributable to reduction in ticket sizes.***
- PL interest rates have not come down unlike home loans

On bounce rates

- ***Bounce rates have absolutely nosedived over the past three months***
- Bounce rates on the PL front (first cheque) was upwards of 58-60% which eventually fell by 50% in the second cheque presentation.
- First cheque presentation is now down to 18% in November for Salaried PL
- Maximum spike in bounce rates in home loans was seen in the month of May & June post which they have been subsidizing.
- ***The data on bounce rates is very divergent for banks & NBFCs because customer being over leveraged on NBFC side, better collection efforts by banks etc.***

On geographical mix

- For Andromeda for October, disbursement mix was 65:35 was metro: non-metro while pre-Covid it used to be 75:25

Expert Access - Mr. K Srinivasan, MD & CEO, BTI Payments

We hosted Mr K Srinivasan, MD & CEO, BTI Payments

Key Takeaways

On BTI Payments

- It is an entity promoted by Banktech Group of Australia with 51% stake
- BTI is a leading White Label ATM (WLA) Operator with ATM base of 7,000+ ATMs spread across 14 states & ~90% in semi urban and rural areas
- Its strategy is to further deepen its presence in these 14 states, rather than going widespread across the country
- ***BTI has 6,000 ATM in January and by October, BTI crossed 7,000 ATMs despite the pandemic.***
- Medium term target is to build 10k ATMs from currently 7k, which will make BTI the second largest rural ATM brand and the largest white label ATM operator.
- ***BTI is about 28% market share in white label ATMs and 43% by transactions.***

On cash & ATM transaction volume & growth

- Cash in circulation in India has been growing at a CAGR of 12% from Mar'16 to Oct'20. Digital payments are growing but on the contrary, cash is also not dying.
- ATM transactions have also grown at a CAGR of 14% over FY16 to FY20 while white label ATM transactions have grown growing at 31% CAGR
- In terms of penetration, India has a lot of scope for ATM penetration as compared to other countries
- There is a huge opportunity in semi and urban regions & white label ATM operators lead employment.
- Overall, industry-wide, BTI believes that there can be another new 100,000 ATMs in semi-urban and rural areas over the next five years

On ATM transactions revenue

- For WLA operators, there is very little dependence on banks for revenue.
- BTI gets their settlement and revenues directly from NPCI; twice a day at ~10AM and ~6PM.
- ATM owner is being paid Rs 15 per cash transaction and Rs 5 per non-cash transaction for their ATM being used by non-customers
- RBI committee has recommended revised rates at Rs 18 per cash transaction and Rs 8 per non-cash transaction
- For the industry, cost per transaction is slightly higher than the revenue per transaction.

- 75% transactions are cash transactions, while balance are non-cash transactions resulting in average revenue of ~Rs 12 per transaction
- BTI has 5mn unique customer using ATM and unique customers per ATM is also rising.

On ATM usage & profitability

- For white label ATM, about five years ago, customer usage was ~3.5 times per month which has now increased to 5 times per month
- A new ATM is becoming EBIDTA positive in just two months as against 12 months, which used to be the case a few years ago.

On cost of ATM for urban vs. rural

- In urban area, rental cost is high as compared to rural.
- However, in urban areas, servicing cost is lower than rural areas. This is because company can refill ATM every day in urban but in rural It become less economical to refill every day.
- ***Overall, cost of ATM in urban and semi-urban/rural area is largely similar and it is largely an optimization between rental and servicing cost.***

Other highlights

- ***Borrowing cost for BTI is linked to MCLR of various bank and they borrow from nearly 8-9 banks wherein the borrowings cost is in the range of 6-8%***
- On consolidation opportunities to acquire scale, management says that there are smaller banks who find it uneconomical to run ATMs. BTI can acquire these ATMs and run those ATMs by shifting it to suitable places based on their strategy.
- On an average, company needs Rs40-45mn working capital per day
- Net worth requirement is Rs 1bn as per RBI while BTI’s net worth is Rs 1.5bn

Expert Access – Mr. Aseem Dhru, CEO, SBFC Finance

We hosted Mr. Aseem Dhru, CEO, SBFC Finance

Key Takeaways

Opening remarks

- Niche NBFC have created value, while general purpose NBFCs may have created size but not value.
- Small lending business especially is notoriously difficult business – many have tried but only 3 have been able to build scalable business. Challenge is to survive and keep building business. For a business to successfully scale up - cost of funds, cost of credit and cost of operations – get all 3 needs to be right across cycle – not many have been successful.
- NBFCs have been doing well due to less aggression shown by PSU banks.
- In the business lending, market is more focused towards unsecured lending and concentrated only in few regions.

About SBFC business model

- SBFC began its journey 3 years back SBFC with a focused and differentiated approach - into secured micro enterprise and with pan India orientation - 110 branches in 100 towns spread across 17 states.
- It is trying to build a business around strong unit economics and profitability focused.
- Loan book currently stands at US$0.5bn (expected to increase to US$1.5-2bn) - 75% of the lending is against property and 15% is against gold.
- It has gold loan book of Rs4.5bn and average AUM of Rs45mn per branch (comparable to market leaders). In loan against gold, experimental services of home delivery loan is undertaken wherein customer doesn't need to come to centre to deposit gold and avail loan. This can help in expanding the geographical presence.
- SBFC focusses on small value lending - Rs1.0-1.2mn.
- Second line of business is loan management service – it has signed up for 1.5bn dollars of assets under management

Ground reality suggests higher stress; cheque bounces an area of concern

- Industry troubled accounts which were getting managed over past few month have started to see stress. Covid affected segments have taken pretty long than anticipated.
- Cheque bounce rate in the system is alarmingly high at 40%. This is putting pressure on collection systems/infrastructure – system is not geared for 40% cheque bounce on a consistent basis. Elevated cheque bounce will eventually increase delinquency and NPLs.

- On their own loan book, they have seen higher bounce rate for high EMIs (more than Rs25k) loans compared to low-EMI loan portfolio.
- Clients with below 750 CIBIL scores have seen large bounce rate.

Expected restructuring to be 4-10%

- Currently, economy is not in an expansion mode and what everyone is talking about is normalization.
- Somewhere between 4-10% is a weak book. Players with 1.5% GNPLs should eventually see 4.5% NPLs. Banks and NBFCs are well capitalized with superior margin margins and hence can take the pressure.
- 50% of ECLGS will topple over

On RBI IWG report

- NBFCs will be better off doing what they are doing currently and will lose competitive edge on several aspects if they convert to bank.
- When NBFC converts into a bank, initial cost of funds will be very high till they achieve scale. Along with higher cost of funds there are many operating cost which are required to be incurred for being a banking organisation. This will keep profitability level under stress for a longer period of time.

Expert Access - Dr Prakash Subbarayan, MD, Star Health & Allied Insurance

We hosted Dr Prakash Subbarayan, MD, Star Health & Allied Insurance

Key Takeaways

Opening remarks

- SHI has 29.5% of total market share in retail health insurance, which is the highest. SHI's market share in new business during FY21 has been 54%. As such, there was a gain in market share in FY20.
- Focus remains on acquiring larger share of retail pie since it is less loss making.
- In the past five years, the industry has grown from Rs200bn to Rs520bn. Of this, the share of retail has increased slightly to 41% at Rs210bn now compared to Rs80bn five years ago. Still, the coverage is only 6% of the total population of the country. Hence, there is a large scope to expand. Medical inflation has been ~12% p.a., so industry growth continues to be healthy.

On Covid claims

- During Q1FY21, the claims were mostly coming from public hospitals, so it was comfortable with lower loss ratios. But from July onwards, claims ratio saw an unprecedented increase, with average payout increasing 3-4 fold. In FY20, during the same period, the average payout was between Rs35-40,000, which increased to Rs110-115,000 during Q2-Q3.
- Total pending claims for the industry is estimated at ~Rs80bn.
- Challenges related to Covid-19 claims:
  - Outgo quantum is unpredictable.
  - No standard cost structures across hospitals.
  - No standard protocol issued by the government. Also, policies/ advisories/ protocols change frequently.
- Company has witnessed enhanced business during this period. But the claims have also seen a significant increase.
- A second surge, as is currently being witnessed in Delhi, may impact the company's health portfolio and make the balance negative for the year, even though revenues might be higher. Even though there has been a plateauing of cases and claims post Dussehra, the company is geared up for the second surge, if it may arise.
- There has been a higher interest from youth, with higher inquiries and policy purchases, at higher sum assured.
- There has been an increase in the number of inquiries on OPD coverage.
- Dr Prakash highlighted that of the total infected populace, only 15% require hospitalisation. Of this, only 30-40% require intensive care. Thus, telemedicine needs to be the preferred choice for majority of patients, starting with homecare and shifting to the same hospital providing telemedicine facility, if required.

On pricing front

- Even though the regulator has allowed an increase of 5% on premiums, the company has decided not to increase its premiums at the moment since it is more focused on the larger objective of increasing health insurance penetration currently. Only a few companies have utilised the 5% increase allowance.

Other highlights

- ***SHI's average sum insured has almost doubled in the past five years from Rs368,000 to Rs603,000 (ex-Covid related policies). This is majorly due to higher sum being insured by fresh policy buyers (>Rs0.6mn/person), while in case of the existing customers, the average increase in sum insured is ~10%.***
- Company has over 400 doctors associated with it to help it validate the policy pricing structure, medical undertakings, claim settlements, investigating the requirement of the surgery/procedure done and ensuring that hospitals and patients follow ethical practices.
- Dr Prakash noted that healthcare spending by the government is currently only 1.3% of the GDP and it is the need of the hour to increase it to over 2.5% of GDP. Still the necessary transformation required in India's healthcare infrastructure can majorly be done through the means of health insurance only.
- FY20 average payout per claim was Rs40,890. In Q1 it increased to >Rs60,000, while in Q2 it increased further to >Rs63,000. Currently, it stands at ~Rs56,000. Around 20% of the total claims have ticket size over Rs100,000.
- RoE in FY20 was ~20%. But it is estimated to be lower this year as loss ratio is over 60%.
- Priority of the company is to work through its agent in order to increase the retail market share. The company has banca partners but it does not prefer to scale up this route of customer acquisition. It also does not prefer the broker route which is also loss making.

HDFC Ltd (BUY, CMP: Rs2,191)

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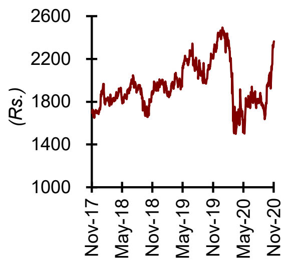
Price chart



We hosted Mr. Conrad D'Souza, Member of Executive Management

Key Takeaways

On disbursements and loan growth

- Builders are willing to negotiate rates in the range of 5-15%, while lower home loan rates, stamp duty reduction, tax benefit and confidence returning back is aiding home loan growth.
- Business is not only reverting to pre-Covid level (retail disbursements 95% of Q2FY20), but entering the growth phase too (September retail disbursements were up 11% and October up 35%).
- Positively, sentiments currently are far better now as compared to April. Earlier when expectations were of current year disbursements being at 70-75%, the trend in recent months suggests it will be >95%
- There is a lot of activity happening at the affordable housing segment, hence ticket sizes tend to be flat currently.
- Overall 15-18% growth seems to be achievable for FY21.
- ***For HDFC, a little over 65% of incremental loans is for under-construction properties, while balance is towards resale.***

On repo products

- It would be interesting to see how repo rate product performs when interest rates rise. This is because repo rate products work for the customer in a declining interest rate scenario and against the customer in rising rate scenario.

On balance transfer

- ***Balance transfer 'in' has been more than balance transfer 'out' – this is despite HDFC being cautious in balance transfers from NBFCs and product profile is different in those cases.***

On Commercial Real Estate

- A few commercial office space constructions were suspended due to lockdown, but now over the past 2-3 months, they have resumed construction.
- For commercial real estate, hybrid mode might come in wherein instead of 1,000 seater, company might need 600 seater or so as an example. But the company will also grow and company is of the view that commercial real estate demand is not going to vanish.
- Moreover, big players like Brookfield are making investments in commercial real estate.

On business demand in large cities

- Mumbai, Delhi, Bangalore and Hyderabad are doing well while the only challenge seen in growth is in Chennai.

On collection efficiency, restructuring and asset quality

- Collection efficiency for individual loans in September was 96%.
- ***Restructuring requests are coming in, but as of now the numbers are very low.***
- Those who genuinely got impacted, for them there is the option for restructuring. But that comes at a higher cost since none of the lenders are doing restructuring at the original yield. Hence, some of the customers who come for restructuring after looking at the revised cost decline the same.
- ***Rs123bn of total provisions on balance sheet and in terms of proportion, it will be largely towards non-individual loans (Rs123bn includes Rs12bn towards Covid built up over the past three quarters)***

Other highlights

- Dividend income was merely Rs3.23bn (Rs27bn in Q2FY20) and till regulator permits distribution of dividend by bank and insurance entities, dividend income would be modest for this fiscal.
- Also, employee stock option cost of Rs460mn was merely for a month and next quarter it will be more than Rs1bn.

Kotak Mahindra Bank (BUY, CMP: Rs1,862)

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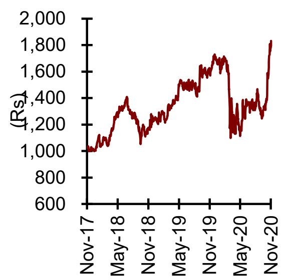

We hosted Mr Jaimin Bhatt, Chief Financial Officer and Mr. Abhiram Bhattacharjee - Senior EVP & Head - IR

Key Takeaways

On assets and advances

- Bank being going slow on growth during H1FY21 given the tough and uncertain environment.
- However, bank has now started moving the ship and is looking at growth in retail into home loans & secured asset and working capital towards high quality corporates.
- The focus going forward will be on secured consumer and rural areas. They have launched new mortgage rates for secured consumer loans by taking advantage of low cost of funds.
- Bank's primary focus is to make risk adjusted returns. Despite there is de-growth in loan book on YoY basis in Q2FY21, balance sheet has grown 18% YoY over the same period.
- Kotak is largely into secured lending. Currently, it is still cautious on the unsecured retail lending piece and it is not much into lending towards capex projects.
- On the credit card and unsecured personal loans – a very large portion would be to salaried customers

On home loan

- Typically, a home loans stays with the bank for 6-7 years as against its original tenure of 10-20 years. Similarly, for a car loan, it stays for 18-24 months as against is tenure of 3-5 years

On SME and ECLGS scheme

- MSME and ECLGS scheme has been a great success by giving MSME sector to fight through crisis.
- Under ECLGS, Kotak's share in ECLGS was reasonably higher than Kotak's share in overall SME lending. Overall banking sector share in advances is around 2.6%, while under ECLGS its market share is over 6%.
- Bank also saw various instances, wherein they availed benefit under ECLGS scheme and on the contrary, reduced their usage on OD/CC.

