

Result Preview



3QFY21 earnings estimate (INR b)

PAT (INR b)	3Q FY21E	YoY (%)	QoQ (%)
Pvt Banks			
AUBANK	5.66	197.5	75.8
AXSB	15.01	-14.6	-10.8
BANDHAN	9.32	27.5	1.3
DCBB	0.57	-41.2	-30.9
EQUITAS	0.61	-35.4	-41.0
FB	3.53	-19.9	14.7
HDFCB	82.31	11.0	9.6
ICICIB	35.73	-13.8	-16.0
IIB	5.71	-56.4	-13.8
KMB	19.21	20.4	-12.1
RBK	1.05	50.0	-27.2
Pvt Total	178.70	0.1	-1.7
PSU Banks			
BOB	2.11	-115.0	-87.4
SBIN	47.22	-15.4	3.2
PSU Total	49.33	18.1	-21.1
Banks Total	228.03	3.5	-6.6
Life Insurance			
HDFCLIFE	3.38	34.9	3.5
IPRULIFE	3.12	3.2	3.0
SBILIFE	4.51	15.7	50.4
Life Total	11.01	16.8	18.5

Earnings outlook poised for recovery

Remain watchful of asset quality; growth momentum to pick up

- **The earnings outlook is poised for recovery**, led by healthy traction in economic recovery and abating concerns of sharp deterioration in asset quality. On the growth front, retail disbursements are showing healthy recovery (led by Tractors, 2W, Housing loans, and Gold loans), with certain segments reaching pre-COVID levels or even higher. On the other hand, banks remain cautious on the unsecured book. CV and corporate loan demand remains tepid. Overall, we estimate business growth to pick up, aided by a good festive season, and expect systemic loan growth at 4.5% for FY21E. The private banks under our coverage are likely to grow relatively higher at ~9% YoY.
- **We remain watchful of asset quality** as banks recognize NPLs from moratorium / overdue loans. Although, overall trends have fared better than earlier expected, led by sharp improvement in collection efficiency. Overall, large banks reported collection efficiency of 95–97%, while mid-sized banks / MFI-focused players reported efficiency in the early 90%, resulting in low restructuring guidance by lenders. We believe although slippages are likely to increase in 2HFY21 (post the end of the SC order), many banks have already provided for this likely increase and carry additional provision buffers – which should limit the impact on profitability. We expect banks to continue to strengthen their balance sheets – as they have already shored up their capital ratios to absorb asset quality shocks – and estimate credit cost to remain elevated. Overall, we estimate our banking coverage universe to deliver ~12%/4% growth in 3QFY21 PPOp/PAT.
- **In private banks, provisioning would continue to weigh on earnings.** We estimate private banks to report PPOp growth of ~18% YoY (+4.4% QoQ), and PAT to remain flattish YoY (~2% QoQ decline). Higher credit cost, coupled with suppressed credit growth, is likely to put pressure on near-term earnings. Furthermore, higher slippages would result in interest reversals, putting pressure on NII. However, this may be partly offset by higher treasury income and traction in fee income as business activity picks up.
 - **Loan growth is likely to pick up**, led by improving consumer sentiment and a good festive season. On the other hand, wholesale lending remains muted. Growth is driven by a secured retail book as the bank remains cautious of higher stress in the unsecured portfolio. **Thus, we expect private banks' loans to grow 9%/16% over FY21/FY22**, and we estimate AXSB/ICICIB to deliver 8.1%/6.6% YoY loan growth over 3QFY21. On the other hand, HDFCB reported a growth of 15.6% YoY, while IIB reported flattish growth; expect KMB/RBL to continue to report tepid growth trends.
 - **Margin trajectory to remain moderately under pressure** given the continued monetary easing, low lending rates, and relatively higher liquidity on the balance sheets – although the quantum is likely to moderate. Negative carry on NII on higher slippages could also impact margins. However, banks with a strong liability franchise are better placed to tackle margin pressure. Overall, we expect a low-single-digit impact on the margins of private banks. **We expect NII growth of 14% YoY**, led by BANDHAN (27%), KMB (16%), and HDFCB (15%).

- **Deposit traction would remain strong**, reflecting steady 11% YoY growth for the system, while many banks have increased focus on ramping up retail deposits. Most banks indicated that the deposit rates have bottomed out and cost of funds is likely to remain largely stable.
- **Asset quality** would remain under watch as the bulk of the stress is likely to be recognized over 2HFY21. We remain watchful of banks such as AXSB, IIB, and RBL given the high rating downgrades and sluggish commentaries by the managements. Within MFI, while collection efficiency improved in Oct'20, certain state-specific reasons (farmer protests, floods, etc.) have impacted recovery trends, keeping us watchful of BANDHAN, IIB, and RBK.
- **PSBs' earnings would remain under pressure.** We estimate weakness to continue in PSBs, barring SBIN, impacted by sluggish loan growth, a higher proportion of MSME/SME loans, and delay in the resolution of stressed accounts. **PSBs are expected to deliver NII growth of 2.8% YoY and PAT growth of ~18% YoY.** However, treasury gains for these banks may remain a positive.
- **In mid-sized private banks, asset quality challenges would persist.** We expect the performances of mid-sized private banks to remain muted as they face challenges on the asset quality front even as collection efficiency improves. We estimate DCB to report decline of ~41% YoY in net earnings, while RBK's earnings should be impacted by higher credit cost. FB is best placed in terms of liability franchise and would reflect a stable margin trajectory, led by an improving CASA mix. However, it is likely to report earnings decline of ~20% YoY as we factor in higher credit cost.
- **In small finance banks, while collection efficiency is improving, the tail risk remains.** We expect AUBANK to report strong PPoP/PAT growth (led by a stake sale in Aavas), while using some of these gains to create higher provisions. EQUITAS is expected to report PPoP growth of 45% YoY and PAT decline of 35% YoY.
- **In life insurers, while premium growth remains tepid, operating metrics are resilient.** HDFCLIFE is witnessing gradual recovery in its new business premium (NBP) and would reflect APE growth of 19% YoY. On the other hand, IPRULIFE would continue to reflect tepid trends as FY21E is likely to be a base reset period, reflecting strong protection trends and slowdown in low-margin ULIPs. SBILIFE would also reflect tepid trends, with an APE decline of 1% over 3QFY21. Overall, we expect VNB growth of 25% for HDFCLIFE and 13% for SBILIFE, while IPRULIFE would report VNB decline of 5% YoY over 3QFY21.
- **Other monitorables:**
 - **Collection efficiency / Restructuring** – Management commentary on collection efficiency and slippage trends would be an important metric to assess the banking system's health in the near term. Also, more clarity would emerge on the restructuring pool. This would be the key in assessing the asset quality impact arising from the COVID-19 pandemic.
 - **Margins & growth outlook** – Margins may be impacted by muted loan growth, low lending rates, and the negative impact of interest reversals; although, this would be offset by lower cost of funds, to some extent.
 - **Treasury performance** – While bonds yield stood largely stable during the quarter, banks were sitting on MTM gains and could see some treasury profit booking during the quarter.

Our top picks – ICICIB, HDFCB, SBIN, AUBANK, and SBILIFE

ICICIB: Financial Snapshot (INR b)

Y/E March	FY20	FY21E	FY22E
NII	332.7	386.4	459.8
OP	281.0	366.3	385.0
NP	79.3	143.1	206.9
NIM (%)	3.7	3.7	3.8
EPS (INR)	12.3	21.4	30.0
EPS Gr (%)	135.0	74.4	40.2
ABV/Sh. (INR)	151.3	183.7	209.8
Cons. BV/Sh. (INR)	189.9	196.9	219.0
Ratios			
RoE (%)	7.3	11.2	13.7
RoA (%)	0.8	1.2	1.6
Valuations			
P/BV (x) (Cons)	2.8	2.7	2.4
P/ABV (x)	2.6	2.2	1.9
P/E (x)	32.4	18.6	13.3

*Adjusted for Investment in subs

ICICIB (Buy)

- ICICIB has substantially increased its PCR to 81.6% – the highest in the Banking sector – and carries an additional COVID-related provision of INR87.7b. Furthermore, the bank expects the COVID impact to be limited, with corporate restructuring to be ~1% of loans. Thus, ICICIB is well-cushioned with higher provisions on its balance sheet and guided for normalization of credit cost from FY22.
- ICICIB continues to see strong growth in retail deposits and has succeeded in building a robust liability franchise over the past few years. It has one of the lowest funding costs among the private banks, enabling it to underwrite profitable business without taking undue balance sheet risks and further supporting margins.
- The retail mix remains healthy with (a) a CASA ratio of 43.8%, (b) the retail contribution to fees at ~75%, and (c) the loan mix increased to ~66%.
- Thus, we estimate RoA/RoE of 1.8%/15.4% for FY23E. Adjusted for subsidiaries, the standalone bank trades at 1.9x FY22E ABV.

HDFCB: Financial Snapshot (INR b)

Y/E MARCH	FY20	FY21E	FY22E
NII	561.9	648.1	740.8
OP	487.5	568.1	674.0
NP	262.6	305.1	372.3
NIM (%)	4.2	4.1	4.1
EPS (INR)	48.0	55.6	67.9
EPS Gr. (%)	21.2	15.8	22.0
BV/Sh. (INR)	311.8	357.9	415.5
ABV/Sh. (INR)	300.3	343.6	397.3
Ratios			
RoE (%)	16.4	16.6	17.6
RoA (%)	1.9	1.9	2.0
Valuations			
P/E(X)	29.7	25.6	21.0
P/BV (X)	4.6	4.0	3.4
P/ABV (X)	4.7	4.1	3.6

HDFCB (Buy)

- HDFCB has shown robust traction in the corporate portfolio, thus compensating for the softness in retail lending. Over 1HFY21, the corporate segment contributed entirely to the overall loan growth, raising its share to 52% of total loans. It continues to focus on lending to high-rated corporates, which has enabled sharp decline in RWA/total assets to ~65% (v/s 75% in FY19).
- Stress for HDFCB in the MSME segment declined to 3% (v/s 9% as earlier anticipated); expect the overall restructuring to be in the low single digits. The bank has prudently made additional provisions of INR77.6b, while reporting collection efficiency of 97%. This would allow it to absorb any asset quality shocks. We, thus, estimate credit cost of 1.5%/1.4% for FY21/FY22.
- A strong liability franchise would support margins; the bank is, thus, well-placed to gain incremental market share on both the asset and liability fronts. We estimate the loan book / PAT to grow by 15%/19% CAGR over FY20–23E. The bank trades at 3.6x FY22E ABV.