On deposit profile & cost

- While loan growth was slower, bank continued to build upon its deposit base
- SA rates have been cut twice in FY21, once in April and then in May
- Overall, cost of SA has come down sharply from the levels seen a year ago.

On the housing portfolio

- Of the total mortgage book, 55% is towards home loans while rest is towards LAP. Home loan - Mumbai would be by far the largest in terms of value
- Idea is to try and have a meaningful presence in the selected areas rather than having pan India presence
- Kotak Bank's average ticket size is higher than peers

On real estate

- Bank is seeing signs of revival in residential real estate
- However, commercial real estate is not picking up. This is because there is no increase in demand for commercial office space as of now.

On subsidiaries

- Kotak MF has been doing well on the debt as well as equity side. Profitability of AMC will improve due to operating leverage as the proportion of equity improves like it has in the recent past
- Kotak securities - Focus on cash segment continues and company might also see attractive plans being launched in the coming months in the F&O front as well
- On insurance, VNB margin is amongst the highest among peers, due to the AUM mix for Kotak

On the RBI guidelines related to NOFHC structure

- ***On the RBI report, would want to reserve the comments as it's a discussion paper as of now and will await final guidelines.***
- NOFHC for existing banks is conditioned on tax neutrality. Moreover, even after the tax neutrality is introduced, the entity will be given another 5 years. Hence, it has a long way to go.

Other highlights

- Growth has to be a part of bigger strategy and superior focus on execution – customer acquisition, engagement and cross-sell.
- Biggest focus is customer acquisition and engagement – will leverage the engagement framework organically. Modes of customer acquisition could be physical, digital and acquiring someone else customers.

State Bank of India (BUY, CMP: Rs243)

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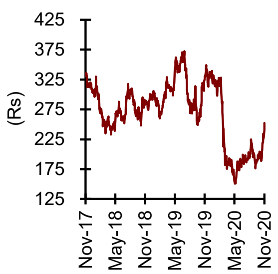

We hosted Mr Swaminathan Janakiraman, Dy. Managing Director and Mr. Misal Singh, VP – Investor Relations

Key Takeaways

On RoA trajectory & performance

- NII story is playing out well as NIMs further gained traction benefitting from incremental higher growth in retail credit (corporate book actually shrunk QoQ), lower NPL drag (interest on pro forma slippages not reversed) and sharp cut in deposit rates. Interest expenses grew by only ~2-3% despite deposit growing by 14-15%. NIMs are more likely to settle at current levels over medium term - going forward, deployment of surplus liquidity and resolutions may offset any downward pressure on NIMs.
- During the past three years as performance was impacted by corporate stress cycle, RoA was relatively subdued compared to its historical long term RoA average of 0.8-1.0%.
- Inferring from the operating metrics trend, the bank seems to be gradually moving towards the long term RoA range in the immediate and surpass its long term average RoA in near to medium term.

On dichotomy between ground reality and collection efficiency

- ***Given that a large part of SME business is unorganised and has no access to formal credit lines, the perceived pressure in the SME segment is not reflected in industry-wide banks collection efficiency number.***
- With respect to SME at the industry level, 50% SME businesses are self-financed, 35% finances from unorganised sources or through microfinance route while only ~15% of SME financing is done via banks.

On YONO capability and analytics

- ***YONO is not just a digital bank, but a financial superstore.*** Combined with analytics team and with capability of YONO, bank is able to offer both upsell (top up on existing loan, balance transfer on home loans) as well as cross-sell.
- ***Product per customer is 2x on an average.*** This is because bank has customer base in excess of 450mn and hence, product per customer on an average comes out to be very low. Today, the bank is using a lot of manpower to reach customers in tier-2/3/4 cities. With digitisation, banks should be able to reduce costs and attain financial inclusion at a larger scale.
- ***On digital partnership, bank is open to either partner or collaborate with fintech. It sees fintech as a partner rather than a competition.***
- On digitisation, the share of digital transactions stands at 93% and is still improving. The power of digitisation is immense. ***For example: During the past 6-***

7 months, it sourced US$1bn worth of personal loans digitally, which could have otherwise taken long to be sourced via branches.

- YONO will gain in scale and capacity over the next 2-3 years and then at an appropriate stage and time will engage with investors for value discovery.

On credit profile

- Retail segment has been a key loan growth driver over the past two years and will continue to drive the overall credit growth. Credit profile in retail segment too is comforting – 94% of Xpress credit customers are government/defence employees whose salary levels have not been hit due to the pandemic. Also, in home loan segment, 50% customers are government employees, 20% are from well-rated corporates and 30% are self-employed customers with high creditworthiness.
- ***As of now, approvals and credit enquiries are above pre-Covid levels on the retail front.*** SBI is approaching salary-backed loans in a focused but a risk-mitigated manner. **It expects overall loan growth to remain around 8% with some upside risk.**
- ***Retail loan origination via YONO in H1FY21 was 38%.***
- Bank would like to get back very strongly in agriculture and MSME.

On asset quality

- Collection efficiency – of Q2FY21 – 97% - payment received over EMI dues.
- Estimated slippages of Rs200bn for H2FY21 – provision coverage in corporate (legacy) book is 88% against historical LGD of 55%. In corporate book has done very granular analysis at RM level – so its bottoms up.
- Should have lower burden on credit cost provisioning in H2FY21 – more a factor of how economy evolves.

On capital

- Management said capital is sufficient to manage near-term growth as plough-back of profits further shore up capital adequacy. It raised Rs199bn in tier-2 (Rs160bn) and AT1 (Rs40bn) capital at best-in-class rates during the quarter. By FY21-end, tier-2 capital is expected to reduce to ~2% (from 2.8% currently) on account of redemption and exercise of call options.

On ECGLS

- About 25% MSME customers didn't opt for support from ECLGS, 25% opted partial disbursements towards ECLGS, while 50% opted ECLGS.

Axis Bank (BUY, CMP: Rs600)

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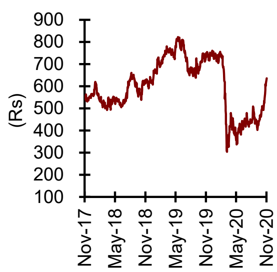
Price chart



We hosted Mr Puneet Sharma, Chief Financial Officer and Mr Abhijeet Majumder, Head Investor Relations

Key Takeaways

On collection efficiency & disbursements

- Overall collections at 94-95% level in Sep'20 and at 97% in Oct'20
- Secured disbursement is now back to pre-Covid level and unsecured loans at 50% of pre-Covid level. Overall proportion of secured disbursement in overall retail credit is at 90% vs 80% in pre-Covid times.
- Disbursement market share has tilted in favour of private sector players and so has incremental deposit share. This trend is likely to continue going forward

On credit profile and growth

- Pandemic and economic cycles always helps positioning of well capitalized bank.
- In terms of growth, will be selective but at the same time has taken up opportunities that come up in a risk calibrated manner.
- The company has grown 500-600bps higher than industry in recent times and is likely to maintain this trend.
- Growth in retail will be driven by secured loans. Seeing some sequential growth in SME in which had downsized some exposure during Covid.
- The focus on wholesale has been strong with new and improved product and service offerings

On asset quality

- They expect slippages in Q3FY21 and Q4FY21 to be higher than seen in Q1 and Q2 led by retail as moratorium has ended.
- The company won't do any adhoc provisions and reversal and reversal, if ay will largely depend upon how slippages stack up in the coming quarters
- They have capital adequacy of 19.4% and hence there is no need of incremental capital as of now.

On fee income

- Will continue to build granularity in fee income and will give away large bulky underwriting corporate fee.
- Two fee income streams seeing traction including transaction banking and forex flows – reached 1.2x pre-Covid levels.
- Greater than 1x fee income on TSD fee – new team, investing in systems, understand the product from manufacturing to distribution etc.

On liquidity

- Bank doesn't see liquidity easing off soon from the balance sheet
- Hence, margins are likely to normalize only in FY22, atleast from the liquidity side
- On full year basis, headwinds in terms of excess liquidity will go away only when bank starts deploying this excess funds into credit assets rather than repo window or excess SLR

On the RBI guidelines related to NOFHC structure

- Given that this is a working paper and the timeline is January, it is would await final guidelines.
- Also there is a condition of tax neutrality which will be a subject of revenue department rather than regulatory and it is unlikely that it will be a part of the forthcoming budget recommendations.

On digitization

- 70%+ of account openings come from digital platforms while around 50% of mutual funds and new credit cards come from digital
- Have very strong presence in digital - 20% market share in UPI vs. 4-5% overall market share

Other highlights

- Net promoter score – it tracks it very closely and can say with reasonable amount of certainty that its improving period over period.
- It were cautious about grant under ECGLS scheme and approach remains the same under ECLGS 2.0.
- Enabling board resolution for Rs150bn for period of 12 months till July next year – has raised Rs100bn via QIP.
- With respect Max deal – it has come to a structure where shareholding has changed but governance and protection rights have been maintained. Transaction will be consummated subject to regulatory approvals – positively looking forward to it.

SBI Life Insurance (BUY, CMP: Rs849)

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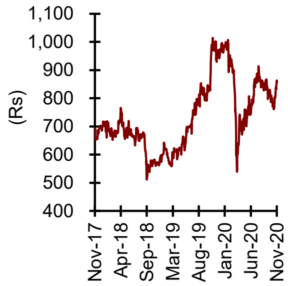
Price chart



We hosted Mr Sangramjit Sarangi, Chief Financial Officer

Key Takeaways

- SBI Life (SBLI) remains optimistic about positive APE growth in FY21 (FY21YTD total APE decline 9% YoY)
- Management indicated that they will launch a pure term product in Q4FY21
- ULIPs are witnessing good recovery and management expects better performance in H2FY21
- ***Credit protect is continues to improve gradually as disbursements have risen to pre-Covid levels***
- Management estimates steady state product mix as follows;
    - o *ULIPs- 65%*
    - o *Protection-15%*
    - o *Par and Non Par- 20%*
- SBLI will incrementally focus on non SBI banca channels for future growth (Currently 5% of individual APE). Currently they have tied up with Yes bank and UCO Bank
- Operating expenses will remain in control due to digital initiatives undertaken by the company (e.g. customer onboarding through YONO in H1FY21 is 4x of FY20)
- ***SBLI expects to retain or improve the persistency ratio in FY21***
- ***There has been no change in long term actuarial assumptions due to Covid.***
- In H1FY21 SBLI did total protection growth (22% YoY), group savings growth (83% YoY) and APE growth through non-Banca and non-agency channel of distribution (71% YoY).
- Share of return of premium (RoP) business within protection business has dipped to 78% currently

SBI Cards & Payment Services (Unrated, CMP: Rs815)

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We hosted Mr Nalin Negi, CFO, Ms Aparna Kuppuswamy, CRO and Mr Girish Budhiraja, CMO

Key Takeaways

On asset quality and restructuring

- Proforma Gross NPA would have been 7.46% (net NPL 2.7%) - Rs17.68bn ***including Supreme Court standstill accounts of Rs7.62bn***. It has taken provision on standstill accounts of Rs5bn (at 65%), as if it is regular NPL.
- ***RBI RE - Rs21.08bn (9% of loans) in August*** spread across 2.3L accounts – it has made RBI mandated 10% provisioning on the same.
  - Major segment out of this pool is in self-employed segment (from open market) and it has tightened standards in this segment.
  - The number of RBI RE is as of August and it would have gone up post August.
  - ***Contours of restructuring - SBI Cards came up with 2 plans – 1 year, 2 years extension at the rate of 14% & 15%. Rates comes down then what needs to be paid and that is what helps the customers.***
  - First payment became due in September but large proportion has paid up. If they pay first three instalments it will be much manageable as they know their card is going to open up.
  - ***54% of the customers were good customers with full repayment track record prior to Covid.***
- ***Easy payment plan – Rs1.68 bn – less than 1% of advances - more nuanced – 3 months to 18 months and varies from 3-18 months.***
- Credit risk is impacted by macro-economic risk variable – ***enhanced management overlay (contingency provisioning) by Rs2.68bn created in Q2FY21 – Cumulative provisions of Rs7.6bn (3.2% of advances).***
- ***So on overall stress pool of 17.1%, they seem to be carrying total provision of 9% (including management overlay).***
- Non-moratorium book delinquency is below the pre-Covid level. Stress accounts (RBI RE, standstill etc) is largely flowing from moratorium stock – though lot many people have paid up.

On spends and business origination

- ***Retail Spends in Q2 FY21 have increased by ~50% as compared to Q1 FY21. For October, has seen further growth in spends – significant jump due to festive offers***
- Retail spend for Q2 FY21 is at 90% of pre-Covid (Dec'19- Feb'20) levels. Retail Spends Sep'20 daily average : at ~98% vs Q4'FY20; at ~92%+ vs pre-Covid

- ***Significant leg-up in spends if these customers come out of standstill or RBI RE. It was largely due to opening up of lockdown and some element of pent-up demand.***
- 80-90% of corporate spend in pre-Covid were pertaining to travel, hotel etc – however even in its absence there is a good pick-up in corporate spends (touched Rs470mn per day in September).
- Steadily growing market share – cards in force to 18.7% and in spends has grown to 20.5%. In each of previous 3 months, market share is consistently rising.
- SBI sourcing for new accounts has risen significantly to 58% (from 52% YoY) – however for cards in force it still stands at ~38%.
- ***30% of receivables are towards transactors, 27% towards EMI and Revolver + RBI RE would be around 43%.***
- New accounts volume has increased to 688K accounts in Q2 FY21 compared to 288K in Q1 FY21. New Accounts sourcing in Sep'20 daily average: at ~110% vs Q4 FY20; at ~98%+ vs pre-Covid.

<u>On new to bank and Tier 3 plus customers</u>

- Tier-3 sourcing was higher by 15% points YoY at 57% – most of Tier 3 plus is coming from banca and hence it should behave well. Currently as well delinquency behaviour of banca sourced accounts is relatively better.
- ***New to bank customers were higher by 5% points to 23%.***
- SBI Cards market share in in new to credit at 31%, new to credit card is 41% and in Tier 3 plus customers is 37% - way higher than average market share of cards in force.

<u>Strategic initiatives rolled out for differentiated value proposition</u>

- Google Pay – contactless payment - partnership is very important – Tap & Pay, Scan & Pay and online payments
- Has tied up with Rupay and IRCTC to launch IRCTC Card on Rupay platform, first cobranded card on Rupay network.
- Has tied up with American Express to augment the Premium Portfolio
- SBI Cards is now available on all payments platform - “ghar ghar khushiyan” contactless awareness campaigns

IndusInd Bank (BUY, CMP: Rs855)

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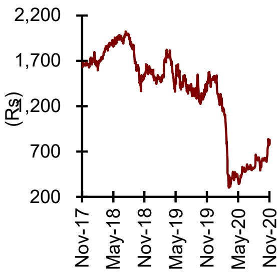
Price chart



We hosted Mr Sanjay Mallik, Head- Strategy & Investor Relations and Mr Indrajit Yadav, VP - Strategy & Investor Relations

Key Takeaways

On collection efficiency

- Overall lending book September collection efficiency (total collected over total demand dues) is at 94.7%. Collection efficiency has improved to 95.5-96.0% as of today; expect collections to inch up further by December.
- Vehicle finance collection efficiency is 94% - with tractors, 2-wheelers and SCVs trailing below the averages.