SBIN: Financial Snapshot (INR b)

Y/E March	FY20	FY21E	FY22E
NII	980.8	1,127.3	1,242.2
OP	681.3	746.5	825.6
NP	144.9	214.1	307.3
NIM (%)	3.0	3.1	3.1
EPS (INR)	16.2	24.0	34.4
EPS Gr. (%)	NM	47.8	43.5
ABV (INR)	186.7	210.0	241.0
Cons. BV (INR)	266.7	294.3	333.2
Ratios			
RoE (%)	7.2	9.8	12.6
RoA (%)	0.4	0.5	0.7
Valuations			
P/BV (x) (Cons.)	1.0	0.9	0.8
P/ABV (x)*	0.8	0.7	0.6
P/E (x)*	8.6	5.8	4.1

*Adjusted for investment in subs

SBIN (Buy)

- SBIN appears well-positioned to report a strong uptick in earnings as the uncertainty brought about by the pandemic has receded significantly. While collection trends have improved to ~97%, restructuring of only up to 1% of loans is expected. Furthermore, legacy issues in the corporate NPA cycle are now largely behind, and the bank carries a healthy PCR of ~88% on corporate NPA.
- The bank increased its PCR (including TWO) to ~88% in 2QFY21, from ~65% in 1QFY18, and holds a higher PCR on power NPAs (~73% PCR) v/s peers. We thus expect credit costs to normalize from FY22E.
- SBIN inarguably has one of the best liability franchises (CASA mix: ~45%). This puts it in a better position to manage yield pressure, while a reduction in the interest rate on deposits would continue to support margins to a large extent.

AUBANK: Financial Snapshot (INR b)

Y/E Mar	FY20	FY21E	FY22E
NII	19.1	23.0	27.5
OP	12.0	22.3	19.9
NP	6.7	13.5	11.1
NIM (%)	5.1	5.1	5.2
EPS (INR)	22.6	44.4	36.4
EPS Gr. (%)	71.3	96.3	-18.1
BV/Sh. (INR)	142.2	186.6	223.0
ABV/Sh. (INR)	138.9	183.2	218.5
Ratios			
ROE (%)	18.0	27.0	17.8
ROA (%)	1.8	3.0	2.1
Valuations			
P/E(X)	38.7	19.7	24.1
P/BV (X)	6.2	4.7	3.9
P/ABV (X)	6.3	4.8	4.0

SBILIFE: Financial Snapshot (INR b)

Y/E MARCH	FY20	FY21E	FY22E
Net Premiums	403	485	572
Surplus / Deficit	19.0	32.2	38.7
Sh. PAT	14.2	17.7	20.3
NBP gr- unwtcd (%)	20.3	15.0	20.0
NBP gr- APE (%)	10.2	4.8	25.6
Premium gr (%)	23.2	20.1	18.2
VNB margin (%)	18.7	20.8	21.1
RoE (%)	17.4	18.6	18.4
RoEV (%)	17.4	17.2	17.9
Total AUM (INR t)	1.6	2.0	2.4
VNB	20.1	22.9	29.2
EV per share	263	308	363
Valuations			
P/EV (x)	3.4	2.9	2.5
P/EPS (x)	62.9	48.6	42.3

- Subs – SBI MF, SBI Life Insurance, SBI Cards, and SBI Cap – have exhibited robust performances over the last few years, which could result in value unlocking.
- Overall, we estimate FY23E RoA/RoE of 0.8%/14.5%. Subs account for ~42% of the total valuation. Adj. for subs, the standalone bank trades at 0.6x FY22E ABV.

AUBANK (Buy)

- AUBANK is focused on scaling up its key business lines of Vehicle/MSME loans. It further aims to expand the new segments of Housing Loan, Gold Loan, Consumer Durable Financing, etc. However, we expect loan growth to remain soft for FY21E with just 14% growth; loans are expected to reflect better trends from FY22.
- AUBANK has shown strong progress in building a granular liability franchise, with the proportion of deposits to overall funding constantly improving. The proportion of retail deposits (CASA + retail TD) increased sharply to 54%; the recent rate cuts have led to a sharp improvement in incremental cost of funds, which declined 140bp YoY to 6.1%.
- On the asset quality front, sharp decline in the moratorium book and improving collection trends ease concerns around asset quality. Collection efficiency in Sep'20 reached a near-normal run-rate (96% v/s the long-term average of 98%), while the moratorium pool declined to 3%, providing further comfort. However, we expect a potential increase in delinquencies in the near term.
- Historically, AUBANK has seen LGDs of ~40% due to the secured nature of the portfolio. With a higher provision buffer (1% of total loans) and PCR of 71%, we expect credit cost to remain under control at 1.9%/1.4% for FY21/FY22E. The stock currently trades at 3.9x FY22E BV.

SBILIFE (Buy)

- SBILIFE has increased its focus on the Non-PAR Savings/Protection business as the proportion remains the lowest among the listed insurers. An improvement in the product mix toward high margins should aid VNB expansion. As per our analysis, ~44% of SBILIFE's VNB contribution comes from these segments, while for all other players it ranges at 60–80%.
- The company's strong parentage and wide branch network provides it with a distinct distribution advantage over peers. This enables it to maintain low cost ratios and to capitalize on SBIN's large clientele (449m), which presents a long-term structural growth story.
- It has one of the lowest cost structures among peers, aided by lower cost of acquisitions, arguably reflecting lower commission structures. This would further enable SBILIFE to maintain higher product margins v/s peers. We expect SBILIFE to maintain its cost leadership, with GWP remaining at 9.8% over FY23E.
- SBILIFE has reported an improvement in persistency rate across cohorts (barring the 49th month), with the highest improvement seen in the 61st month (+340bp YoY to 60.9% in 1HFY21) – which aided growth in the Renewal business (+29% YoY v/s 7% for IPRU and 22% for HDFCLIFE).
- SBILIFE continues to report steady growth in the Protection business, while the ULIP business is expected to see a gradual recovery. We expect growth to revive meaningfully from FY22E. We estimate a VNB margin of ~21.4% by FY23E and a 22% VNB CAGR over FY20–23E. We expect operating RoEV to sustain at ~19% by FY23E. The stock currently trades at 2.5x FY22E EV.

Exhibit 1: 3QFY21 earnings estimates (INR m)

	NII (INR m)			PPoP (INR m)			PAT (INR m)		
	Dec'20	YoY (%)	QoQ (%)	Dec'20	YoY (%)	QoQ (%)	Dec'20	YoY (%)	QoQ (%)
Private Banks									
AU Bank	5,720	12.9	2.0	8,951	186.1	91.9	5,658	197.5	75.8
Axis Bank	74,026	14.7	1.0	68,285	18.9	-1.0	15,006	-14.6	-10.8
Bandhan Bank	19,612	27.3	2.0	16,654	31.8	2.3	9,319	27.5	1.3
DCB Bank	3,088	-4.4	-7.5	1,861	-2.0	-17.2	569	-41.2	-30.9
Equitas Holdings	4,673	21.8	1.3	2,297	44.9	4.5	608	-35.4	-41.0
Federal Bank	13,818	19.6	0.1	9,922	33.4	-1.4	3,530	-19.9	14.7
HDFC Bank	162,834	14.9	3.2	150,157	16.0	8.7	82,308	11.0	9.6
ICICI Bank	96,723	13.2	3.3	85,908	13.8	4.0	35,732	-13.8	-16.0
IndusInd Bank	33,007	7.4	0.7	28,121	2.0	-1.4	5,713	-56.4	-13.8
Kotak Mahindra Bank	39,716	15.8	1.5	31,886	33.5	-3.3	19,207	20.4	-12.1
RBL Bank	9,434	2.2	1.2	7,255	-0.9	0.8	1,049	50.0	-27.2
Pvt Banking Sector	462,650	14.2	2.2	411,296	18.2	4.4	178,698	0.1	-1.7
PSU Banks									
Bank of Baroda	71,572	0.4	-4.7	53,432	7.8	-3.8	2,113	-115.0	-87.4
State Bank	287,146	3.4	1.9	182,423	0.1	10.8	47,216	-15.4	3.2
PSU Banking Sector	358,718	2.8	0.5	235,855	1.7	7.2	49,329	18.1	-21.1
Banking Sector	821,368	8.9	1.5	647,151	11.6	5.4	228,028	3.5	-6.6
Life Insurance									
HDFC Standard life	94,824	20.7	-5.6	3,437	30.4	5.3	3,376	34.9	3.5
ICICI Prudential life	89,607	10.2	4.5	3,233	6.4	-2.0	3,122	3.2	3.0
SBI life	130,956	12.0	1.8	4,619	17.0	54.2	4,508	15.7	50.4
Life Insurance	315,387	13.9	0.2	11,288	17.3	18.1	11,006	16.8	18.5

Note: For Life Insurance - NII represents net premium income, PPoP represents shareholder's PBT and PAT represents shareholder's profits