On restructuring

- ***Restructuring would be low single digit for the bank. As of now, the bank has not seen any meaningful requests from restructuring.***
- ***Moreover, there are certain instances in the corporate book where there could be likely restructuring, but the corporate has not opted for the same.***
- Covid-related restructuring could be from the firm involved in luxury coaches, educational institutes, real estate, hotels etc.
- This restructuring cycle should have better outcome than the previous one for the entire banking system.

On microfinance

- MFI business collection efficiency improved to 93% in October from 91% in September and expects it to cross 95% soon. Sep'20 disbursements stood at 85% of Sep'19 levels.
- ***Fresh disbursements of Rs35-40bn, done during H1FY21, had a collection efficiency of 99.8% under microfinance.***
- As a cautious approach, bank has reduced ticket-size for microfinance loans in H1.

On real estate

- There is stress emerging in two real estate projects consisting Rs5bn exposure; however, both of them are well collaterised and the bank might look for restructuring. Therefore, they will not have any large impact on the P&L in terms of credit cost.

On credit cost

- Bank wants to be very conservative as far as provisioning is concerned and will like to operate at higher coverage ratio going forward. Bank made an additional Covid-19 provision of Rs9.33bn during the quarter taking total Covid provisions to Rs21.55bn (1.1% of loans).

- In Q3, bank will make provisions towards restructured accounts, while in Q4, it will look to create buffers for any contingencies and flatten the curve in FY22 to normalised levels.

On fee income

- Fees has been weak in H1, but a gradual recovery is expected in H2. Probably from Q1FY22, there will be a steady state growth in fee income.
- Robust fee growth of 56% QoQ on account of strong pick-up in retail fees. Bancassurance is a critical component of banks' fee income. Investment banking fees remained subdued due to lower activity. Due to shrinkage of one of the fee income pools, fee income to asset will relatively lower than historical average.

On credit growth

- Mid-teens growth can be expected in next FY with incremental mix tilted towards retail.
- In H1FY21, focus was on balance sheet realignment. Now in H2FY21, bank will focus on scalability. ***Asset growth is coming back – retail segment – especially MFI, vehicle, secured assets. The bank has the ability to grow above industry average growth.***
- Deposit momentum is accelerating, crossed 8% QoQ deposit growth in Q2FY21. Retail TD grew by over Rs80bn - digital acquisition is 2x; physical acquisition is 80% of pre-Covid; 91% FDs were digitally sourced.

Other highlights

- At bank level, total exposure to hotels is Rs16bn of which all is not under stress.
- ***Bank has written-off the entire IL&FS exposure towards holding company and subsidiaries.***
- Bank has been gradually reducing its exposure towards risky assets like real estate.

On RBI's IWG Committee recommendations

- Promoters of IndusInd Bank, even prior to this IWG report have applied to RBI showing intention to raise promoter's stake. With the report indicating the similar recommendations just suggest alignment in thinking across stakeholders.
- IndusInd Bank as highlighted in the past that it has been closely evaluating opportunities in para banking space – currently, it has invested in non-banking financial services segment up to 20%. Various structures that can be evaluated include some stake or JV as minority partner or all out subsidiary (under NOFHC).

Bandhan Bank (BUY, CMP: Rs368)

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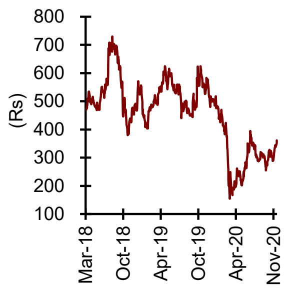
Price chart



We hosted Mr Chandra Shekhar Ghosh, MD, Mr Sunil Samdani, CFO, and Mr Hiren Shah, Sr. VP & Head Investor Relations

Key Takeaways

On collection efficiency

- Ground level collection efficiency is steadily improving across states, both in value terms and in number of customers.
- Assam collection efficiency was 87% in value and 89% in customers – post that it has increased. In fact, improvement in collection efficiency is highest in Assam than in other states.
- ***Repayment rate is close to 100% and including prepayments it is close to 120%.***

On credit cost

- FY21 – 3.5-3.6% credit cost (4.5% towards micro-banking and 1.5% for non-micro banking).

On new to credit customer assessment

- On an average, the bank has 15-18% customers every year who are new to credit. Assessment is done across customer profile, understanding their business, meeting them regularly, estimating their household expenditure, meeting competitors and neighbours to get customer feedback, etc.

On underwriting policy and customer acquisition

- Bank has not changed its underwriting policy.
- Advantage of Bandhan Bank's distribution is that they are close to their customers and hence able to monitor customers' activity. Bank meets ~80% of its customers on a weekly basis.
- New customer additions have slowed down since the bank wants to first get comfortable with its existing customers.

On drivers of non-interest income

- ***Processing fees*** is linked to disbursements and historically disbursements in H2 are more than in H1.
- ***PSLC income*** – This income will only grow QoQ as loan book grows QoQ, Bandhan will have excess PSLC available for sale. ***PSLC income for H1FY21 is 35% higher YoY.*** Hence, lower overall credit growth for the industry doesn't impact PSLC income.
- ***Third party products*** – a new initiative which has started delivering fee income. Largely it is income from cross-sell of individual insurance products and not much traction is seen on MF as yet. ***Bank has started this business this year itself***

and in the next five years, this income can be 5x more. It has done tie-ups with HDFC Life, Bajaj Life, and Kotak Life. Of this, HDFC Life and Bajaj Life have seen higher traction.

- ***Overall, most of the non-interest income is related to core business.***

On SME business

- ***SME ticket size is less than Rs2mn.*** Hence, definition of SME for Bandhan is different from the system and its collection efficiency is therefore better in SMEs as compared to the industry.
- SME lending is like more of formalizing small businesses and bringing them into the formal lending stream.

On affordable housing

- There is a good opportunity in the affordable housing market and the bank is trying to scale this portfolio gradually.
- As of now, only 106 branches are offering affordable housing product and the bank is trying to extend this to 500 branches by year-end and then to all branches in near term.
- Average ticket size is Rs1mn across the industry as of now.
- Gruh LTV was around 65% while Bandhan looks to offer 75-80% LTV and hence can see a higher ticket size as compared to Gruh.
- Overall, the bank sees this segment becoming 20-25% of the total portfolio in the medium term.

On staff cost

- Staff expense has been in line with historical trend. Increase in staff expense is because it tweaked the model to make it more focused towards collections.
- Other expenses were lower due to lower travel cost, especially at head office and zonal levels.

Other highlights

- Less than 5% of total deposits comes from micro-banking.
- Bank is adding some experienced senior management team on a timely basis.
- ECLGS total disbursements is less than Rs 10mn.
- Top-up loans were started in Sep 2019 for microfinance customers.

HDFC Asset Management Company (Unrated, CMP: Rs2,428)

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We hosted Mr Piyush Surana, CFO and Mr Simal Kanuga, Head sales-client funds of HDFC AMC

Key Takeaways

Opening remarks

- Generally, there is negative correlation between market movement and fund flows in the short term. Gross flows in industry remained similar but redemptions have increased.
- Debt and liquid flows remained healthy.Equity flows in industry have moved lower marginally due to lower income uncertainty.
- As per on-ground feedback, optimism is returning and closures of SIPs are slowing down.

On loss of equity AUM market share

- HDFC funds saw a decline of 6%, which was higher than the industry and hence, indicating some market share loss. Primarily, loss was due to M2M.
- Secondly, all top 5 MFs except SBI have witnessed loss in market share. Positively, SBI is on-boarding new investors and HDFC distribution channel can benefit from this.
- Thirdly, equity mix of HDFC AMC is 20% in mid and small cap vs 10% of industry. Also, underperformance of small cap and midcap led to loss of market share.

How to improve the fund's performance including new initiatives

- Will be launching dividend fund in near term
- There will be renewed attention towards development of PMS business (have also appointed a portfolio manager).
- HDFC AMC investment style was more focused towards value and growth at reasonable prices. Now it is trying to add style diversity to the overall portfolio to include growth-oriented flavour rather than only value oriented approach. New fund managers are managing 15-20% of equity AUM.
- Flows are subject to fund performance.

Other highlights

- Appointment of Navneet Munot will not change any investment functions.
- Industry average holding period of the customer is 30 months and for HDFC AMC it is slightly higher. Average holding period is increasing due to 1) LTCG, 2) message to 'remain invested' has been well taken by the investor community.
- SIP ticket size has been largely similar in the last 6 months.
- HDFC Bank is an open architecture and hence, it sells whatever is more profitable. Equity AUM of 10% comes from HDFC Bank. In overall AUM, HDFC Bank is 5.4%. Overall, out of total HDFC Bank customers, who have invested in mutual funds through bank channel, 1/3rd have invested in HDFC AMC schemes.

Muthoot Finance (Unrated, CMP: Rs1,119)

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We hosted Mr. George Alexander Muthoot, MD, Mr. George Alexander (Jr), ED, Mr. Eapen Alexander , ED, Mr. George M Jacob , ED, Mr. George M George, ED, Mr. Alexander M George, Wholetime Director and Mr Oommen K Mammen, CFO

Key Takeaways

On growth, customer profile and branch expansion

- The company had guided for 15% growth in FY20 and achieved 22%. In FY21, guidance is of 15% - however it has already achieved 14% so far in H1FY21 itself.
- Gold loan market has always been competitive and there has been competition from unorganized players, NBFCs, banks etc. However, it enjoys a better brand value, faster turnaround time and effective services that differentiates Muthoot.
- Incrementally, banks have started to push gold loans aggressively but Muthoot has been also been growing too with accretion of Rs50bn in gold loans in the past 6 months. The industry pie of gold lending itself is expanding and hence, despite rising competition, it is confident of sustaining the growth momentum.
- Repeat customers form a large part of the portfolio - In a branch that is more than 5 years old, there are more than 80% repeat customers. There is no service charge, no prepayment charge and interest is on actual numbers of days for which loan is utilised hence there are frequent repeat customers. At present, there are about 5mn transacting customers.
- The company has been opening 100-150 braches every year for the last 4-5 years and plans to open 100-150 branches every year. Typically, a new branch breaks even in a year
- The reliance on CIBIL score prime and super prime customers is relatively low as customers with high CIBIL scores have other financing options at lower cost. Most of the gold loans taken are for working capital needs

On loan tenor and repayment trend

- Typically, 60% of the company's loans get repaid in the first 6 months, another 30% in the subsequent 6 months while the remaining 10% of the loans go above 12 months. Out of the 10%, around 30% turn into NPAs. Even NPA are more technical in nature and does result in any loss given default as it recovers the principal as well as interest by auctioning gold.
- Average ticket size of loan is about Rs50-55k with range of gold loan being offered is Rs2,000-200,000.

On LTV and yields

- LTV is calculated at the time of disbursing a loan and maximum loan given is 75% of the day's price. Usually, average disbursal is around 69-70%. The rate of interest varies from 12-22% depending on the LTV and tenor but the blended yield is around 19%

- The company has a better presence in South India compared to other parts of the country. Around 55-60% of branches are in South India. The total number of branches stand at 4,600+ out of which 2,000 are in South India. Tendency of people in south to pledge gold is higher than in North.

Non-lending businesses

- The company had earlier guided to take non-gold portfolio from 10 to 20% in a span of 2-3 years but it has reduced to 9% now given strong growth in gold portfolio. The guidance has now been revised to 20% share in 5-6 years.
- The company has done any lending in the last 6 months in home finance and vehicle finance. The disbursal levels are not expected to reach pre-Covid levels in home and vehicle finance in the next 2-3 quarters and hence the overall non-gold portfolio will be flat
- The collections in Sep'20 were 84% in home finance, 82% in vehicle finance and 86% in microfinance. Oct'20 and Nov'20 are expected to be better.

Other highlights

- They will be able to take cost to income ratio around 5% - won't go much below or above that. Opex is 4-5% of loan asset and they will be able to maintain it at the similar level.

Piramal Enterprises (BUY, CMP: Rs1,389)

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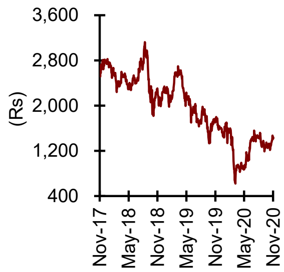
Price chart



We hosted Mr Hitesh Dhadda, Chief Investor Relations Officer

Key Takeaways

Simplified corporate structure

- Based on investor feedback, PEL has simplified its corporate structure with two major business – A) Financial services 100% owned by PEL; and B) Pharma 80% owned by PEL and 20% by Carlyle.
- Long term plan is to list both the arms separately.
- It still has some investment in Shriram Group, which it will monetize in the near term.

Pharma - Stake sale to Carlyle

- ***Raised US$419mn of fresh equity valuing it at an enterprise value of US$2.78bn with upside component of US$3.6bn.***
- Pharma deal was closed in October

Focus on balance sheet strengthening and ensuring liquidity

- ***Over past six months, PEL has been conservatively focused on strengthening balance sheet and ensuring adequate liquidity to navigate current cycle more effectively than others.***
- In line with strategy, it raised long-term borrowing of Rs248bn (of which Rs115bn was raised during Q1FY21 for 3-7 years) and raised equity (CAR at 34%) to bring down 'net debt to equity' to less than 1x.

Financial services business

- Opportunity to grow organically as well as inorganically (at an opportune time).
- Exposures to top-10 accounts (Rs147.1bn) were stable QoQ (except for some accrual of interest income during moratoriums).
- No guidance on restructuring and the company believes though collections are improving MoM, better clarity on asset quality will emerge by Dec/Jan'20. However, it also pointed out that existing provision is adequate to take care of potential restructuring.
- Piramal also plans to launch unsecured products for retail next year.

Real estate book update

- Post Covid, the company had assumed zero sales in H1FY21, 20-30% in Q4 and 30-40% in March. However, early trends indicate better performance in the developer book than anticipated under stressed scenario for creating provisions.
  - ***Developer collections from homebuyers are at 82% of pre-Covid levels***

- o ***Sales of developers back to 100% of pre-Covid levels***
- o ***Construction commenced at nearly 100% of sites***
- o ***~90% (~21,000 labourers) returned to sites vs pre-Covid levels***

- No top-up was required for any of the wholesale clients. However, the company has set-up credit lines for developers to ensure completion of projects.
- Company doesn't anticipate more than 5-10% price correction in real estate. In fact, under affordable housing, some cities have witnessed price increases in September.
- Prospects for the real estate and renewable sectors have improved significantly over the past six months.
- ***Demand for real estate is due to change in customer preference of owning bigger home, or buying a home for those who don't own a home.***
- Piramal has seen maximum traction in affordable housing category followed by traction in big ticket size as well.
- ***Given the lower base in retail segment, PEL does not expect to face difficulties in growing this business.***

On exposure to large developers

- ***Large developers have done reasonably well in the Covid environment.***
- As part of its strategy, PEL wants to cut its large exposures significantly.
- By March, all large exposures should be below 6-7% of net worth while only one exposure will be ~10-15% of net worth.

Multi-asset retail lending platform

- ***Multi product retail lending platform – digital at its core.***
- Focusing on Bharat market – unserved customers in Tier-2/3 cities.
- High quality management team – incorporating learnings from current environment
- ***Will continue to evaluate inorganic opportunity in retail financing business.***
- Company has acquired good level of talent on the retail end to build its retail financing.
- ***Housing finance and small business loans are initial parts of the business. Going forward, PEL is looking at used car loans. It will enter into those categories where banks don't have much presence.***

Pharma

- ***Debt levels in pharma after the deal would be Rs 20bn-25bn.***
- Company also has opportunity to re-enter the domestic pharma business, which will be most likely done via acquisition.
- ***Company would like to have a balance between margins and growth.***

AU Small Finance Bank (BUY, CMP: Rs856)

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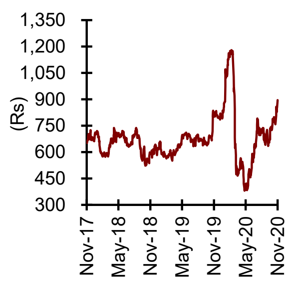
Price chart



We hosted Mr. Prince Tiwari (Chief of Investor Relations) and Mr. Aseem Pant (VP, Investor Relations and M&A)

Key Takeaways

<u>**Collection efficiencies in Sep'20 was already at pre-Covid level.**</u>

<u>Customer activation</u> at 78% (full payments) with collections in Wheels (72%), SME (78%) and Gold loan (72%) remaining lower.

<u>Non-paying borrowers</u> - Total non-paying borrowers (% of advances) stands at 5.5% as on August'20 of which ~90% were from wheels (50) and SBL (40). Further, 2.5% of borrowers has paid atleast 1 EMI in Sep/Oct'20. Improving trend continues in Nov'20 as well.

Provision buffer. It estimate 2.75% of AuM to remain under stress and asks for close monitoring. However, it believes current buffer of Rs2.8bn (`1% of loans) is sufficient. **No guidance on potential restructuring pool.**

On disbursements – Sep'20 disbursements was at similar level of Sep'19 level and same trend continued in Oct/Nov'20. Disbursements on YoY basis not growing but has reached pre-Covid level, it would like to remain cautious for 1 more quarter before it start pursuing growth aggressively. Disbursements in July was nil, August started selectively and September was the first month of normalized level – initial revival in SBL was mainly driven by ECLGS led but now it is broad based & mainly from entities engaged in essential service, demand revival in Vehicle segment sustained in Oct'20 while HCV/LCV/Commercial PV demand is still tepid.

Liability - Shifting focus from mass sourcing to quality sourcing (RM based approach). To sharpen focus in key markets it formed specialised team and employees KRAs realigned as per revised strategy. Increased focus on customer activation (ZBA down 9% on annualised basis, AMB improved by 51% in 1HFY21 I'm Saving accounts). CASA ratio spiked to 21% from 16% in Q1fy21.

As on Sep'20, 36 branches has more than 5% market share in deposits supported by its strong asset franchise in those markets, having vintage of >10 years. Urban markets – changed hiring strategy – recruiting people with good vintage and good connect in local area which will help AU in on-boarding new customers. >90% of SA accounts were opened digitally. More focused on geography specific strategy and hiring accordingly.

Tourism -Domestic tourism was picking up till Diwali, but subsequently with increasing Covid cases the pace of revival has moderated a bit recently. Large hotels booking on weekends was good but not the segment where AU operates. In the segment where AU operates hotel booking are seeing improvement and tourist taxis are operating at 50-60% utilization.

Product per customer has improved to 1.4x from 1.1x 1.5 years back and it aspire to increase it to 2x over the medium term. Historical asset customers were liability customer hence cross-sell was limited but incremental sourcing in Metro & Urban centers provide scope for cross sells.

Aavas stake sale – Divested ~4.5% stake in Aavas, likely to add 2% to Tier I ratio.

Other highlights

- Bank guarantee of Rs7.5bn comprising of 700-800 customers is largely to contactors banking with AU for long term PWD, Irrigation, NHAI sub-contractors & is FD backed or security backed.
- Customer retention ratio in Retail TD is ~70%, in line with industry average.
- Number of customers doing >4 transaction per month increased by 15% to 2 lakh.
- Total disbursement stands at RS34bn, which is ~72% of pre-Covid level however Sep'20 disbursement is already at 99% of Sep'19 level.
- Few sectors like Education, Travel & Tourism and Hospitality are recovering at slower pace – need extended handholding; Bank remains actively engaged to help impacted customers
- Fine tuning digital strategy from last six months – pivoted around three things: a) customer acquisition, b) deepening the relationship, and c) servicing across liabilities and assets. It rolled out assisted digital lending journey with virtual RM and video banking support to accelerate digital adaption in rural areas. Its end-to-end digital lending is live for Maruti and expected go live for other OEMs in coming months.

Bank of Baroda (Unrated, CMP: Rs49)

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We hosted Mr Sameer Narang, Chief Economist

Key takeaways

On restructuring, moratorium & collection efficiency

- Collection efficiency stands at upwards of 90% (compared to 94% pre-Covid levels) and even for moratorium pool, it is 86%
- ***Extent of restructuring will be known only by December but expects it to be lower than anticipated.***
- ***Key metric for the bank now is to track collection. Bank is very closely focusing on collection to track asset quality.*** Management says that watchlist is for normal times, but in today's time, monitoring collection is critical and bank has fared well

On asset quality

- ***There is some uncertainty over provisioning as of now, but banks coverage ratio is adequate as of now***
- ***Provisions till date on account of Covid-related issues is Rs 17.48bn***

On deposit cost

- ***Large part of the decline in cost of funds is due to reduction in SA rates and despite low rates, it grew 12% while retail term deposits grew 9% despite very competitive rates***
- ***Cost of funds should see minor decline over the next two quarters***
- There is enough liquidity and hence bank won't be aggressive in garnering deposits over the near-term

On credit profile

- ***Disbursed Rs70bn under ECLGS which is ~20% of the MSME book, hence around Rs 350bn worth of portfolio was covered***
- ***Bank wants to get aggressive on home loans since it wants to emphasize more on retail loan growth***
- Bank would like to make retail book as much secure as possible
- ***Bank expects above average industry growth rate in home loans***

On capital raise

- ***If BOB continues to perform like it did in Q2 on a consistent basis on profitability and growth, then there is no immediate need for capital***
- For further capital raise if required, bank might approach capital markets or raise AT-I, but that would be decided post Q3 results when the management will have enough clarity on restructuring, slippages, etc.

On international business

- ***Expect credit cost on international book to be significantly lower as compared to domestic book,*** largely due to the nature of the book wherein ~25% is to banks through LC, guarantees etc.
- International book slippages include slippages from Dubai-based healthcare group provided during this quarter as well

On future outlook

- ***Credit & deposit growth should be ~7% for FY21E***
- By Q3 onwards, bank believes that it should be able to generate reasonable RoE
- **Other highlights**
- Merger related issues for the bank will mostly be done away with by end of next month
- In terms of credit quality of NBFC book, bank believes that it is in a very good shape as of now.
- CASA ratio is back to pre-merger level of 40%
- As of now, it looks like Southern and Western India may escape a second Covid wave unlike Northern India
- Co-lending has not seen desired outcome as expected since there are a number of customizations required and need to have different customizations for different tie-ups with vendors

IDFC First Bank (Unrated, CMP: Rs36)

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We hosted Mr. V Vaidyanathan, CEO and Mr. Saptarshi Bapari, Head Investor Relations

Key Takeaways

On RoA trajectory

- With improvement in NIM, uptick in fee income (with higher retail credit growth) and cost to income ratio, the bank aims to reach RoA of 1.4-1.6% and RoE of 13-15% in the next 5-6 years.
- The bank plans to increase the retail book composition to 70% within 5 years and sets the target to take it to 80% thereon.

On disbursements

- ***For the month of September, disbursements were 95-96% of Sep'19 levels.*** Even in festive season, disbursements saw a good traction particularly in consumption loans namely consumer durables, two-wheeler loans and passenger vehicle loans.
- Traction in retail continued to be strong - retail book grew 25% YoY/7% QoQ now constituting 63% of funded assets (including inorganic buyouts)
- Bank continued to consolidate the balance sheet – funded exposure flat YoY/up 3% QoQ. As per the stated strategy, wholesale book is being scaled down - within the wholesale segment, infrastructure loan book reduced further by 27% YoY (down 7% QoQ) to Rs125bn in Q2FY21 and the bank aims to bring it down to NIL in 3-4 years.

Released specific provisioning to create contingency buffer

- Overall bank level – Pro forma GNPA in Q2FY21 reduced to 1.87% (1.99% in Q1FY21) and the NNPA would have been 0.6% (0.15%). Retails pro forma GNPA in Q2FY21 reduced to 0.79% (0.87% in Q1FY21) and the NNPA is steady at 0.41%.
- Bank released Rs8.1bn provision out of the existing provision of Rs16.2 on exposure to a large telecom player and used the same for creating additional Covid-19 provisions.
- Bank sold off its entire exposure through NCD in one of the stressed HFC through secondary market transaction - booked a loss of Rs4.6bn in trading income and released the existing provision of Rs4.6bn.
- With this, during Q2-FY21, the bank has taken an additional provision of Rs14bn towards Covid-19 to strengthen its balance sheet further taking cumulative contingency provisions to Rs20bn (2.21% of standard advances).
- Bank has not received any sizeable request for restructuring (much lesser than 1%) and expects it to settle in low single digit.

Other highlights

- ***Bank has disbursed Rs16bn under ECLGS scheme to MSMEs***
- Bank was initially planning to open 50 branches per quarter, but post Covid-19 and with rapid pace of digitisation, bank has reduced its branch expansion pace.
- ***Any change in senior or middle management team is unlikely in near-term***
- Top 20 depositors concentration has reduced to 12.4% (from 16.9% in Q1FY21).

M&M Financial Services (ADD, CMP: Rs161)

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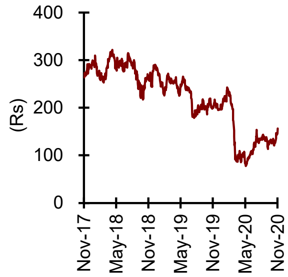
Price chart



We hosted Mr. Vivek Karwe, CFO and Mr Dinesh Prajapati, Sr. VP Group Treasury & Corporate Affairs

Key Takeaways

Opening remarks

- Things are improving on all fronts - be it disbursements, collections, cost savings etc. Sentiments are turning positive and confidence is returning.
- Used vehicle market is seeing improvement on supply side.
- Disbursements were slow in Q1, but they picked up pace in Q2 and disbursements are expected to be quite strong in H2. In some product segments, supply side is choked and not very aggressive. AUM growth is expected to be rangebound at 8-10% - to get back to 15-20% growth story post March.

On NIMs

- Yields are holding on, resorted to storing liquidity (Rs85bn) and carrying cost drags NIMs by 50-60bps. It does see the ability to raise funds from every source and at an attractive price. The company is seeing increasing margins across all buckets.

On collection efficiency and restructuring

- Collection efficiency was 82% in September as against pre-Covid levels of 87%. Normally, July-Aug collections are not better due to monsoon – else would have been at 87-88%. The trend is improving MoM even post September.
- Number of accounts that were unable to pay any installments stood at 0.27mn as of Q2. These were primarily from few segments that have not seen business revival - cab aggregators, school bus, hotel/tourism, heavy CVs etc. that together form 7-8%. ***Many customers from this 0.27mn have started paying their installments.***
- ***So far, the company has received limited request on restructuring.*** For restructuring, the company will understand, assess and then based upon the need of the customer, will decide whether restructuring needs to be done or not. ***Clarity will emerge on restructuring till Q3-end.***

On cost efficiency

- Some of the operating cost will increase in H2 as business normalcy returns.
- Cost containment continues and there is definite savings – variability in business volumes; advertising, legal, BPO services, rents etc are revisited and savings are sustainable.
- Cost is bought down to 2% - can go up to 2.25-2.40% if businesses will grow to 15%. Has permanently shaved off 50bps compared to the recent average of 3% plus.
- Major cost benefit has come from negotiating rents for most of its premises.

On RBI IWG Committee report recommendations

- The recommendation in RBI's IWG report allowing corporate/industrial houses to promote a bank and well run large decade NBFCs with asset base of Rs500bn or more is an interesting development. It will examine the possibilities and matter will be decided by the Board.
- However, it will await final guidelines from the RBI and all contours, guardrails etc that are highlighted.

Nippon Life India Asset Management (Unrated, CMP: Rs292)

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We hosted Mr. Prateek Jain, CFO, Mr Saugata Chatterjee, Co Chief Business Officer and Mr Abhishek Nalwaya, Head Investor Relations

Key Takeaways

On business performance

- In the past 12 months has established the 'NIMF' brand and activated more than 170 corporates.
- Even in lockdown, full operational efficiency at 100% was maintained
- Had the biggest NFO during lockdown that garnered 80k applications across 370 locations in India.
- The company launched Smallcap 250 Index Fund, IT Index ETF and largest gold ETF during the past few months.

Key highlights

- Retail AUM contributed 26% of NIMF AUM
- NIMF has 6.2 million Unique Investors; 29% market share in the Industry
- Digital contribution to total NIMF business transactions rose to 48%.

On strategy adopted in the past few months

- Company has a high proportion of equity assets and since market corrected sharply in the beginning of 2020, AUM also took a hit.
- Nippon kept on building its SIP book and continued to increase its retail penetration. Net monthly inflow in SIP stands at Rs6.2bn in September and overall SIP AUM is Rs250bn.
- Company adopted three pronged strategy
  - Adopted digitization strategy very aggressively - Digital contribution-to-total NIMF purchase transactions stood at 48%
  - Second strategy was to leverage the first mover advantage and scale up ETF business wherein company scaled banking ETF, smallcap ETF etc.
  - Third strategy was fixed income – industry volumes are expanding in fixed volumes over the past 6-9 months. One of the short term duration fixed income fund launched recently also has now Rs 150bn AUM.
- ***As a result of these strategies, company was able to recover AUM and now it is well above Rs 2tn.***
- ***Fixed Income, ETF will continue to remain as a core strategy at Nippon AMC***

Other highlights

- The biggest USP is that operating leverage plays a big role in ETF business.
- Retail is not participating in a big way in the fixed income space - ~75-80% of fixed income AUM is in HNI & Corporate
- There would be some pressure on yields going forward due to increased competition. However, focus would be on equity and high yielding assets.
- Opex is higher as compared to other large AMCs since they enjoy bancassurance benefit unlike Nippon.