Exhibit 2: Loan growth remains moderate at 6.1%

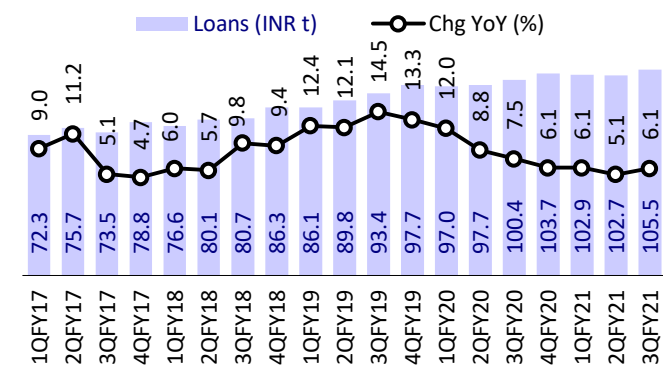


Exhibit 3: Deposit growth remains healthy at 11.3%

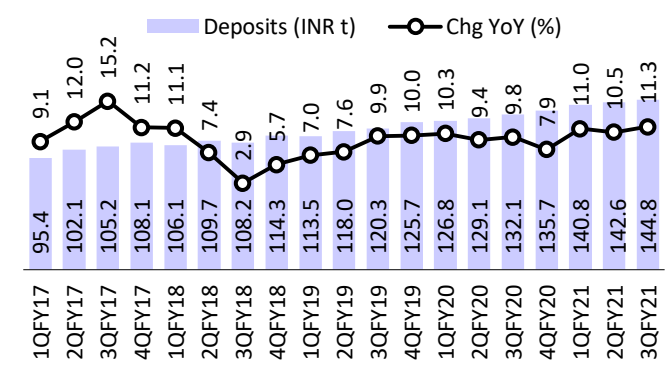


Exhibit 4: NIMs would exhibit marginal pressure as loan growth and NII remain under pressure even as excess liquidity is deployed, supported by lower cost of funds, to some extent

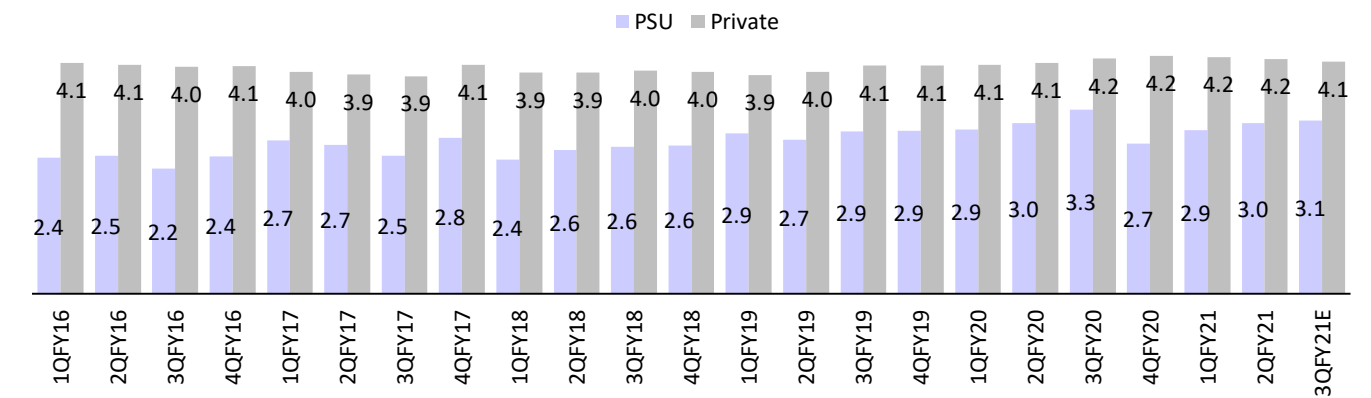


Exhibit 5: Change in estimates across our Coverage Universe – aggregate earnings showing signs of stabilizing

PAT (INR m)	Old Estimates		Revised Estimates		% Change	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Private Banks						
AXSB	64,596	112,309	62,725	108,409	-2.9%	-3.5%
BANDHAN	35,883	46,821	35,695	47,862	-0.5%	2.2%
DCBB	2,973	3,511	2,898	3,475	-2.5%	-1.0%
HDFCB	300,850	364,706	305,137	372,323	1.4%	2.1%
ICICIBC	136,744	199,127	143,106	206,943	4.7%	3.9%
IIB	24,657	52,262	23,809	48,501	-3.4%	-7.2%
KMB	69,894	82,597	74,826	88,227	7.1%	6.8%
FB	15,342	21,356	15,234	21,343	-0.7%	-0.1%
RBK	5,324	10,381	5,124	9,453	-3.8%	-8.9%
AUBANK	13,625	10,875	13,504	11,060	-0.9%	1.7%
EQUITAS	2,742	4,002	2,848	4,127	3.9%	3.1%
Total Private Banks	672,630	907,947	684,907	921,723	1.8%	1.5%
YoY growth	28.1%	35.0%	30.4%	34.6%		
PSU Banks						
BOB	16,790	28,280	17,451	28,468	3.9%	0.7%
SBIN	216,483	302,329	214,099	307,319	-1.1%	1.7%
Total PSU Bank	233,273	330,608	231,550	335,787	-0.7%	1.6%
YoY growth	55.2%	41.7%	54.0%	45.0%		
Total for Banks	905,903	1,238,555	916,456	1,257,510	1.2%	1.5%
YoY growth	34.1%	36.7%	35.7%	37.2%		
Life Insurance						
HDFCLIFE	14,546	17,140	15,121	18,098	4.0%	5.6%
IPRULIFE	11,901	13,633	12,509	16,083	5.1%	18.0%
SBILIFE	16,581	18,329	17,664	20,308	6.5%	10.8%

Source: MOFSL, Company

Slippages to remain elevated over FY21, impacted by the COVID-19 outbreak

Exhibit 6: Slippage ratio trend across banks; to normalize from FY22

Slippage Ratio (%)	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
AXSB	6.1	8.2	3.0	3.7	3.8	2.9	2.3
DCBB	1.8	1.9	1.9	2.7	3.4	2.9	2.2
HDFCB	1.4	2.1	1.9	1.9	2.4	2.1	1.9
ICICIBC	7.5	6.1	2.0	2.2	3.4	2.6	2.2
IIB	1.4	2.6	3.3	3.0	3.3	2.5	2.1
KMB	1.2	1.0	0.9	1.4	2.3	1.5	1.2
FB	1.6	2.7	1.6	1.7	2.5	2.1	1.8
RBK	2.5	1.9	1.8	6.2	5.7	4.1	2.8
AUBANK	1.7	2.1	2.5	2.5	2.6	2.3	1.8
BoB	3.5	6.0	3.0	3.4	4.4	3.8	3.0
SBIN	7.0	8.4	1.6	2.2	2.9	2.2	1.9

Source: MOFSL, Company

Credit cost to stay elevated over FY21 as banks would look to provide for COVID-19-related provisions

Exhibit 7: Credit cost trend across banks; to normalize from FY22

Credit Cost (%)	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
AXSB	3.4	3.8	2.6	3.5	3.0	2.4	1.8
BANDHAN	0.6	1.6	2.1	2.1	2.7	2.0	1.5
DCBB	0.8	0.8	0.6	1.1	1.6	1.5	1.1
HDFCB	0.7	1.0	1.0	1.3	1.5	1.4	1.3
ICICIBC	3.4	3.5	3.6	2.3	2.6	1.4	1.3
IIB	1.1	0.9	1.9	2.4	3.7	2.3	1.7
KMB	0.7	0.6	0.5	1.0	1.1	0.9	0.7
FB	0.9	1.1	0.8	1.0	1.5	1.2	1.0
RBK	0.9	1.0	1.4	3.6	3.7	3.2	2.8
AUBANK	1.7	1.3	0.8	1.1	1.9	1.4	1.2
BoB	2.2	3.7	2.9	3.1	2.6	2.4	2.1
SBIN	3.2	3.9	2.6	1.9	2.1	1.6	1.4

Source: MOFSL, Company

Exhibit 8: Snapshot of reported and proforma (not recorded due to SC order) asset quality ratios as of 2QFY21

As on 2QFY21 (%)	Reported GNPA	Reported NNPA	Pro-forma GNPA	Pro-forma NNPA
AXSB	4.18	0.98	4.28	1.03
BANDHAN	1.18	0.36	1.54	0.72
DCBB	2.27	0.83	2.39	0.92
HDFCB	1.08	0.17	1.37	0.35
ICICIBC	5.17	1.00	5.36	1.12
IIB	2.21	0.52	2.32	0.61
KMB	2.55	0.64	2.70	0.74
FB*	2.84	0.99	NA	NA
RBK	3.34	1.38	3.49	1.49
AUBANK	1.54	0.45	1.63	0.53
EQUITAS	2.48	1.03	2.86	1.45
BOB	9.14	2.51	9.33	2.67
SBIN	5.28	1.59	5.88	2.08

*FB did not disclose the ratios but indicated that the slippages would have been higher by INR2.37b

Source: MOSL, Company

Banks carry higher provision buffers to tackle COVID-related stress

Exhibit 9: Snapshot of additional provision buffers as of 2QFY21

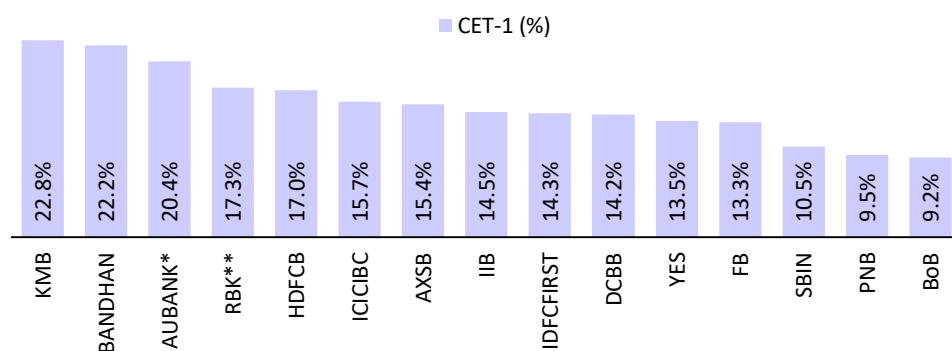
As of 2QFY21	Loans (INR b)	COVID Provisions	Additional Provision	Total Provisions Buffer	As a % of loans
AXSB	5,764	30.0	78.4	108.4	1.9%
BANDHAN	733	17.4	3.6	21.0	2.9%
DCBB	249	1.4	1.0	2.5	1.0%
HDFCB	10,383	15.5	77.5	93.0	0.9%
ICICIBC	6,526	87.7	14.4	102.1	1.6%
IIB	2,012	21.6	NA	21.6	1.1%
IDFC First	900	20.0	NA	20.0	2.2%
KMB	2,048	12.7	NA	12.7	0.6%
FB	1,229	1.9	4.0	5.9	0.5%
RBK	562	6.7	NA	6.7	1.2%
AUBANK	272	2.8	NA	2.8	1.0%
EQUITAS	159	1.7	NA	1.7	1.1%
SBIN	22,939	32.5	NA	32.5	0.1%
SBI Cards	219	7.6	NA	7.6	3.5%

Source: MOSL, Company

Exhibit 10: Snapshot of collection efficiency across banks and segments as of 2QFY21

Collection Efficiency	%	Comments
AXSB	97%	❖ Demand resolution stood at 94% as of Sep'20 (increased to 97% in Oct'20)
HDFCB	97%	❖ Collection trends at 97% levels (~99% in the non-moratorium book)
ICICIBC	97%	❖ Represents demand resolution in the retail business at pre-COVID levels
IIB	95.7%	❖ For vehicles, CE stands at 94.3%, while for MFI, it stands at 93%
KMB	Mid 90%	❖ CE for the overall book would be at mid-90 levels
DCB	NA	❖ CE at 91% for Home Loans, 87.5% for Business Loans, and 77% for CV
Federal	95%	❖ 95% of Feb'20 levels as of Sep'20
RBL	NA	❖ MFI – advance payments reached ~93%, while excluding arrears, it stood at ~87% ❖ (b) Credit cards – total collections stood at ~91%
AUBANK	96%	❖ Customer activation rate in Sep'20 improved to 78% (v/s avg. of 80%)
Bandhan	93%	❖ 96% of customers have started to make payments
BOB	91%	❖ 94% in the non-moratorium book and 87% in the moratorium book
SBIN	97%	❖ Represents CE in the domestic loan book (excluding Agri segment)

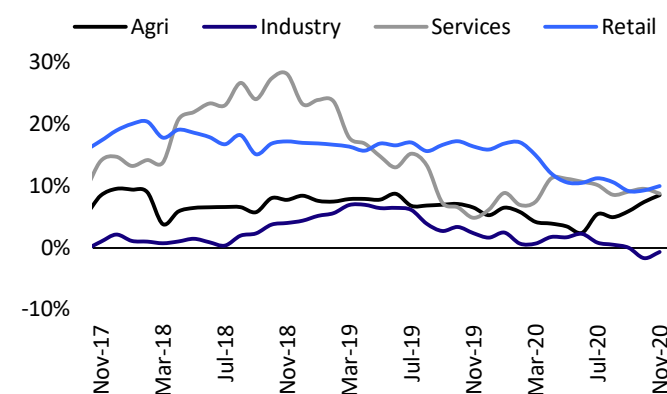
Source: MOSL, Company

Exhibit 11: Current CET-1 ratios across banks as of 2QFY21

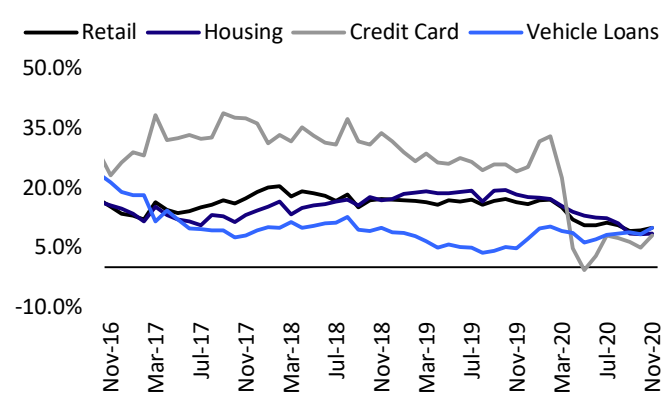
*Includes the recent stake sale in Aavas

**Includes the impact of capital raise during 3QFY21

Source: MOFSL, Company

Exhibit 12: Retail loan growth at multi-year lows of ~9-10%; retail mix improved ~930bp to 29% from 19% in FY15

Source: MOFSL, RBI

Exhibit 13: Housing/Vehicle growth moderated to ~8%/10% YoY; Credit Card growth moderated to ~8%

Source: MOFSL, RBI

Exhibit 14: Decline in TD rates would offset margin pressure

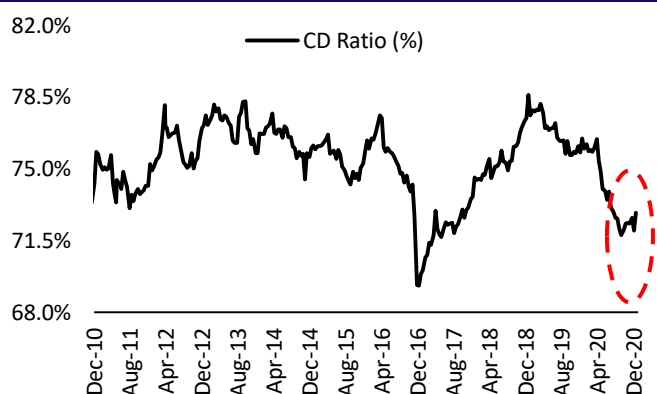
Peak Deposit rate (%)	Dec '18	Sep '19	Nov '19	Apr '20	Jun '20	Dec '20	YoY Change (bps)
BOB	6.80	6.60	6.40	5.70	5.30	5.00	(140)
PNB	6.75	6.60	6.40	5.80	5.50	5.20	(120)
SBIN	6.75	6.70	6.25	5.70	5.40	4.90	(135)
AXSB	7.30	7.00	6.85	6.10	5.80	5.15	(170)
HDFCB	7.40	7.00	6.85	6.00	5.50	4.90	(195)
ICICIBC	7.70	7.00	6.85	6.00	5.50	4.90	(195)
KMB	7.40	6.80	6.50	5.80	5.25	4.75	(175)
Repo Rate	6.50	5.40	5.15	4.40	4.00	4.00	(115)

Source: MOFSL, Company

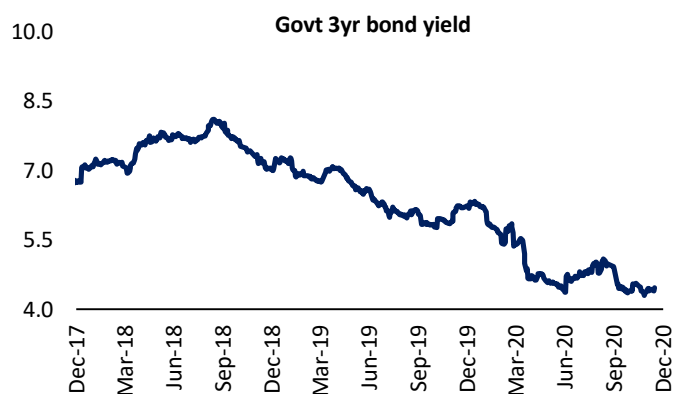
Exhibit 15: Most large banks have cut SA rates

SA Rate (%)	Old	Revised
AXSB	3.25%	3.00%
HDFCB	3.50%	3.00%
ICICIBC	3.25%	3.00%
IIB	4.00%	4%/5%/6%
KMB	4.00%	3.5%/4%
RBK	5.50%	4.75%/6%/6.75%
FB*	2.90%	2.50%
BoB	3.25%	2.75%
PNB	3.50%	3.00%
SBIN	2.75%	2.70%

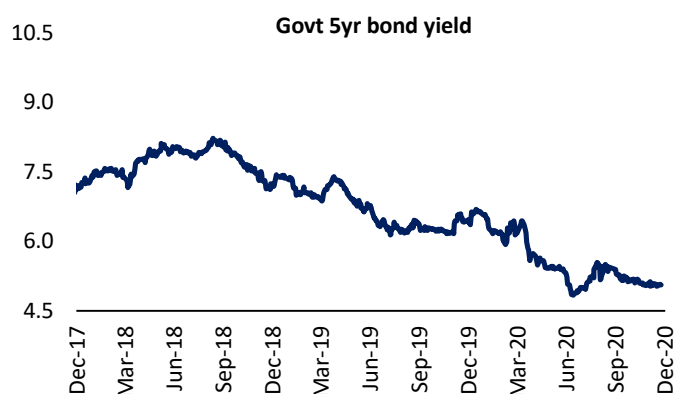
*For FB, the rate is 150bp below repo rate Source: MOFSL, Company

Exhibit 16: CD ratio was at decadal lows of ~73% (barring demonetization)

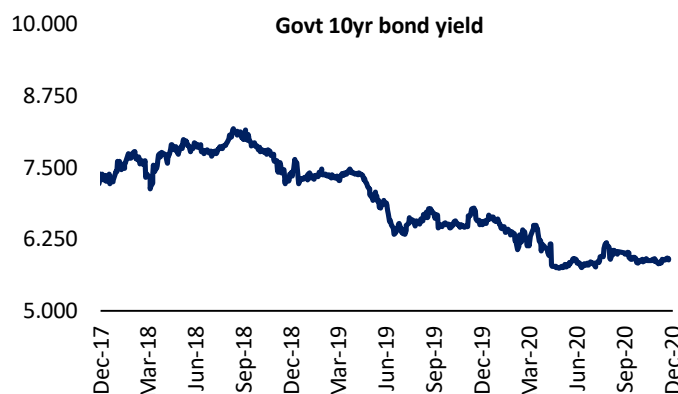
Source: MOFSL, BBG

Exhibit 17: 3Yr. G-Sec yield moderated 180bp over CY20YTD; currently stands at 4.5%