LIC Housing Finance (ADD, CMP: Rs323)

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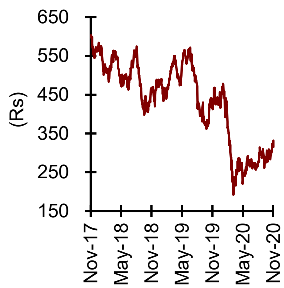
Price chart



We hosted Mr Sudipto Sil, CFO

Key Takeaways

On collection efficiency & restructuring

- ***Collection efficiency for overall portfolio (retail + non-retail, morat + non-morat) was at more than 96% for the month of September.***
- The 96% calculation does not include any previous month arrears.

On restructuring

- ***3-3.5% of the total portfolio has enquired for restructuring. Overall, Rs 65bn-70bn has approached for restructuring.***
- Regulatory provision on restructuring of 10% could be spread over various quarters.

On credit cost

- ***Credit cost can inch up to 20-21bps in FY21.***

On asset quality

- ***During Q3, some 2-3 big ticket size case resolutions will materialize, which are in final stages and hence there can be steep decline in NPA numbers.***

On incremental yields

- Incremental loans to developer yield is 12-13% among the top 10 cities.
- ***Incremental disbursements in LAP were in the range of 10-10.5% yields with an average ticket size around Rs 1.6mn-1.7mn.***

On credit & deposit profile

- ***9-10% YoY credit growth can be expected in Q3.***

Other highlights

- ***Best rate of interest is 6.9% for CIBIL score of more than 700 and loan amount of up to Rs150mn. Company strictly goes by CIBIL score and they have not witnessed any concerns with respect to it.***
- 4-5% of incremental disbursements would have been balance transfer.
- Balance transfer from LIC Housing is in the normal range which was around 2-3%.
- There has been a pickup in incremental disbursements over the past few months.
- ***Looking at the expectations in April and May, actual scenario has been much better. Business started improving from June onwards.***

- On increase in housing demand, management states that over the past six months, not everyone has been impacted by Covid and they are now looking at identifying good deals in home loans
- Under ECLGS 2.0 wherein the limit has been raised to Rs5bn, the company believes there are not many accounts with it who may benefit.
- ***Leverage is currently at 10.5x and the company has operated at this leverage even in the past.***

CRISIL (Unrated, CMP: Rs2,000)

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We hosted Mr Sanjay Chakravarti, CFO

Key Takeaways

- ***H1FY21 Result:*** H1 was very strong; rating business was strong and contributed to this growth. Global analytical business was strong as well.
- Domestic research is largely discretionary in nature. There was pressure in this segment. IPO offerings were low as well as the clients didn't undertake any major market research as they were unwilling to invest. Management indicated that this segment will recover with pick-up in GDP.
- While the company didn't divulge many data points on domestic research segment, it highlighted that it is a profit making, material business and it will continue to invest into this segment.
- ***Current market share in domestic rating is 65%+ and has improved from 52% in past 2-3 years.***
- Growth in rating has been volatile as it reflects GDP growth, which has been volatile as well.
- ***In Q2FY21, quantum of bond issuances increased by 7% while the number of issuances has reduced by 21% in bond market, but very few people were coming into the bond issuance. Corporate credit market is expected to come back and activity levels will pick up.***
- Global research business has seen some pressure. Pressure has come from cash equity business, especially from sell side. They have started engaging the buy-side and management indicated that one single buy contract is almost equivalent to a sell side contract.
- Global research and risk solution businesses have 20-25 global banks are their prime customers who take inputs regularly. Since global banks are doing better, this segment is likely to do well (revenue mix here is 50:50 annuity and project-based).
- ***International ratings are being done by S&P.***
- Of the total benchmarking revenue, 60-70% is annuity in nature. Management indicated that products offered here are superior to its peers.
- ***65% of the revenue (barring ratings as it is purely domestic) comes from global business.***
- ***The two acquisitions (IREVNA and other) have grown substantially from the time they were acquired; growth has been in terms of both revenue and margins.***
- Management indicated that operating leverage and cost flexibility is still present in the business and they have sufficient room for further cost optimization. They have

not terminated any of the full time employees and also gave planned increments for the year FY21.

- There is no change in competitive pressure or intensity; however, it has over last 18 months gained market share in bond issuances rating.
- What has stood out for CRISIL was analytical rigour, analytical processes, technology, product investment, shift of rating business into a new company (with separate Board) and keeping quality as a prime importance. Rating business is a completely firewalled business.
- More to do with quality of ratings – It would want to hold on to this market share and that itself will hold it in good stead. Market share is not skewed or led by a single sector or single product, but is more holistic in nature.

City Union Bank (HOLD, CMP: Rs185)

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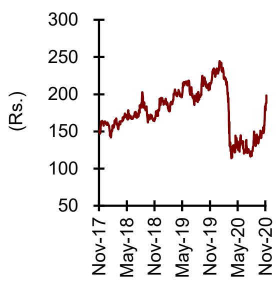

We hosted Dr. N Kamakodi, MD & CEO, City Union Bank, in our conference.

Key Takeaways

Collections. ~90% at portfolio level, ~5% non-paying customers and 5% is 1+ DPD as on Sep'20. It extended moratorium to all eligible borrowers during the period from March-August'20. Post the end of moratorium period, ~94.5% CC a/cs & 85.7% of Term loan a/cs, totaling 90.5% of exposure received payments for September demand.

Customer Activation – Total 9.0% of borrowers (in value) (0.65% of CC & 19.12% of Term loan exposure) had not paid even a single payment during moratorium. Out of them total ~5% of borrowers have paid the demand portion of one monthly installment in the month of September 2020, after fully utilizing the moratorium.

Provision buffer. Provided Rs1.1bn for Covid-related uncertainties in Q2FY21 taking total buffer at Rs3.3bn or 89bs of loans.

Restructuring. Currently restructuring request stands at Rs4.3bn and total restructuring to remain around 5%-6% including current pool of 1.35%. The general approach is very clear: entertain only genuine SMEs who were regular pre-Covid and have a viable business model to improve cashflow over next 6-12 moths. Its prudent approach reflects in only 2% slippage from ~10% restructuring pool in 2008

Disbursements. Bulk of the disbursal is towards the ECLG scheme and gold loan. Growth was muted even before pre-COVID.

- Demand for products and services will depend on the stability of economy and better utilisations.
- Will remain conservative in the near term.

Profitability. Had 1.5% ROA in the last fiscal and expect to reach pre-Covid level in H2FY23, could prepone by few months or quarter if current improving trend sustains.

SME exposure

- Anyone who had no payment issues by end of Feb were eligible.
- Those who were defaulting even before COVID are not eligible for ECLG and restructuring.
- Certain businesses are recovery slow like hotels, transport, etc which would break even in few months. Every segment has to be assessed separately.

Other highlights

- **Its exposure to stressed sectors** like Education, Hotels, and Tourism etc stands at 8-10%.
- Recovery rate – In normal times, the recovery rate was ~70%-75%, but with Covid it expects this to drop by a maximum of 5%.
- **Slippage guidance – 3-3.5% in FY21E.**
- **Credit growth** – Currently, credit growth is largely driven by two products Gold loans and disbursements under ECGS. Going ahead, it continues to maintain cautious stance on growing balance sheet. Further, it highlighted that fresh enquiries are mostly for Balance transfers and weak demand for capital investments.
- **Margins** – NIM expansion was mainly driven by two component A) reduction in cost of Deposits and B) optimization of CD ratio. Going ahead, it expects margin to normalize between 3.8%-4.2% from current level of 4.33% (adjusted for interest reversal on SMA loans worth Rs0.25bn) as it sees pressure on asset yields.
- **Cost/Income ratio** – The cost/income ratio is likely to increase to 42-44% in coming quarters from current level of 40% as it expects non-interest income to remain pressure.
- **Update on ECLGS** - Initially, funds availed under the scheme was utilised to kick-start business activity but recently surplus funds are getting utilised to repay high cost borrowing.

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Aavas Financiers (BUY, CMP: Rs1,554)

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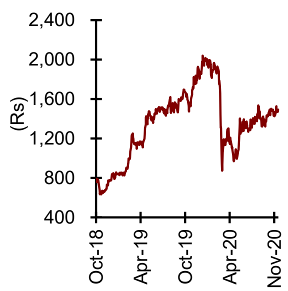

We hosted Mr Sushil Agarwal, MD & CEO and Mr Himanshu Agrawal, Investor Relations

Key Takeaways

On collection efficiency

- ***In terms of collection efficiency, so far November month has been better as compared to October***

On 1+dpd

- ***6.2% 1+dpd has been reached much early than anticipated. The normal run-rate was 5% pre-Covid.***
- ***For calculation purpose, last date of the month is considered for 1 day past due***

On disbursements

- ***Usually incremental disbursements mix is 70% towards home loan & 30% is other mortgage. But for H1FY21, the mix was 75:25 considering cautious stance due to Covid disruption***

On RoA

- Company says that spreads sustained at 5% over the long-term is difficult. But bank has sufficient cushion to contain its opex which should largely offset lower spreads impact on RoA.
- ***Hence, company would be able to sustain its RoA of 2.5% over the medium term***

On credit profile

- ***Aavas would like to maintain growth rate of 20-25% for the next 3-5 years. For this growth, company has sufficient capital atleast for next three years***
- For growth, company works on risk-based pricing and is looking at organic growth.
- 100% sourcing is done through in-house models
- 75% book is housing loan, while rest is non-housing, but ticket size for non-housing is also below Rs 1mn
- ***Interest rates for self-employed customers is generally 150-200 bps higher than interest rates for salaried customers***
- Average ticket size is Rs 0.9mn with 35% customer base as salaried and remaining as self-employed
- ***Company is not looking to enter into any unsecured lending atleast over the next 2-3 years***

- ***Balance transfer used to be 1% per month a few years ago, which has gradually fallen to 0.3% per month pre-Covid, while currently it is around 0.4% per month***

On liability

- ***Company has very well distributed lender base***
- Liability side mix is as under: Rs 22bn capital, Rs 20bn NHB, Rs 10bn multi-lateral agencies and remaining from banks
- ***95% of home loan book is classified as PSL*** and hence company also receives concessions from banks for lending towards PSL
- ***In the past 10 years, Aavas has never borrowed using commercial paper***
- ***Company's average cost of borrowings was 7.9% as of H1FY21 and it is likely to further reduce a bit in H2FY21***

On liquidity

- Bank has enough liquidity and there are no constraints on the same as of now.

On employee front

- Earlier 400 employees were delegated towards collection efforts which was increased to 500 employees on an employee base of 3,500 employees.

Federal Bank (BUY, CMP: Rs59)

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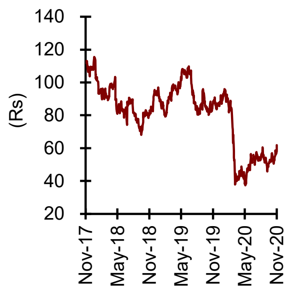
Price chart



We hosted Mr. Shyam Srinivasan (MD & CEO), Ashutosh Khajuria (Executive Director & Chief Financial Officer) and Anand Chugh (Head IR)

Key takeaways

On collections

- ***September collection efficiency is close to ~95%, higher than January'20 collection efficiency and is at par with February'20.*** However, from here on the pace of collection improvement will moderate and should take four to six months to gauge the sustainability of current collections trend as per the new repayment schedule where the EMIs have been revised post moratorium. Only 1.5% of borrowers (in value) had not paid a single EMI since moratorium. Collection efficiency in non-moratorium book is as high as 99%.

On collections

- Its conservative approach in utilising Q2FY21's strong profitability to strengthen balance sheet reflects in creating Rs4bn Covid-related buffer, taking total buffer at 50bps of loans.

On restructuring

- ~3-3.5% of total loan book would come for restructuring. It had already provided ~10% on potential restructuring pool in Q2FY21. Still not in 3 digits even as on 19th Nov'20.

Other highlights

- LGDs at portfolio level before Covid was ~40%. But with expected delay in recovery and risk on property price due to pandemic, it has conservatively improved PCR to 65% by Sep'20 vs 48% in March'20.
- T-BILL link book is 1-1.5% of the total loans, since Jan'19 they have stopped T-Bill linked pricing. Repo link loan book is 10-11% of the total book (Rs100-110bn).
- Gold loan – Portfolio reported strong 29% YoY growth in Q2FY21. Large part of gold loan portfolio was driven by existing branches and it is gaining share across states. Post the RBI increasing LTVs to 90%, FB also increases LTVs to 80/85%. Key reason for gaining market share – Product offering (six to eight variants in gold loans), digital, distribution and very competitive pricing helping it to take market share from NBFCs.
- ***Slippages to increase by 30-50% over normal run-rate of Rs3/3.5bn due to Covid.***
- Health of BB/CB borrowers – Only ~50% of eligible borrowers under ECLGS schemes availing funding suggest stress level at borrower's level is relatively lower than expectations.
- ***It sanctioned Rs25bn under ECLGS and disbursed Rs20bn so far.***
- Rs97mn provided towards interest on interest wavier.

CreditAccess Grameen (BUY, CMP: Rs722)

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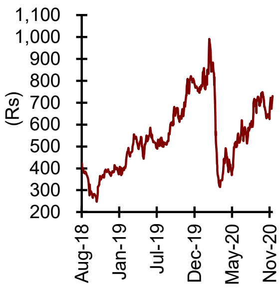

We hosted MD & CEO Mr. Uday Kumar, CFO Mr Balakrishna Kamath, and VP-IR Mr. Nilesh Dalvi, CreditAccess Grameen, at our BFSI conference.

Key takeaways

Collections

- Collection efficiency improving but at moderated pace - Collections numbers are equal or better in Nov'20 vs Oct'20. CAGL recorded 89% collection efficiency in Oct'20 vs 88%/82% in Sep/August'20 respectively. Collection efficiency for MMFL stands at 85% in Oct / 83% in Sep'20. The pace of collection in Oct'20 impacted by lower in collection in Maharashtra, KTK 2-3 districts in Costal area impacted due to heavy rains and few districts in Chhattisgarh impacted due to second lock-down.
- Collection efficiency in Maharashtra stands at 81% for CAGL. It will take couple of more months to normalise. Slower improvement in MH was led by extended lockdown, restrictions on services/ businesses on local transportation. Southern districts Solapur, Sangli, Satara which witnessed floods are facing collection issues. Things are improving gradually and now places of worship has also opened.
- Expect 2.5-3% increase each for next two months and to reach at 96% in all states except MH. MH will take some more time to reach to 96%.
- For CAGL, ~80% of the customers have paid fully, ~12% have paid partially and ~8% are have not paid in Oct'20. However, only ~2.5% borrowers have not paid a single instalments since moratorium.
- Of total non-paying customers at 8% (~6.5% ex GNPA), ~24% has started paying in Oct'20 for CAGL.
- Of total non-paying customers at 7%, ~33% has started paying in Oct'20 for MMFL.
- It expects collections (ex-Maharashtra) to normalise by Dec'20, and including Maharashtra collections to normalise by Mar'21

Capital

- Current CAR stands at 26.4% with Tier I at 25.6%. Post QIP it has increased to 34-35% which will manage growth for next two years on merged basis.