Source: MOFSL, BBG

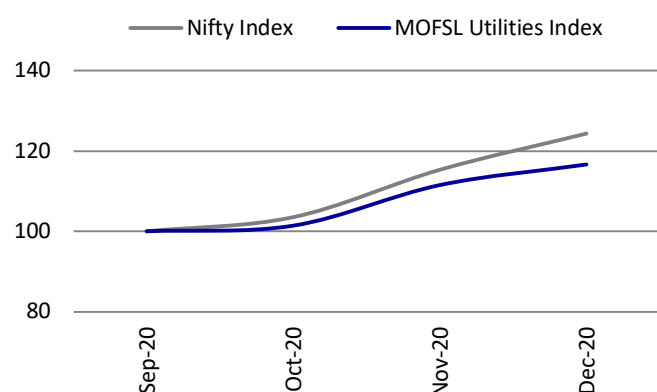
Exhibit 18: 5Yr. G-Sec yield moderated 140bp over CY20YTD; currently stands at 5.1%

Source: MOFSL, BBG

Exhibit 19: 10Yr. G-Sec yield moderated 70bp over CY20YTD; currently stands at 5.9%

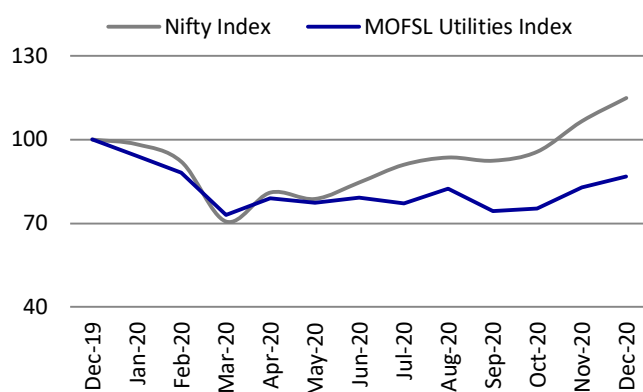
Source: MOFSL, BBG

Exhibit 20: Relative performance – 3 months (%)



Source: MOFSL, Company

Exhibit 21: Relative performance – 1 year (%)



Source: MOFSL, Company

Exhibit 22: Valuation summary

			EPS (INR)			PE (x)			PB (x)			ROE (%)		
Company Name	CMP (INR)	Reco	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Financials														
Banks-Private						26.5	19.8	15.4	3.1	2.7	2.4	11.7	13.9	15.5
AU Small Finance	875	Buy	44.4	36.4	49.2	19.7	24.1	17.8	4.7	3.9	3.2	27.0	17.8	19.9
Axis Bank	623	Buy	21.3	35.4	55.7	29.2	17.6	11.2	1.9	1.7	1.5	6.8	10.3	14.4
Bandhan Bank	400	Buy	22.2	29.7	38.6	18.0	13.5	10.4	3.6	2.9	2.4	21.5	24.0	25.5
DCB Bank	120	Neutral	9.3	11.2	15.6	12.9	10.7	7.7	1.0	1.0	0.9	8.7	9.6	12.1
Equitas Holdings	68	Buy	8.0	11.7	16.3	8.5	5.8	4.2	0.8	0.8	0.7	9.7	13.5	17.7
Federal Bank	68	Buy	7.6	10.7	14.2	8.9	6.4	4.8	0.9	0.8	0.7	10.0	12.7	14.8
HDFC Bank	1,425	Buy	55.6	67.9	81.4	25.6	21.0	17.5	4.0	3.4	2.9	16.6	17.6	18.1
ICICI Bank	528	Buy	21.4	30.0	38.7	24.6	17.6	13.6	2.5	2.2	1.9	11.2	13.7	15.4
IndusInd Bank	900	Buy	32.8	64.1	94.9	27.4	14.0	9.5	1.7	1.6	1.4	6.5	11.7	15.4
Kotak Mahindra Bank	1,994	Neutral	51.7	61.0	73.4	38.5	32.7	27.2	5.1	4.5	3.8	13.4	13.1	13.9
RBL Bank	231	Buy	8.6	15.8	22.8	26.9	14.6	10.2	1.1	1.0	1.0	4.4	7.3	9.8
South Indian Bank	9	Buy	1.6	2.0	2.7	5.8	4.4	3.3	0.3	0.3	0.3	5.1	6.3	8.0
Banks-PSU						9.6	6.9	5.2	0.9	0.8	0.7	8.9	11.3	13.5
Bank of Baroda	65	Neutral	3.8	6.2	13.3	17.1	10.5	4.9	0.4	0.4	0.4	2.4	3.8	7.9
State Bank	279	Buy	30.6	41.9	53.6	9.1	6.7	5.2	0.9	0.8	0.7	9.8	12.6	14.5
			EPS (INR)			PE (x)			PEV (x)			ROEV (%)		
			FY21E	FY22E	FY23E	FY21E	FY21E	FY22E	FY23E	FY21E	FY21E	FY22E	FY23E	FY21E
Insurance						64.5	53.6	44.9	11.1	9.5	8.2	17.2	17.8	18.2
HDFC Life Insur.	678	Neutral	7.5	8.9	10.3	90.8	75.9	66.1	5.5	4.7	4.0	21.1	17.5	17.4
ICICI Pru Life	499	Buy	8.7	11.2	13.1	57.2	44.5	38.2	2.6	2.3	2.0	19.8	14.6	14.3
SBI Life Insurance	836	Buy	17.7	20.3	25.5	47.3	41.2	32.8	2.7	2.3	1.9	17.2	17.9	18.5

(*) Multiples adj. for value of key ventures/Investments

The tables below provide a snapshot of actual and estimated numbers for companies under the MOFSL Coverage Universe. Highlighted columns indicate the quarter/financial year under review.

AU Small Finance Bank

Buy
CMP: INR875 | TP: INR1,100 (+26%)
EPS CHANGE (%): FY21|22: -0.9|+1.7

- Margins to remain stable at ~5.1%
- Watchful of asset quality; focus on stress pool of ~3%
- Loan growth to improve QoQ, but remain under pressure, while deposits to witness healthy traction
- CoF and C/I ratio are other key monitorables

Quarterly Performance

(INR m)

	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Interest Income	3,956	4,516	5,068	5,549	5,159	5,606	5,720	6,471	19,089	22,955
% Change (Y-o-Y)	38.1	40.7	45.7	43.4	30.4	24.1	12.9	16.6	42.2	20.3
Other Income	2,109	1,508	1,612	1,831	2,258	2,857	7,427	2,335	7,061	14,877
Total Income	6,065	6,024	6,681	7,381	7,416	8,463	13,146	8,806	26,150	37,832
Operating Expenses	3,157	3,247	3,552	4,223	2,961	3,800	4,196	4,583	14,179	15,540
Operating Profit	2,908	2,777	3,128	3,158	4,456	4,663	8,951	4,223	11,972	22,293
% Change (Y-o-Y)	90.7	58.5	75.1	46.4	53.2	67.9	186.1	33.7	65.8	86.2
Provisions	315	610	401	1,506	1,813	574	2,294	915	2,832	5,596
Profit before Tax	2,593	2,167	2,727	1,652	2,643	4,089	6,656	3,308	9,140	16,696
Tax Provisions	690	447	825	429	635	870	998	688	2,392	3,192
Net Profit	1,903	1,719	1,902	1,223	2,008	3,219	5,658	2,620	6,748	13,504
% Change (Y-o-Y)	147.3	88.1	99.5	3.5	5.5	87.2	197.5	114.2	76.7	100.1
Operating Parameters										
Deposit (INR b)	198.5	221.5	238.7	261.6	267.3	269.8	280.1	300.9	261.6	300.9
Loan (INR b)	231.0	248.1	265.7	269.9	262.5	272.3	288.6	307.3	269.9	307.3
Deposit Growth (%)	98.5	72.1	62.5	34.7	34.7	21.8	17.4	15.0	34.7	15.0
Loan Growth (%)	51.3	36.9	32.9	18.3	13.6	9.8	8.6	13.9	18.3	13.9
Asset Quality										
GNPA (%)	2.1	2.0	1.9	1.7	1.7	1.5	2.2	2.4	1.7	2.4
NNPA (%)	1.3	1.1	1.0	0.8	0.6	0.5	0.7	0.7	0.8	0.7
PCR (%)	40.5	43.9	46.8	52.5	63.5	71.0	68.0	70.6	52.5	70.6

Axis Bank

Buy
CMP: INR623 | TP: INR725 (+16%)
EPS CHANGE (%): FY20|21: -2.9|-3.5

- Credit cost to stay elevated; bank guides for higher slippages
- Margins to decline ~8bp QoQ to ~3.5%
- Restructuring / BB & below pool to remain under watch
- Loan/Deposit growth to stay modest

Quarterly Performance

(INR b)

	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Interest Income	58.4	61.0	64.5	68.1	69.9	73.3	74.0	78.4	252.1	295.5
% Change (Y-o-Y)	13.1	16.6	15.2	19.3	19.5	20.1	14.7	15.1	16.1	17.2
Other Income	38.7	39.0	37.9	39.9	25.9	38.1	40.6	43.1	155.4	147.6
Total Income	97.1	100.0	102.4	107.9	95.7	111.3	114.6	121.4	407.4	443.1
Operating Expenses	38.2	40.5	45.0	49.4	37.3	42.4	46.3	50.8	173.0	176.7
Operating Profit	58.9	59.5	57.4	58.5	58.4	69.0	68.3	70.7	234.4	266.4
% Change (Y-o-Y)	34.8	45.4	3.9	16.7	-0.8	15.9	18.9	20.8	23.3	13.7
Provisions	38.1	35.2	34.7	77.3	44.2	45.8	48.3	44.3	185.3	182.5
Profit before Tax	20.8	24.3	22.7	-18.8	14.3	23.2	20.0	26.4	49.0	83.9
Tax	7.1	25.5	5.1	-4.9	3.2	6.3	5.0	6.6	32.8	21.1
Net Profit	13.7	-1.1	17.6	-13.9	11.1	16.8	15.0	19.8	16.3	62.7
% Change (Y-o-Y)	95.4	NM	4.5	NM	-18.8	NM	-14.6	NM	-65.2	285.5
Operating Parameters										
Deposit (INR t)	5.4	5.8	5.9	6.4	6.3	6.4	6.6	7.0	6.4	7.0
Loan (INR t)	5.0	5.2	5.5	5.7	5.6	5.8	5.9	6.2	5.7	6.2
Deposit Growth (%)	20.9	21.7	15.1	16.7	16.2	8.8	11.1	9.0	16.7	9.0
Loan Growth (%)	12.7	14.4	15.8	15.5	12.9	10.5	8.1	9.0	15.5	9.0
Asset Quality										
Gross NPA (%)	5.3	5.0	5.0	4.9	4.7	4.2	5.0	5.2	4.9	5.2
Net NPA (%)	2.0	2.0	2.1	1.6	1.2	1.0	1.4	1.4	1.6	1.4
PCR (%)	62.5	61.7	59.6	69.0	74.8	77.2	73.0	74.5	69.0	74.5

Bandhan Bank**Buy****CMP: INR400 | TP: INR450 (+13%)****EPS CHANGE (%): FY20|21: -0.5|+2.2**

- NIMs to moderate to ~7.9%
- Slippages to increase, which would keep credit cost higher
- Business growth to remain healthy
- Commentary around collection efficiency a key metric

Quarterly Performance**(INR m)**

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Interest Income	15,746	15,290	15,403	16,800	18,115	19,231	19,612	21,867	63,239	78,825
% Change (YoY)	51.8	41.9	37.0	33.6	15.0	25.8	27.3	30.2	40.7	24.6
Other Income	3,310	3,603	3,577	5,002	3,868	3,818	4,268	5,397	15,492	17,351
Total Income	19,056	18,893	18,980	21,802	21,983	23,049	23,880	27,265	78,731	96,176
Operating Expenses	5,505	5,824	6,341	6,595	6,141	6,773	7,226	7,769	24,265	27,909
Operating Profit	13,551	13,069	12,639	15,207	15,842	16,275	16,654	19,496	54,466	68,267
% Change (YoY)	65.1	49.5	40.4	31.9	16.9	24.5	31.8	28.2	45.3	25.3
Other Provisions	1,254	1,455	2,949	8,274	8,491	3,945	4,212	3,899	13,932	20,547
Profit Before Tax	12,297	11,614	9,690	6,933	7,351	12,330	12,442	15,597	40,534	47,721
Tax	4,261	1,896	2,380	1,760	1,853	3,130	3,123	3,920	10,297	12,026
Net Profit	8,036	9,718	7,310	5,173	5,498	9,200	9,319	11,678	30,237	35,695
% Change (YoY)	66.8	99.3	120.7	-20.5	-31.6	-5.3	27.5	125.7	54.9	18.1
Operating Parameters										
Deposits (INR b)	437	492	549	571	606	661	686	731	571	731
Loans (INR b)	415	598	606	666	697	733	759	802	666	802
Deposit Growth (%)	42.3	49.3	58.5	32.0	38.7	34.4	24.9	28.0	32.0	28.0
Loan Growth (%)	35.9	88.4	78.9	68.1	68.1	22.6	25.2	20.4	68.1	20.4
Asset Quality										
Gross NPA (%)	1.7	1.8	1.9	1.5	1.4	1.2	1.9	2.3	1.5	2.3
Net NPA (%)	0.6	0.6	0.8	0.6	0.5	0.4	0.6	0.6	0.6	0.6
PCR (%)	65.9	68.3	58.4	60.8	66.6	70.0	67.0	74.2	60.8	74.2

Bank of Baroda**Neutral****CMP: INR65 | TP: INR60 (-7%)****EPS CHANGE (%): FY20|21: +3.9|+0.7**

- Elevated credit cost and NII moderation to dent earnings
- Rundown in international book to continue
- Asset quality to remain under pressure
- Movement in watchlist / stress pool to be key monitorable

Quarterly Performance**(INR m)**

	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Interest Income	64,981	70,279	71,291	67,982	68,161	75,075	71,572	73,787	274,513	288,595
% Change (YoY)	48.3	56.4	50.3	34.2	4.9	6.8	0.4	8.5	48.5	5.1
Other Income	19,156	28,239	27,412	28,347	18,183	28,023	29,250	32,877	103,173	108,332
Total Income	84,137	98,519	98,702	96,328	86,344	103,098	100,821	106,664	377,686	396,927
Operating Expenses	41,375	45,160	49,118	45,120	43,144	47,580	47,389	48,459	180,772	186,572
Operating Profit	42,762	53,359	49,585	51,208	43,199	55,518	53,432	58,205	196,914	210,355
% Change (YoY)	42.3	73.1	40.1	32.6	1.0	4.0	7.8	13.7	46.0	6.8
Provisions	32,849	42,092	71,554	68,441	56,277	30,016	50,497	50,235	214,935	187,025
Profit before Tax	9,913	11,268	-21,970	-17,233	-13,078	25,502	2,935	7,970	-18,021	23,330
Tax	2,815	3,901	-7,900	-22,299	-4,435	8,716	822	776	-23,483	5,879
Net Profit	7,099	7,367	-14,070	5,066	-8,643	16,786	2,113	7,194	5,462	17,451
% Change (YoY)	34.5	73.2	NM	NM	NM	127.9	NM	42.0	26.0	219.5
Operating Parameters										
Deposit (INR b)	8,955	8,941	8,962	9,460	9,345	9,543	9,755	10,027	9,460	10,027
Loan (INR b)	6,332	6,373	6,545	6,901	6,867	6,699	6,901	7,281	6,901	7,281
Deposit Growth (%)	54.0	47.3	46.8	48.1	4.3	6.7	8.9	6.0	48.1	6.0
Loan Growth (%)	52.8	47.0	45.9	47.2	8.4	5.1	5.4	5.5	47.2	5.5
Asset Quality										
Gross NPA (%)	10.3	10.3	10.4	9.4	9.4	9.1	10.0	10.1	9.4	10.1
Net NPA (%)	4.0	3.9	4.1	3.1	2.8	2.5	3.1	3.2	3.1	3.2
PCR (%)	64.1	64.4	63.8	68.9	71.9	74.4	71.0	70.8	68.9	70.8

DCB Bank**Neutral****CMP: INR120 | TP: INR110 (-8%)****EPS CHANGE (%): FY20|21: -2.5|-1.0**

- Credit cost to remain high on potential stress in SME/LAP
- Expect slippages to rise, which could keep asset quality under pressure; loans under restructuring to be key
- C/I ratio may remain under pressure and could rise
- NIM compression / loan growth to remain key monitorable

Quarterly Performance**(INR m)**

	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Interest Income	3,048	3,134	3,231	3,237	3,067	3,339	3,088	3,212	12,649	12,707
% Change (Y-o-Y)	11.6	11.2	10.0	7.6	0.6	6.6	-4.4	-0.8	10.1	0.5
Other Income	868	1,014	931	1,099	776	925	872	946	3,911	3,520
Total Income	3,915	4,148	4,162	4,336	3,843	4,264	3,960	4,159	16,560	16,226
Operating Expenses	2,250	2,302	2,263	2,215	1,932	2,016	2,099	2,261	9,029	8,309
Operating Profit	1,665	1,845	1,899	2,121	1,911	2,248	1,861	1,897	7,531	7,918
% Change (Y-o-Y)	17.8	26.3	9.3	14.5	14.8	21.8	-2.0	-10.5	16.5	5.1
Provisions	406	433	590	1,182	837	1,131	1,100	975	2,611	4,043
Profit before Tax	1,259	1,413	1,309	938	1,075	1,117	761	923	4,919	3,875
Tax	448	499	342	251	281	294	192	210	1,540	976
Net Profit	811	914	967	688	794	823	569	713	3,379	2,898
% Change (Y-o-Y)	16.6	24.5	12.3	-28.6	-2.1	-10.0	-41.2	3.7	3.9	-14.2
Operating Parameters										
Deposit (INR b)	287.9	293.6	297.3	303.7	294.3	287.7	295.5	309.8	303.7	309.8
Loan (INR b)	240.4	248.0	254.4	253.5	250.6	248.8	245.8	243.3	253.5	243.3
Deposit Growth (%)	15.0	12.2	8.1	6.8	2.2	-2.0	-0.6	2.0	6.8	2.0
Loan Growth (%)	13.2	12.4	11.1	7.5	4.2	0.3	-3.4	-4.0	7.5	-4.0
Asset Quality										
Gross NPA (%)	2.0	2.1	2.2	2.5	2.4	2.3	3.1	3.4	2.5	3.4
Net NPA (%)	0.8	1.0	1.0	1.2	1.0	0.8	1.2	1.4	1.2	1.4
PCR (%)	58.9	54.5	52.8	53.5	60.0	64.1	62.0	61.2	53.5	61.2

Equitas Holdings**Buy****CMP: INR68 | TP: INR65 (-5%)****EPS CHANGE (%): FY20|21: +3.9|+3.1**

- NIMs to moderate to ~8.9% (~12bp) QoQ
- Watch out for asset quality in MSME book; focus to remain on collection efficiency
- Moderation in business growth and elevated credit cost to impact earnings
- Loan under restructuring to be key