Provision buffer.

- **CAGL** - Total ECL provisions as at Sep'20 stands at ~5.35% of gross AuM, of which standard asset provisions stands at 3.53% of total AuM.
- **MMFL** - Total ECL provisions as at Sep'20 stands at ~4.3% of gross AuM, of which standard asset provisions stands at 2.78% of total AuM.
- Covid related provision for CAGL / MMFL in Q2FY21 stands at Rs0.66bn / Rs0.25bn.

- It expects Covid related credit cost to remain around 3.75%-4%, of which majority will flow in FY21e and some portion might spill over to FY22e. On a steady state basis, it expects credit cost to increase to 1-1.25% from current level of 0.8-0.9%.
- ***Credit cost in FY21E likely to remain at 4% including normal + Covid provisions.***

Disbursements.

- AuM decline during 1HFY21 is contained with monthly disbursements in Oct'20 is up YoY. Currently it is adding 2,000 borrowers per day with ~40-45% new to credit borrowers. For FY21, expected to deliver 10-12% portfolio growth. Does not intend to add any branches in FY21e. Ticket size cap for 1st cycle loan is Rs30,000.

Sustainable profitability

- Adjusted for one-off events like Covid, MFI business will generate sustainable RoA at 4.25%-4.75% with RoE ranging between 18%-22%.

Borrower profile

- ~43% borrowers are unique to CAGL, ~40% will have 1 more lender.

Other highlights

- Margins during Q2FY21 impacted due to excess liquidity on balance sheet and management intends to maintain higher liquidity during current uncertain time.
- Well-diversified liability profile across domestic and foreign sources will be pivotal to CAGL's long term strategy of delivering consistent high growth while operating within the current construct of NBFC-MFI
- Underwriting process is largely same.
- Cost/Asset ratio – In FY21e it should settled around 4.7/4.8% while on steady state level it should remain around 4.8/4.9% level.
- **Had not restructured any loans, but at the end of morat it has extended tenure and kept EMIs same, hence monthly demand will be same going forward.**

Motilal Oswal Financial Services (Unrated, CMP: Rs608)

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We hosted Mr Navin Agarwal, MD, Mr Shalibhadra Shah, CFO and Mr Rakesh Shinde, Vice President IR

Key Takeaways

- Company is operating in four key business segments namely 1. Capital markets – largely retail and institutional equities 2. Asset management – MFs/PMS/AIFs, private equity and real estate fund; 3. Housing finance and 4. Fund based segment.

Capital market

- In the retail broking and distribution business, market share has improved to 3.1%. due to strong traction in new client addition driven by franchisee and retail channel.
- Retail business has grown 50% YoY in terms of profitability.
- **Margin requirement**: As per the new regulations, brokers cannot fund the margin requirement and it has to be funded by the customers. 5-10% of its revenues would be impacted because of these regulations.
- After the regulatory changes in Sep'20, it has seen volumes tapering for Sep'20 but the volumes have come back strongly in Oct'20.
- It has created separate channel for client acquisition from the existing brokerage. Rs110bn AUM in distribution segment and sell third party products as well as its own retail products across 17.5 lakh retail clients in the distribution segment.
- Investment banking: In such unprecedented similar to industry phenomena has witnessed some delays in the deal closure.
- Intraday volume is 60-70% for the company vs 70-80% for the industry.

Asset management:

- Asset management business AUM across mutual funds, PMS and AIFs stood at Rs400bn. AMCs profit was impacted on account of lower average AUM, post the unprecedented market correction in March and also due to cut in TER in MF. However, this impact would be neutralized post TER revision in October month.
- Equity mutual fund AUM stood at Rs222bn and its share of alternates is 42%.

Private equity:

- Private equity business committed investment AUM till date stands at Rs65bn across three growth private equity funds and four real estate funds. The 1st growth fund (IBEF 1) has delivered an XIRR of ~27%. Average IRR on exited investments in Real estate funds is 21%+. It has 3rd largest real estate asset management in the country.

Wealth management:

- Wealth management AUM grew by 13% QoQ at Rs200bn. Yield has improved in Q2FY21 by 24bps at ~78 bps led by higher net sales of high yielding equity product during the quarter. It has 4,000 families in this business and have been consistently investing in this business in the last 4-5 years. RM count of this business stood at 128. Trail revenues predominantly cover our fixed costs.

On cost

- It has seen 10% reduction in the costs because of several cost saving initiatives.

Housing finance:

- On-boarded two industry veterans Mr. Arvind Hali, as MD and CEO and Mr. Amar Bahl who has joined as Deputy MD and Chief Operating Officer for the Home Finance business.
- In the last couple of years, it has done a lot of consolidation in terms of our processes, risk management, building our collection team and collection architecture, all that coupled with huge focus on the technology. It is now well placed to take the housing finance business forward.
- Loan book stood at Rs36.5bn as of H1FY21and new book sourced from April'18 validates the new credit policy with only 1 case in NPA out of ~6700 loan cases.
- Collection efficiency has also improved to 93%.

IIFL Wealth Management (BUY, CMP: Rs966)

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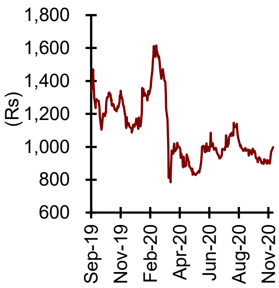
Price chart



We hosted Mr. Karan Bhagat, Founder, MD & CEO, Mr Anshuman Maheshwari, COO and Mr. Mohit Hemrajani from Investor Relations

Key Takeaways

Business strategy

- ***Company says that as they move forward, they will spend some more time in reorganizing business***
- ***Release of new IRA guideline gives flexibility of reorganizing business in 4-5 streams as per client needs which includes Alternative Investment Management, AIF, Distribution, Brokerage etc.***
- ***Overall, company is poised for good growth over the next 3-5 years and continue to be in an enviable position as far as market share is concerned***

On asset management

- On Asset management, AUM growth was 8% YoY with positive net flows.
- Large part of incremental net-flows is towards the fixed income securities from HNIs and institutional investors (60-65%). Preference is more towards fixed income despite capital markets back to almost pre-Covid levels.
- Only 10-15% clients were looking into equity – however now they are keen to understand new propositions and invest in high quality ideas. Cash preservation has been the motto for most of the clients.
- Company on-barded long short strategy in Singapore and seeing positive traction especially from institutional investors

On wealth management

- Firm record Rs 60bn of net inflows during the quarter
- Break-up of incremental inflows would be 50-60% from new clients and rest would be from existing clients
- ***From a long term perspective, getting top up flows from clients is extremely important***
- But on quarterly basis, this quarter flows looks attractive largely due to new clients
- ***Expect net flows of Rs120bn-130bn for FY22 outside MTM***

On market share and peers

- ***In its target segment which is HNI's, they believe that they have around 12-15% market share and would be at the top.***
- They look at entrepreneurs who have monetized large part of business and have not found next idea to invest, large industrialists receiving dividends and professionals in 3-4 sectors.

- The company is not actively pursuing HNIs upto Rs100mn – as it is economically unviable to address this segment. It does not have high touchpoint model nor a pipeline of ready access to be served digitally.
- ***Overall, bottom-up market share for IIFL would be 1-2% in the entire gamut of wealth management.*** Scale is not an issue for wealth management business

On operating cost

- Optimize cost and done well over the past 12 months. Bit of reduction in admin cost was driven on account of covid-19
- Optimization of resource which implies that getting people more productive. Productivity of RMs with existing clients is back to 95-100% - client migration from bank is slow.
- Continue to focus and ensure that the company can rationalize capital more effectively
- ***Over the next 12 months, company should be able to effectively rationalize capital by 10-15%***

On cost and capital rationalization

- Out of 66 team leaders, more than 95% have been doing pretty well.
- There are a total of 190-195 people where cost rationalization has been seen
- Of the total team of 290 people, number of 265-270 are established in productivity parlance
- ***Large cost rationalization will come from digitization of services, make trade execution more seamless, handling client queries more seamless over CRM platform.*** 60-70% cost rationalization is already done

On cost to income ratio

- Cost to income stabilize should come to around 50% in three years at least or before. Beyond 18 months, company will look for cost to income in the ratio of 45-50%.
- If asset management business growth well, then it might also come to 48
- Fixed cost growth is not very large, both on wealth management and asset management side
- Every 10-15% increase in AUM leads to marginal increase in cost to income ratio

On IIFL One

- Yields are at 40bps and over the next 3-5 years, it can increase by 5-10bps
- Would look to end at Rs 300bn AUM by end of this year as against Rs 220bn currently

On geography expansion

- Exercise of going into newer cities is really playing out well
- In terms of AUM, 70% should be from top8 cities and 30% from rest of the country
- Not in a hurry to open offices beyond the 20-22 cities wherein we have presence. In these, the top 50-100 families are already dealing with us

Miscellaneous

- Retention ratio should stay in the range of 50-55 bps in the near-term

MCX (HOLD, CMP: Rs1,628)

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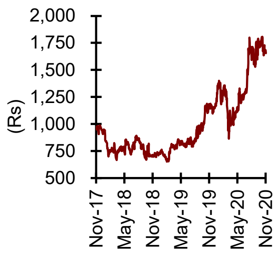

We hosted Mr. P S Reddy, Managing Director

Key Takeaways

Recent developments

- MCX launched options in gold mini contracts in Jul'20
- Base metals futures volumes are picking up.
- Representation was made to SEBI to lower crude oil margin requirement. SEBI's decision on lower crude oil margin is likely in the short term.
- MCX has started with bullion and metal indices. ADTV in these segments has been Rs3bn in Nov'20.
- For bullion spot exchange, regulations are awaited.

Technology

- Current contract with 63 Moons is ending in FY22 and a request proposal form for a new technology vendor has been uploaded on the company website. Decision on the same will be taken in current year or early FY22.

On newly launched indices products.

- Bullion and metal indices can gain volumes further if SEBI does away with the cross margin requirement.
- Cross margin is given when hedged positions are undertaken (long the underlying futures and short the index, and vice versa). This will lead to 75% reduction in margin requirement and will enable higher volumes on the platform.
- SEBI has advised MCX to apply for cross margin requirement after six months of launch. Based on 6-month turnover data, SEBI will take a call on the same.

On gold mini options

- Strong growth in gold option volumes of competitors is largely on account of liquidity enhancement scheme.
- Retail participants are new to this product and will take time to mature.

On participation

- Mutual funds like Tata MF and Nippon AMC have started trading on the platform and ICICI Prudential is planning to join soon.
- In terms of open interest, institutional participants constituted ~30%.

Other highlights

- Rise in bullion volumes was purely due to global factors and not shift of volumes from crude to bullion.

JM Financial (BUY, CMP: Rs80)

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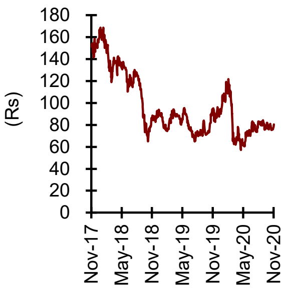

We hosted Mr. Shashwat Belapurkar, MD & CEO, JM Financial Credit Solutions and Mr. Anil Bhatia, MD & CEO, JM Financial Asset Reconstruction Company

Key Takeaways

On JM ARC business

- Company had limited focus on fresh acquisition and currently efforts are completely focused on recoveries.
- Concluded major resolution where company was acquired by JSW and it has received Rs5bn of cash – Average IRR on resolved case would be near the average on assets it expects at 28-30%
- Seeing good momentum and hence hoping for some more resolution and recovery over the next six months - One pharma assets and one textile asset are in advanced stage of resolution and expected to come through March 2020.
- Will evaluate the portfolio in February to take a call in provisioning – it is expecting some write back in provisions made.

On real estate business

- Mortgage lending business is a growth business and just waiting for right time and right opportunity. Over the last 2-3 months, there has been an exceptional demand for real estate properties on the residential front.
- JM saw significant amount of pre-payments happening over the past few months.
- Over the past 6 months, there have been some land transactions and takeovers after a lull of almost 18-24 months.
- Escrow collections are almost back to pre-covid levels. Top-rated developers are getting money at 9-10%
- Stamp duty reduction is only in Maharashtra, but demand is visible across India. In management's opinion, people are not negotiating too much for lock and key apartments in the current scenario.
- With respect to demand, homes with value of Rs15mn & below are seeing good traction. For homes with value of Rs30-150mn, there was an initial spurt but it has now gone slow.
- In terms of discounting, flats with value between Rs 20-500mn are being offered discounts in the range of 10-15% (compared to as high as 20-25% 4-6 months ago).
- Not even a single account will go through restructuring – however 18-22% of overall loan portfolio of to go through DCCO. 10% already has been done till today. It gives these accounts 18 month time period. The projects are mostly based out of Mumbai and Pune

Other highlights

- Nothing has changed dramatically in terms of strategy – the business model will remain capital markets and real estate heavy
- RoA of wholelsale lenders were attractive until 2-3 years ago.
- Net debt to equity is currently very low at 1.0x.
- For June & September, there is a huge decline in cash and cash equivalent. This is because of higher utilization levels. Moreover, company has repaid external debt and replaced it with group funding. Hit due to negative carry is Rs1.8bn, which is huge and hence over the next 12 months, company will reduce cash levels significantly and will try to buyback debt.

CAMS (Unrated, CMP: Rs1,479)

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We hosted Mr Anuj Kumar, CEO and Mr M Somasundaram, CFO, CAMS Ltd

Key Takeaways

Opening remarks

- AUM are back to pre-Covid levels, of which, debt and liquid funds witnessed a sharp increase while equity AUM is 5-6% below peak levels.
- Market share of CAMS stood at 70% in H1FY21.
- Paper transaction, which had reduced sharply during lockdown period, is rising and a part of it is expected to have permanently converted into digital mode.
- Continued to on-board skilled workforce.

Non MF business:

- Major businesses in non-MF business are: 1) Insurance repository, 2) services to AIF and 3) payments (revenue mix of these businesses is 10% of overall revenues).
- From market opportunity prospective, insurance and payments are much larger opportunities.

On Data analytics

- CAMS provides insights and analytics on investor level to mutual funds but does not comment on individual fund level.