Quarterly Performance**(INR m)**

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Interest Income	3,372	3,505	3,836	4,561	4,043	4,613	4,673	4,715	14,953	18,044
% Change (YoY)	32.5	29.1	23.3	44.9	19.9	31.6	21.8	3.4	29.8	20.7
Other Income	592	639	857	736	297	637	822	1,012	2,824	2,767
Total Income	3,963	4,145	4,693	5,297	4,339	5,249	5,495	5,727	17,777	20,811
Operating Expenses	2,768	2,833	3,108	3,092	2,919	3,053	3,199	3,529	11,801	12,700
Operating Profit	1,196	1,312	1,584	2,205	1,420	2,197	2,297	2,197	5,976	8,111
% Change (YoY)	57.2	23.6	30.4	80.1	18.8	67.5	44.9	-0.4	40.2	35.7
Provisions	308	454	405	1,300	683	839	1,464	1,319	2,466	4,306
Profit before Tax	888	858	1,180	906	737	1,358	833	878	3,509	3,805
Tax	317	363	239	154	160	328	225	245	1,073	958
Net Profit	571	495	941	752	577	1,030	608	633	2,436	2,848
% Change (YoY)	61.2	1.5	51.2	17.0	1.1	108.1	-35.4	-15.8	15.7	16.9
Operating Parameters										
AUM (INR b)	123	133	146	154	156	167	177	192	154	184
Deposits (INR b)	91	100	105	108	118	129	134	140	108	140
Loans (INR b)	120	130	137	137	144	159	164	170	137	170
AUM Growth (%)	35	33	37	31	27	26	21	25	31	20
Deposit Growth (%)	60	44	33	20	29	29	27	30	20	30
Loan Growth (%)	43	38	30	19	20	23	20	24	19	24
Asset Quality										
Gross NPA (%)	2.7	2.9	2.9	2.7	2.9	2.5	3.6	4.3	3.0	4.3
Net NPA (%)	1.5	1.6	1.7	1.5	1.5	1.0	1.9	2.3	1.8	2.3
PCR (%)	44.0	38.8	43.5	45.2	44.2	50.2	48.0	48.2	40.7	48.2

Federal Bank

Buy

CMP: INR68 | TP: INR80 (+18%)

EPS CHANGE (%): FY20|21: -0.7|-0.1

- Business growth to remain modest
- Credit cost to stay high due to exposure to SMEs
- Asset quality ratio and loans under restructuring to be key
- NIMs to be stable at ~3.1%

Quarterly Performance

(INR m)

	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Interest Income	11,542	11,238	11,549	12,160	12,964	13,799	13,818	14,253	46,489	54,834
% Change (YoY)	17.8	9.9	7.2	10.9	12.3	22.8	19.6	17.2	11.3	18.0
Other Income	3,915	4,209	4,079	7,111	4,884	5,093	5,118	5,378	19,314	20,473
Total Income	15,457	15,447	15,628	19,271	17,848	18,892	18,936	19,631	65,803	75,307
Operating Expenses	7,629	8,259	8,190	9,678	8,524	8,827	9,015	9,331	33,756	35,697
Operating Profit	7,828	7,188	7,438	9,593	9,324	10,065	9,922	10,300	32,047	39,610
% Change (YoY)	29.8	3.0	5.1	27.1	19.1	40.0	33.4	7.4	16.0	23.6
Provisions	1,920	2,518	1,609	5,675	3,946	5,921	5,247	4,319	11,722	19,432
Profit before Tax	5,907	4,670	5,830	3,918	5,378	4,145	4,675	5,981	20,325	20,178
Tax	2,065	503	1,423	906	1,370	1,069	1,145	1,360	4,898	4,944
Net Profit	3,842	4,167	4,406	3,012	4,008	3,076	3,530	4,621	15,428	15,234
% Change (YoY)	46.2	56.6	32.1	-21.0	4.3	-26.2	-19.9	53.4	24.0	-1.3
Operating Parameters										
Deposit (INR b)	1,325	1,395	1,446	1,523	1,549	1,567	1,617	1,675	1,523	1,675
Loan (INR b)	1,120	1,159	1,192	1,223	1,213	1,229	1,264	1,320	1,223	1,320
Deposit Growth (%)	19.1	18.1	17.1	12.8	16.9	12.3	11.8	10.0	12.8	10.0
Loan Growth (%)	18.8	14.8	13.0	10.9	8.3	6.1	6.0	8.0	10.9	8.0
Asset Quality										
Gross NPA (%)	3.0	3.1	3.0	2.8	3.0	2.8	3.4	3.7	2.8	3.7
Net NPA (%)	1.5	1.6	1.6	1.3	1.2	1.0	1.3	1.3	1.3	1.3
PCR (%)	50.7	49.0	46.4	54.5	59.6	65.7	63.0	65.3	54.5	65.3

HDFC Bank

Buy

CMP: INR1,425 | TP: INR1,650 (+16%)

EPS CHANGE (%): FY20|21: +1.4|+2.1

- Deposit growth strong, while loan growth remains healthy
- Margins broadly stable at ~4.1%
- Watch out for asset quality in Agri and unsecured book
- Commentary around credit cards and fee income traction

Quarterly Performance

(INR b)

	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Interest Income	132.9	135.2	141.7	152.0	156.7	157.8	162.8	170.8	561.9	648.1
% Change (Y-o-Y)	22.9	14.9	12.7	16.2	17.8	16.7	14.9	12.4	16.5	15.3
Other Income	49.7	55.9	66.7	60.3	40.8	60.9	73.1	75.2	232.6	250.1
Total Income	182.6	191.0	208.4	212.4	197.4	218.7	236.0	246.1	794.5	898.1
Operating Expenses	71.2	74.1	79.0	82.8	69.1	80.6	85.8	94.6	307.0	330.1
Operating Profit	111.5	117.0	129.5	129.6	128.3	138.1	150.2	151.5	487.5	568.1
% Change (Y-o-Y)	28.9	23.4	20.1	19.5	15.1	18.1	16.0	16.9	22.6	16.5
Provisions	26.1	27.0	30.4	37.8	38.9	37.0	41.7	42.7	121.4	160.3
Profit before Tax	85.3	90.0	99.0	91.7	89.4	101.1	108.5	108.8	366.1	407.8
Tax	29.7	26.5	24.9	22.5	22.8	26.0	26.2	27.7	103.5	102.6
Net Profit	55.7	63.4	74.2	69.3	66.6	75.1	82.3	81.1	262.6	305.1
% Change (Y-o-Y)	21.0	26.8	32.8	17.7	19.6	18.4	11.0	17.1	24.6	16.2
Operating Parameters										
Deposit Growth (%)	18.5	22.6	25.2	24.3	24.6	20.3	19.1	16.5	24.3	16.5
Loan Growth (%)	17.1	19.5	19.9	21.3	20.9	15.8	15.6	12.0	21.3	12.0
Deposit	9,546	10,216	10,674	11,475	11,894	12,293	12,710	13,368	11,475	13,368
Loan	8,297	8,970	9,360	9,937	10,033	10,383	10,820	11,129	9,937	11,129
Asset Quality										
Gross NPA (%)	1.4	1.4	1.4	1.3	1.4	1.1	1.3	1.8	1.3	1.8
Net NPA (%)	0.4	0.4	0.5	0.4	0.3	0.2	0.3	0.5	0.4	0.5
PCR (%)	69.7	69.7	66.7	72.0	76.2	84.5	75.0	75.6	72.0	75.6

ICICI Bank

Buy

CMP: INR528 | TP: INR630 (+19%)

EPS CHANGE (%): FY20|21: +4.7|+3.9

- Loan growth modest; margins to moderate to ~3.5%
- Slippages to stay elevated, resulting in higher credit cost
- Commentary on restructuring book and asset quality
- Movement in stressed loans to remain key monitorable

Quarterly Performance

(INR b)

	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Interest Income	77.4	80.6	85.5	89.3	92.8	93.7	96.7	103.2	332.7	386.4
% Change (YoY)	26.8	25.6	24.3	17.1	19.9	16.2	13.2	15.6	23.1	16.2
Other Income	34.3	41.9	45.7	42.5	61.4	40.3	46.2	49.5	164.5	197.4
Total Income	111.6	122.5	131.2	131.8	154.2	133.9	142.9	152.7	497.2	583.8
Operating Expenses	48.7	53.8	55.7	57.9	46.5	51.3	57.0	62.7	216.1	217.5
Operating Profit	62.9	68.7	75.5	73.9	107.8	82.6	85.9	90.0	281.0	366.3
% Change (YoY)	8.3	30.9	22.8	18.6	71.4	20.2	13.8	21.8	19.9	30.3
Provisions	35.0	25.1	20.8	59.7	75.9	30.0	38.3	33.8	140.5	178.0
Profit before Tax	27.9	43.7	54.7	14.2	31.8	52.7	47.6	56.2	140.5	188.3
Tax	8.8	37.1	13.2	2.0	5.8	10.1	11.9	17.3	61.2	45.2
Net Profit	19.1	6.5	41.5	12.2	26.0	42.5	35.7	38.9	79.3	143.1
% Change (YoY)	NM	-27.9	158.4	26.0	36.2	549.1	-13.8	218.2	135.8	80.4
Operating Parameters										
Deposit	6,607	6,963	7,163	7,710	8,016	8,329	8,647	9,020	7,710	9,020
Loan	5,924	6,134	6,357	6,453	6,312	6,526	6,774	7,098	6,453	7,098
Deposit Growth (%)	20.8	24.6	18.1	18.1	21.3	19.6	20.7	17.0	18.1	17.0
Loan Growth (%)	14.7	12.6	12.6	10.0	6.5	6.4	6.6	10.0	10.0	10.0
Asset Quality										
Gross NPA (%)	7.3	7.0	6.5	6.1	6.1	5.2	5.9	5.9	6.1	5.9
Net NPA (%)	1.8	1.6	1.5	1.4	1.2	1.0	1.5	1.4	1.4	1.4
PCR (%)	74.1	76.1	76.1	75.6	78.5	81.6	76.5	77.1	75.7	77.1