Capex

- Capex is estimated to be Rs200-250mn going forward.
- Most of the capex spends will be towards technology and building data storage capabilities.
- Above capex does not include the expenditure of shifting data storage to cloud.
  - However, the company has been experimenting for the past 3 years (CAMSPay).
  - Nobody in capital market has completely moved the data storage to cloud.
  - Hence, the same needs to done in a collaborative way and with regulator's consultation.
- On the capex cost towards moving to cloud, management didn't provide any specific number but guided that moving to cloud will be a better option. Currently, management has a policy to provide tech infrastructure equivalent to 2x of the peak load, but if the same moves to cloud capacity, utilisation levels will be better as there won't be any spare capacity.

Strategy for sustenance of margins and operating leverage

- Strategy for sustenance of margins is by continuing to invest in business to provide better services and value to clients.
- Areas of investments remain hiring highly skilled employees (risk management, data security etc) and investing in new technologies (AI). Investing in this area will ensure value creation for clients and hence, result in positive operating leverage for them.

Maintaining stickiness with clients

- Stickiness with clients is not only due to long relationships, but also due to a number of processes handled by CAMS. Along with the above stated process, CAMS provides a number of value-added services which further strengthen the stickiness with clients

Shriram City Union Finance (HOLD, CMP: Rs1,055)

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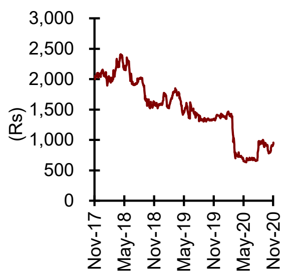

We hosted Mr Y S Chakravarti, CEO, Mr R Chandrasekhar, CFO and Mr Jai Singh Ponda, VP Investor Relations

Key takeaways

On collection efficiency

- ***Company says that for such a granular lending business, collection is more important than lending. This is a collection business and not a lending business.***
- ***SME collection efficiency at 93% in September (65% in August) and 2W also at 93% (August also at 93%) for September, both together constitutes 80% of the firm's portfolio. Pre-Covid levels, it used to be around 95%.***
- ***182k customers (~1.5% of AUM) had not paid a single EMI from March to September.***
- Company generally doesn't collect partial EMI since the EMI amount is small
- Company has created Rs1.01bn Covid buffer – taking cumulative buffer to Rs7.07bn (2.6% of advances)

On restructuring

- Expect restructuring to be around Rs1.0-1.5bn. However, as of now, company has received tepid requests for the same. Overall, it expects total restructuring pool to remain around ***1% of the overall portfolio.***

On disbursements & AUM growth

- SME Oct'20 disbursements at Rs 2.5bn, which is slowly picking pace. Overall, H2FY21 disbursements should compensate for de-growth in H1FY21.
- ***AUM growth is likely to be flat or 2-3% growth for FY21, since the company is conservative on the SME portfolio***

ECLGS

- ***Company has sanctioned Rs 400mn while it has disbursed Rs 200mn***

PNB Housing Finance (HOLD, CMP: Rs371)

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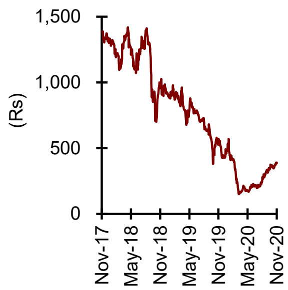

We hosted Ms. Deepika Padhi, Hear Investor Relations

Key takeaways

On collection efficiency

- ***Collection efficiency is stood at 95% in retail for the month of September***
- ***On the corporate front, collection efficiency was 75% for the month of September while including arrears, it stood at 85%.***
- ***Overall, collection efficiency has further improved in October but company hasn't disclosed the numbers***
- Currently working on restructuring. As of now, have started receiving request from retail but it won't be a huge number.

On disbursements

- Disbursements in Q2FY21 reached 86% of Q4FY20 disbursements - nearing 100% of pre-Covid levels in October and November
- ***Balance transfer has seen a run-off to some extent but PNB has come with rates as low as 7.5% which is addressing run-off issue to an extent.***
- ***No new sanctions are being done in the corporate book***

On asset quality

- ***Company has created 3% provisions on total assets and is very comfortable with the current level of provisioning Even Stage 3 coverage ratio has doubled to 43% form 22% a year ago.***
- GNPA at 2.59% - retail GNPLs 1.23%; corporate GNPLs is at 7.6%; Standstill GNPLs at 3.04%;
- There were 5 key accounts under resolution as of Q2, of which one is resolved while resolution for others is still under progress

On capital raise

- ***Capital raise – Rs 6bn investments approved by PNB Board***
- PNB Housing is internally very well prepared, but awaiting update from PNB

Other highlights

- ***Aim is to bring corporate book to 15-16% of AUM over the coming quarters.***
- It expects operating expenses to decline by 5-10% in FY21e over FY20. Branch rationalization and lower rentals to drive cost efficiency. However, it has not reduced its presence in any cities.
- ***Overall, focus lies on retail, cost optimization, lower cost of funds and continue strengthening balance sheet***

Ujjivan Small Finance Bank (Unrated, CMP: Rs38)

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We hosted Mr. Nitin Chugh, MD & CEO, Mrs. Upma Goel (CFO)

Key takeaways

On collections

- ***Collection efficiency is defined as collections for the period against dues for the period. It does not include prior period and advance payments.***
- ***Collections at portfolio level stands at 88% in Oct'20 vs 84% in Sep'20. The share of digital collections now stands at 28% vs 1% in March'20.***
    - MFI 83% / 88% in Sep/Oct'20
    - MSE (secured) 81% / 86% in Sep/Oct'20
    - MSE (unsecured) 62% / 67% in Sep/Oct'20
    - Affordable Housing 92% / 93% in Sep/Oct'20
    - Personal Loans 79% / 88% in Sep/Oct'20
    - Vehicle loans 92% / 91% in Sep/Oct'20
- Collections in selects states/districts like Maharashtra, Assam and Punjab has been impacted by extended lockdown or Political interferences.

On provision buffer

- ***Cumulative Covid-related contingency buffer stands at Rs2.99bn (provided Rs1bn in Q2FY21) or 2.2% of gross advances. Total provision coverage stands at 3.4% of Gross Advances.***

On Three – Five year strategy

- ***RoA / RoE to stabilize at 2.2% & 16-18% respectively.***
- Continue to work cost optimization and improve productivity.
- ***Retail deposit share to increase to 80% and CASA to contribute 30%.***
- MFI & Non-MFI mix to settle at 50/50.
- **On product-wise details**
- MFI - Credit policies tightened to avoid any undue risk as reflect in 99.5%+ collection for loans disbursed in 1HFY21. Launched Gold Loan for existing Microfinance customers.
- MSE – Credit enquires are already at pre-Covid level. Sep'20 disbursements were 78% of Sep'19 level. Launched Loan against Rent Receivables (LARR) in Sep'20.
- ***Affordable housing - Credit enquires are already at pre-Covid level. Sep'20 disbursements were 74% of Sep'19 level.***
- Personal loans / Vehicle loans – Focus on sourcing PL/VL through own branch channel and not DSA sourcing. All its branches are adequately equipped to offer PL/VL. Planning to enter Used car segment by Q3FY21.

Other highlights

- Productivity is improving – it added 0.5mn liability customers, of which 0.3mn accounts were new-to-bank, sourced by branches, without adding any new manpower.
- ***The share of retail deposits increased to 49% (% of total deposits) in Sep'20 vs 42% in Sep'19 & 45% in Jun'20.***
- The share of Top-20 depositors fell to 21%.
- ***Steady reduction in cost of fund to 7.4% in Q2FY21 from 7.9% in Q4FY20, driven by scale up in CASA deposits.***
- ***Focus on improving digital collection share, digital collections for Q2FY21 was 28%.***
- Partnership with Airtel Payment bank is scaling up well, currently it covers 7,000 Airtel outlets

MAS Financial Services (Unrated, CMP: Rs1,018)

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We hosted Mr. Kamlesh Gandhi – Founder, Chairman & Managing Director, Mr. Ankit Jain – Chief Financial Officer, Mr. Dhvanil Gandhi – Business Development Manager and Mr. Nishant Vyas – Investor Relations Manager

Key takeaways

- **Collections.** Collection efficiency has been improving since May'20 – it currently stands at ~92% vs 88% in August'20. Collections is defined as the amount received against the demand for the month. Collections in NBFC stand at 95-97%, while the same in retail segment is 85-87%.
- **Provision buffer.** It continued to strengthen the balance sheet by building total Covid-19 provision of Rs0.52bn or ~1.7% of the on-book assets of Rs30.8bn. It is constantly assessing the present evolving situation and would not shy away from making additional provisions if needed.
- **Disbursements.** The AUM stands at Rs53bn, down 10% YoY. It continued to adopt cautious approach in fresh disbursement as reflect in disbursement at Rs8.2bn (~70% of pre-Covid level). However, with improving collections and business activities, it expects to disburse Rs12bn by Q4FY21e.
- **Cost.** It continues to focus on cost optimisation by taking various initiatives to enhance the efficiency of the employees, cutting advertisement, travelling and other related expenses. It is also taking steps to move more towards variable based cost structure.
- **Liquidity.** Its strength lies in effectively managing the liability even during the most challenging period like post IL&FS crisis, during moratorium etc. As at Sep'20, the company had liquidity buffer of around Rs16bn and unutilised cash credit facility of ~Rs6bn. In addition, the company has sanctions to the tune of Rs11.5bn in the form of term loan, NCD and direct assignment. It has also stress tested its liquidity model and is comfortably placed to meet its repayment obligations for the entire year.
- **Capital.** It has always believed in growing balance sheet mostly with internal accruals, during the last 25 years it raised capital only thrice including IPO. Prefer quality over growth. CAR currently stands at 35.6% with tier-I capital at 32.7%. Tier-II capital is just 2.9% which it will increase depending on the requirement and also as a source of structural liquidity to strengthen ALM.
- **Housing finance.** Currently, the book stands at Rs3bn with NNPA >0.3% despite serving to informal segment. CAR stands at 40%. It plans to penetrate deep in Gujarat - will select 1,000-2,000 villages based on its risk appetite and build AuM of Rs10mn per village. Average ticket size in rural housing is Rs0.35mn and in affordable housing it is Rs0.7-0.75mn with average yield of 14.5%. Loans are mostly sourced internally.

IndoStar Capital Finance (Unrated, CMP: Rs295)

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We hosted R Sridhar, Executive Vice Chairman & CEO, Mr Amol Joshi, CFO and Mr Salil Bawa, Head Investor Relations

Key takeaways

On collection efficiency & restructuring

- ***Collection efficiency in September is 92%; In October it was at 100%***
- Indostar is not expecting any negative surprises in the next 2-3 quarters.
- Collection efficiency generally has been good so far and Indostar plans to build a good collection infrastructure going forward.
- ***Restructuring is less than 1% as of now and will not exceed 2-3%***

On corporate portfolio

- ***In last three years, post IL&FS issue, company has decided to exit from corporate lending and they have been able to bring down AuM from Rs 60bn in 2018 to Rs 25bn now. By the end of March 2022, they plan to completely exit the wholesale business and focus only on retail.***

On branch expansion

- Indostar also plans to expand geographically and is looking to expand to other regions beyond the existing
- They have 200 branches now and incremental new branches are going to be smart branches.
- Size of branch is going to be less and moderately furnished there by reducing operating expenses.
- Indostar stated that they are at an advantage situation compared to large companies as they will put up tech at lower cost. In current scenario it is important to build a good collection team. Chola has built a very good team, and Indostar mentioned that they are following that model
- ***Overall, Indostar aims to expand to 700-800 branches in the next 5 years and is confident that productivity will go up and operating expenses will come down with the digitisation project***

On future credit growth trajectory

- Indostar is planning to expand into asset financing, commercial vehicle financing and SME financing
- ***Indostar recognizes that there is a great potential after pandemic and has been preparing to take advantage of the potential in FY22. Looking at strengthening the business by expanding from commercial vehicles to construction vehicles and passenger vehicles.***

- ***Indostar mentioned that commercial vehicle financing is their mainstay business and there is enough potential available in 5 to 12-year segment. Management is of the view that there is lot of scope to gain market share and when scrappage policy comes, around 1mn vehicles will go off the road which will trigger replacement.***

On vehicle financing

- Company is looking at a CAGR of 32-40% in retail business and Indostar likes to get into used vehicles business which has RoA slightly above 3%.
- Leverage should be above 5 times to have a good credit rating and in next 3-5 years, they aim to achieve 15-20% RoE.
- Company is bullish on used vehicle financing and there is not much of competition except from big players
- There are no tie-ups with Car24, *Cardekho*, etc.

On affordable housing

- ***Indostar through its subsidiary has been lending in the affordable housing since last 2-3 years.***
- ***It is a business with good profitability and AUM of Rs 9bn.***
- As it is a mixed quality business, company has been very cautious.
- Additional new branches will be independent, over the period existing branches will also become standalone.
- ***Indostar observes that there are a lot of inorganic opportunities. Right now they are lending to tier -2,3 cities in 6 states with an average ticket size of Rs 1mn, average yield of 14% and customers are self-employed.***
- This segment is more difficult for sourcing than normal home loans as no organized DSA/DMA available to source home loans
- Most of properties financed are self-construction
- Indostar mentioned that they haven't been lending from March to August during moratorium period. Management expects that gradually disbursements will increase. This business is more difficult as customers are in tier 2,3 cities and ticket size will be at 0.5-1mn. It requires large number of relationship managers and credit evaluation is also difficult as it is highly unorganized.

Other highlights

- Indostar has stated that with Brookfield coming in there is no problem with capital.
- Incremental cost of funding is between 8.5-9.5%.
- ***Strategy will be that used will be on and off balance sheet; while new will be completely off balance sheet***

DCB Bank (ADD, CMP: Rs103)

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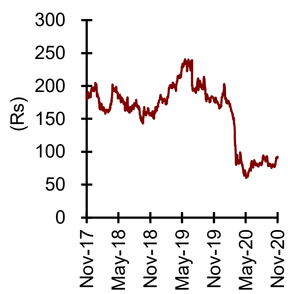
Price chart



We hosted Mr. Murali Natrajan, Managing Director & CEO, Mr. Bharat Sampat (Chief Financial Officer), Mr. Praveen Kutty, Head - Retail Banking, Mr. Narendranath Mishra, Head - Agri & Inclusive Banking and Gaurav Mehta (Head Marketing & IR)

Key takeaways

Collections. Collection efficiency improved sharply in Sep'20 – LAP (87.5%), home loans (91.3%) and CV (77.1%). Non-paying customers as on 30th Oct'20 in LAP stand at 7.4%, home loans at 5.4%, CV 10.8% and 7% in MFI.

Liability - Deposit franchise of DCB continued to improve with increasing share of retail TD (up 33% YoY) and steady run-down in inter-bank deposits (fell 17% QoQ in Q2FY21). CD exposure as of Sep'20 is nil. Contribution of the top 20 deposits stood at 7.89%. Expects Top-20 depositor's share to fall to 5% over the next couple of years.

Promoter stake – Currently holding 15%, might look to increase stake if regulator revises current cap on promoter holding to 26%, currently no communication.

NOFHC structure – Does not intend to enter into Non-Banking businesses like insurance, AMC, Broking etc. Hence, would not require to make any change in current corporate structure.

Capital - Confident on portfolio and capital adequacy. Will reach close to 15% for tier-1. Not looking at raising capital at the moment.

Provision buffer. DCB continued beefing up contingency buffer with it providing Rs480mn in Q2FY21 taking cumulative contingency buffer to Rs1.4bn or 57bps of loans.

Restructuring. It expects incremental restructuring to remain at 3-5%.

Disbursements. It expects disbursement to reach pre-Covid level in March-May 2021. Incremental disbursement in Q2FY21 has been largely towards corporate Banking and AIB division at Rs4.6bn & Rs4.05bn, respectively. However, in the coming months, it intends to focus on its core strength like business loans (LAP), home loans, gold loans, KCC (Kissan Credit Card), tractor loans and short term corporate loans. Based on the current outlook, it expects advances in FY21 to remain flat YoY or may decline in growth, marginally. Small customers are slowly improving and expect normalcy by Mar-Apr'21.

- Gold loans – Currently, it disburses Rs1.8-2bn per month since June'20 vs Rs0.30bn earlier. Expects gold loan share to increase to 8-10% over the next three years.
- Home loan / LAP – Currently, it disburses Rs1.6/1.8bn vs 2.75/2.8bn earlier. Approval rate is lower by 10% than earlier. New applications are mostly for buying new property while balance transfer is only 20% of total new applications. Avg ticket size for LAP and home loan is Rs3.5-4mn with 75bps of extra yields.

Customers generally have a min score of 700. Cautiously opening up LAP again. Generally, compete with NBFC at lower ticket size. Home loans are generally done at 8.2-8.5%.

- Agri - Maharashtra, Rajasthan, Odisha, MP, Chhattisgarh, Telangana are major tractor finance areas. DCB looks at district level credit behaviour to decide if the region is suitable. Tractors sales is 50k/month. The largest players sell ~5k/month. The market is very fragmented.
- CV – Book stands at Rs15-16bn. Collection efficiency is improving MoM, it is linked to economic activities and expect it to improve and expect normalise by Mar-Apr. Disbursing loans to existing customers and will wait before onboarding new customers.

Long-term profitability metrics

- Margin – 3.4% - 3.5%
- Fee Income – 1%
- Cost – 2.15% - 2.2%
- Credit Cost – 0.55%

Other highlights

- Gold loan will be key focus segment going ahead and expects its share to reach 10-11% over the next couple of years from current level of 4%.
- It expects total cost to decline by 8-10% YoY in FY21. While some of the volume related expenses will come back in coming months, overall cost rationalisation will help cost/asset decline to 2.15% / 2.2% over the next two-three years.
- SMA improvement – SMA portfolio fell from Rs19bn in Feb'20 to Rs3.1bn in Sep'20, the same reflects resilience of its customer profile.
- Collection infra – Its collection team consist of 680 people currently, it adds 30-50 people annually. Collection is completely in-house and does not dependent on outside agency for collections.
- ECLGS – Total sanctions stand at Rs20bn while it disbursed only Rs3bn.
- Margins to remain around 3.65%-3.75%.
- Sambandh (microfinance) exposure - Net exposure stands at Rs60mn, already provided Rs20mn in Q2FY21, it's a part of AIB division. They have done it to meet PSL targets.
- No geographical area is under stress. General trend is that metro and tier-1 cities are more impacted than rural. Rural is slightly better due to strong season and higher prices by the government.

Karur Vysya Bank (HOLD, CMP: Rs37)

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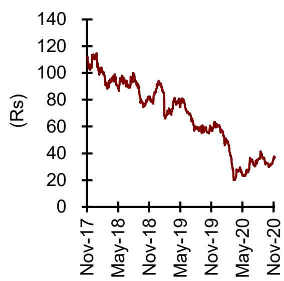
Price chart



We hosted Mr. B Ramesh Babu, MD & CEO, Mr. Ramesh Murthy (CFO) and Mr. J Natarajan (President & COO)

Key takeaways

- **Collections.** Better than expectation. Collection efficiency at portfolio level remains strong at 95%. Collection in non-morat is extremely overwhelming with 100% collections in CIG and commercial segment and 99% collections in personal loans.
- **Provision buffer.** It utilised strong operating performance to beef up Covid-related contingency buffer which stands at ~45bps of loans or Rs2.2bn as of Sep'20.
- **Restructuring.** Requests are tepid as of now (only 7-8 requests), in a worst case scenario, it expects incremental restructuring of 2.5% from sectors like CRE with mall exposure, hospitality and few from textile etc. It will judiciously use restructuring window and will only opt for restructuring where there is clear visibility on cashflow revival.
- **Business momentum.** Credit enquiries are picking up, but rejection rate continued to remain high. It will selectively grow in chosen segments like gold loans, SMEs, housing and LAP.
- **Cross-sell.** Customer base of 7.5mn with product per customer at 1.5x. Analysing scope for upsell / cross-sell and expects to improve PPC going ahead. It plans to leverage young work force (average age is 35 years) and robust digital platform to improve cross sell. CRM platform will be ready by Jan'21.

Profitability. Expects to 1% RoA by FY22e.

Business strategy

Liabilities

- Increased focus on expanding CASA and further improvement in share of retail deposits. Around 94% of TD is below Rs20mn ticket size. It has beefed up liability team and strengthen filed staff by providing the necessary training and realigning incentive structures. Further, in process up tying-up with National BC to increase its footprints in rural and semi urban areas.

Assets

- Corporate – cap on ticket size at Rs1.25bn, it has been constantly working on reducing existing exposure above Rs1.25 and as on Sep'20 that exercise is largely over. Incrementally focuses on Rs0.5-0.75bn ticket size, currently average ticket size in corporate segment is Rs0.38bn. Going ahead, they will grow CIG book selectively.
- Commercial – KVB enjoys strong pricing power in commercial book main pricing power and it believes this segment offers huge opportunities for the bank. It had selected 313 branches to push commercial loans. Necessary training & guidance

has been given to Branch staff. Revamped digital platform will helped these selected branches to grow commercial book as faster pace.

- Retail – Completely digital platform with TAT at less than 15 minutes. Focus will be more on home loans, LAP and will grow cautiously in vehicle segment (Rs10bn book currently).
- Co-lending platform – Plan to partner with few players to deepen its geographical presence.

Gold loan. Gold loans contribute ~22% to total loans, mostly classified under agri portfolio as these loans have been extended for agricultural activities. LTVs <75% currently. Most loans are repayable in bullet payments with interest also payable at the end of the tenure. Key competitors are PSBs. Yields are 8.5% in agri gold loans, while in personal gold loan rates are higher at 8.5%. It reviewed gold prices fortnightly and adjusted ticket size & LTVs accordingly.

Credit card. It entered the space by launching credit card for the existing corporate and SME clients. Retail CC platform will be ready by Jan'21.

Other Highlights

- It disbursed Rs16bn under ECLGS scheme. Only 62% of total eligible customers have opted for loans under ECGS. They expect balance 38% not availing ECGS scheme due to improved business activities for these borrowers. Further, most borrowers who have opted for ECGS have paid back old costly dues reflecting improving health of SMEs. Hence, growth in commercial book is muted.
- Increasingly focuses on mining existing customer base, working on building strong MIS system, most likely to complete by Dec'20. CASA expansion from 28% to 34% over the past few years reflects strong customer loyalty towards KVB brand.
- Average age is 35 years, MD speaks to 5 branch managers every day. Strong MIS system in place to track branch performance. Trying to build a competitive spirit amongst the people for better productivity.

Angel Broking (Unrated, CMP: Rs353)

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We hosted Mr Vinay Agrawal, CEO, Mr Vineet Agrawal, CFO, Mr Hitul Gutka, Investor Relations

Angel broking Ltd (ABL) has converted itself into completely digital company. ABL continues to remain largest stock broking house in terms of associate persons registered with NSE. ABL was 4th largest broking house in terms of NSE active clients and 3th largest in terms of incremental NSE active clients in H1FY21. ABL's overall ADTO has risen from Rs253bn to Rs1281bn in Q2FY21 with strong market share gains across segments.

Key Takeaways

- **Focus remains on gaining market share:** Management indicated at current operating margins, their core focus remains to gain market share. Management highlighted that they have been using the AI & ML techniques extensively to achieve this goal. Customers have been segmented in 150 categories based on their age, trading pattern, risk taking abilities etc. Any stock picks generated by the company are then send to these specific segments to keep them engaged. Apart from stock picks, customers are also kept engaged by offering them various schemes and offers.

- **Upfront margin regulations may prove beneficial in long term:** Management indicated even though brokers have represented SEBI for dispensing out the upfront margin requirement, regulators are keen to bring in the changes. Management believe that upfront margin requirement regulations will bring more transparency and safety for investors and hence one can expect retail volumes to grow higher post an initial hiccup. Angel seen a dip of 18-20% in ADTO on MoM basis. Pledging mechanism shares will also fund some amount of margin for retail investors.

- **What happens when competition lowers the rates?** One of the listed broker had offered Rs10 per trade brokerage plan in the past and has now reverted back to Rs20 and has not seen much hue and cry around it. Company has also experimented certain sample of clients by offering them lower rates and have not seen much change in their trading patterns. This suggests that atRs20, clients are immune as the overall brokerage cost will very small compared to other charges and taxes paid by the client. Management also indicated that since major part of their newly acquired clients belong to young generation, any drop in service level will make them mitigate away rather than rates.

- **Contribution from new customers added:** Activity level of new customer remains high but in terms of revenue per customer it similar to older clients.

- **B2B segment will continue:** Authorised person provide many handholding services to many of its customers and customers are ready to pay fees based on percentage to them. For the customer who wishes to pay based on per trade basis are still retained with them

- **ADTO growth higher than growth of NSE active clients:** Quality of clients acquired is better than industry. ADTO generated by brokers with similar number of active clients are lower compared to Angel. For sourcing quality clients, reverse feeds are fed in the AI BOTs to find customers who can trade aggressively in the system. Online feeds are then send to targeted customers who can in turn generate higher volumes at the platform.

Magma Fincorp (HOLD, CMP: Rs47)

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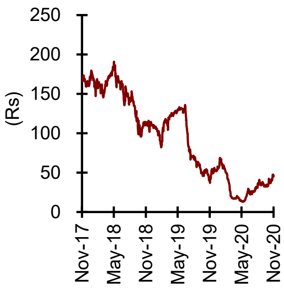
Price chart



We hosted Mr Kailash Baheti, CFO and Mr Jinesh Shah, Investor Relations

Key Takeaways

On collection efficiency and Covid buffer

- Overall Collection Efficiency at 85% in September and 90% in October.
- ***Customers in standard bucket who availed moratorium of at least 1 EMI and have not paid September EMI stood at Rs15bn (9.6% of AUM), and have not paid September and October EMI stands at Rs6bn (3.8% of AUM). During the month of November, this has seen further improvement.***
- ***Company made additional provision of Rs900mn in Q2FY21 for Covid related stress taking cumulative additional provision to Rs2.38bn - 1.5% of AUM***
- ***On bounce rates, it is higher 40% higher than pre-Covid levels***
- Normalized credit loss should be in the range of 2-2.5% (annualized)

On restructuring

- Restructuring only 0.5% of AUM as of now and won't exceed 3% of AUM
- ***One-time restructured portfolio as on 30-Sep: Rs830mn (0.5% of AUM) - unlikely to go beyond 3% of AUM by FY21.***
- For restructuring, there is no change in the rate of interest

On AUM & disbursements

- Vehicle finance business portfolio is being reshaped with ***more than 95% incremental disbursals comprising of focus products, viz., Used Vehicles, Affordable housing finance, SME loans & tractors.***
- ***Risk based pricing is in place across all products***
- On cars which are used for commercial transportation (like Uber, Ola) – there is a load issue and hence they are not able to generate enough cash flows.
- Over the past 2 years, CV sales have fallen every single month. As a result, banks & NBFCs which are completely focused on CV have reduced interest rates significantly. Rates are now at 11.5% from 13% which used to be the rates two years ago. ***Hence, company started to focus on used cars and used assets where it is gaining good returns with higher RoA adjusted for provisions.***
- Company is expecting a substantial improvement in credit demand in Q4.

Other highlights

- Vehicle finance business portfolio is being reshaped ***with more than 95% incremental disbursals comprising of focus products, viz., Used Vehicles***,
- Margins are expected to expand by 70bps in this fiscal on account of lower cost of funds as well as improved yields since the company has shifted to high yielding products
- Since cost of fund has reduced, it is providing enough room to hold excess liquidity.

SBI General Insurance (Unlisted)

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We hosted Mr Prakash Chandra Kandpal, MD & CEO, Mr Pushan Mahapatra, Director Strategic Investments & Digital Initiatives, Mr Rikhil Shah, CFO

Key Takeaways

- Distribution is supported by bancassurance and other channels.
  - Banca share in GDPI has reduced from 60% in FY15 to 25% in H1FY21. Potential to reach 200,000 villages.
    - SBI is the largest partner with 24000 branches.
    - SBGI has tie ups with 17 RRB with 6000+ branches.
    - SBGI has recently tied up with Yes bank.
  - Direct channel and brokers contributed 40% and 25% of GDPI in H1FY21
- Diversified segment mix as on H1FY21.
  - Fire 18% (Ranked 5 in pvt sector).
  - Motor 17%
  - Personal accident 10%, (Rank 1 in pvt sector).
  - Health 14%
  - Crop 38% (Rank 4-5 in the Pvt sector) Management indicated that they will contain the underwriting in the segment.
- GDPI mix 35% from semi-urban and 25% from rural business mix.
- SBGI aims to post underwriting profits as they did in last 4years.
- SBGI has 11000 licensed agents and 400 brokers are separate.
- Company retains 50% of the business and most of the reinsurance is done with GIC.
- Current trends
  - Motor was good in Nov with rank 4 in the industry.
  - Health has seen in pick-up in demand.
- Personal Accident is a volume game as the ticket size is small. SBGI has20mn customers as on the date with 80-85% coming for personal accident cover. Its very popular in tier2 and beyond cities.
- Gradual change in Motor mix
  - SBGI started with high tonne GCV but over time it has changed to predominantly passenger car portfolio. This was driven by tie up with leading OEMs. PV constitutes 63% currently
  - CV has been growing strongly with a contribution of 37%.
  - Advance premium is around Rs2.5bn.
- SBGI has maintain adequate reserves to factor for lower claims during Covid. Company expect normalization in H2FY21.
- SBGI plans to go public by FY22. Management indicated that they would wait to garner more size before getting into the IPO.

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