IndusInd Bank

Buy

CMP: INR900 | TP: INR850 (-6%)

EPS CHANGE (%): FY20|21: -3.4|-7.2

- Loan growth to continue to witness pressure, while deposits to show strong traction
- Asset quality to remain pressured, led by higher strain on MFI and Auto businesses; restructuring book to be key
- Margins to moderate marginally to ~4.1%
- Credit cost to remain elevated as PCR remains high

Quarterly Performance

(INR m)

	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Interest Income	28,440	29,094	30,742	32,312	33,092	32,780	33,007	33,680	120,587	132,559
% Change (YoY)	34.0	32.0	34.4	44.7	16.4	12.7	7.4	4.2	36.3	9.9
Other Income	16,633	17,272	17,900	17,722	15,204	15,543	16,086	17,131	69,527	63,965
Total Income	45,072	46,365	48,642	50,034	48,296	48,323	49,094	50,811	190,114	196,524
Operating Expenses	19,163	20,131	21,065	21,467	19,019	19,803	20,973	22,635	82,373	82,430
Operating Profit	25,910	26,234	27,577	28,567	29,277	28,520	28,121	28,175	107,741	114,094
% Change (YoY)	35.6	31.7	30.3	38.2	13.0	8.7	2.0	-1.4	33.2	5.9
Provisions	4,306	7,377	10,435	24,403	22,589	19,644	20,484	19,547	46,521	82,264
Profit before Tax	21,603	18,857	17,143	4,164	6,689	8,875	7,637	8,628	61,220	31,830
Tax	7,278	4,848	4,050	1,012	1,585	2,245	1,925	2,267	17,027	8,021
Net Profit	14,325	14,010	13,092	3,152	5,103	6,631	5,713	6,362	44,193	23,809
% Change (YoY)	38.3	52.2	32.9	-12.5	-64.4	-52.7	-56.4	101.8	33.9	-46.1
Operating Parameters										
Deposit Growth (%)	26.3	23.2	23.3	3.7	5.3	10.0	10.6	24.0	3.7	24.0
Loan Growth (%)	28.4	20.8	19.8	10.9	2.4	2.1	0.1	5.0	10.9	5.0
Deposit (INR b)	2,006	2,072	2,167	2,020	2,113	2,279	2,396	2,505	2,020	2,505
Loan (INR b)	1,935	1,971	2,074	2,068	1,981	2,012	2,077	2,171	2,068	2,171
Asset Quality										
Gross NPA (%)	2.2	2.2	2.2	2.5	2.5	2.2	2.8	2.9	2.5	2.9
Net NPA (%)	1.2	1.1	1.1	0.9	0.9	0.5	0.8	0.8	0.9	0.8
PCR (%)	43.3	49.6	52.5	63.3	66.6	76.7	72.0	74.2	63.3	74.2

Kotak Mahindra Bank**Neutral****CMP: INR1,994 | TP: INR1,800 (-10%)****EPS CHANGE (%): FY20|21: +7.1|+6.8**

- Loan growth to remain under pressure, while deposits to show healthy traction
- Liability franchise to remain strong; reduction in cost of funds to result in stable margins at ~4.5%
- Commentary around stress in SME book and other unsecured loans, which could keep credit cost elevated
- Asset quality to remain largely stable, with GNPA at ~2.7%

Quarterly Performance**(INR m)**

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Interest Income	31,730	33,496	34,295	35,597	37,239	39,132	39,716	41,831	134,997	157,918
% Change (Y-o-Y)	22.8	24.6	16.7	16.8	17.4	16.8	15.8	17.5	20.5	17.0
Other Income	13,047	12,244	13,414	14,894	7,735	14,520	14,891	16,037	53,721	53,184
Total Income	44,778	45,740	47,710	50,490	44,974	53,652	54,608	57,868	188,718	211,102
Operating Expenses	20,789	20,654	23,829	23,238	18,737	20,678	22,722	24,589	88,509	86,726
Operating Profit	23,989	25,086	23,881	27,253	26,237	32,975	31,886	33,279	100,208	124,376
% Change (Y-o-Y)	18.0	19.7	23.2	19.4	9.4	31.4	33.5	22.1	20.0	24.1
Other Provisions	3,168	4,079	4,440	10,475	9,620	3,686	6,085	4,950	22,162	24,342
Profit before Tax	20,822	21,006	19,441	16,778	16,617	29,289	25,800	28,328	78,047	100,035
Tax Provisions	7,220	3,762	3,482	4,112	4,173	7,444	6,594	6,998	18,575	25,209
Net Profit	13,602	17,245	15,959	12,666	12,445	21,845	19,207	21,330	59,472	74,826
% Change (Y-o-Y)	32.7	51.1	23.6	-10.0	-8.5	26.7	20.4	68.4	22.2	25.8
Deposits (INRb)	2,329	2,331	2,394	2,628	2,615	2,616	2,707	2,825	2,628	2,825
Loans (INRb)	2,080	2,133	2,168	2,197	2,040	2,048	2,096	2,154	2,197	2,154
Deposit growth (%)	22.8	13.2	12.0	16.4	12.3	12.2	13.1	7.5	16.4	7.5
Loan growth (%)	17.6	15.3	10.4	6.8	-1.9	-4.0	-3.3	-2.0	6.8	-2.0
Asset Quality										
Gross NPA (%)	2.2	2.3	2.5	2.3	2.7	2.6	2.7	2.7	2.3	2.7
Net NPA (%)	0.7	0.9	0.9	0.7	0.9	0.6	0.8	0.8	0.7	0.8
PCR (%)	67.0	64.0	64.4	69.0	68.4	75.6	70.0	71.6	69.0	71.6

RBL Bank**Buy****CMP: INR231 | TP: INR270 (+17%)****EPS CHANGE (%): FY20|21: -3.8|-8.9**

- Loan growth under pressure, led by weak environment
- Credit cost to remain elevated in the near term
- Asset quality to deteriorate sharply due to exposure to MFI / Credit Cards; collection efficiency remains key
- Growth in deposits, liquidity positioning to be key monitorables

Quarterly Performance**(INR m)**

	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Interest Income	8,173	8,687	9,227	10,210	10,413	9,321	9,434	10,304	36,296	39,472
% Change (Y-o-Y)	47.9	46.5	40.8	38.2	27.4	7.3	2.2	0.9	42.9	8.7
Other Income	4,812	4,415	4,870	5,005	3,333	4,562	4,745	4,934	19,102	17,574
Total Income	12,985	13,102	14,096	15,215	13,746	13,883	14,179	15,238	55,399	57,046
Operating Expenses	6,960	6,744	6,775	7,696	6,849	6,685	6,924	7,490	27,883	27,948
Operating Profit	6,026	6,358	7,322	7,519	6,897	7,198	7,255	7,748	27,516	29,098
% Change (Y-o-Y)	39.4	41.6	46.9	34.3	14.5	13.2	-0.9	3.0	41.8	5.7
Other Provisions	1,970	5,333	6,383	6,012	5,002	5,256	5,852	6,141	19,989	22,250
Profit before Tax	4,056	1,025	939	1,508	1,896	1,942	1,403	1,607	7,528	6,847
Tax Provisions	1,386	482	239	364	483	500	354	386	2,471	1,723
Net Profit	2,671	543	700	1,144	1,412	1,442	1,049	1,221	5,057	5,124
% Change (Y-o-Y)	40.5	-73.4	-68.9	-53.7	-47.1	165.4	50.0	6.7	-41.7	1.3
Operating Parameters										
Deposit (INR b)	608.1	628.3	629.1	578.1	617.4	645.1	659.3	682.2	578.1	682.2
Loan (INR b)	568.4	584.8	596.4	580.2	566.8	561.6	583.7	615.0	580.2	615.0
Deposit Growth (%)	35.3	31.5	20.5	-1.0	1.5	2.7	4.8	18.0	-1.0	18.0
Loan Growth (%)	34.7	27.5	19.5	6.8	-0.3	-4.0	-2.1	6.0	6.8	6.0
Asset Quality										
Gross NPA (%)	1.4	2.6	3.3	3.6	3.5	3.3	4.5	4.7	3.6	4.7
Net NPA (%)	0.7	1.6	2.1	2.1	1.7	1.4	2.2	2.2	2.0	2.2
PCR (%)	52.9	40.7	38.5	44.3	53.2	59.4	52.0	54.4	44.3	54.4

State Bank of India

Buy

CMP: INR279 | TP: INR330 (+18%)

EPS CHANGE (%): FY20|21: -1.1|+1.7

- Credit cost to remain high as the bank continues to strengthen its balance sheet
- Restructuring book and impact on asset quality to be key
- Business growth to remain modest
- Margins to remain stable at ~3.1%

Quarterly Performance

(INR b)

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Interest Income	229.4	246.0	277.8	227.7	266.4	281.8	287.1	291.9	980.8	1,127.3
% Change (YoY)	5.2	17.7	22.4	-0.8	16.1	14.6	3.4	28.2	11.0	14.9
Other Income	80.2	120.2	91.1	160.8	95.0	85.3	96.7	134.6	452.2	411.5
Total Income	309.5	366.2	368.8	388.4	361.4	367.1	383.9	426.4	1,433.1	1,538.8
Operating Expenses	177.1	184.2	186.6	203.8	180.8	202.5	201.4	207.5	751.7	792.2
Operating Profit	132.5	182.0	182.2	184.7	180.6	164.6	182.4	218.9	681.3	746.5
% Change (YoY)	10.6	30.9	44.3	9.0	36.3	-9.6	0.1	18.5	22.9	9.6
Other Provisions	91.8	131.4	72.5	135.0	125.0	101.2	118.9	112.1	430.7	457.2
Profit before Tax	40.6	50.6	109.7	49.7	55.6	63.4	63.5	106.8	250.6	289.3
Tax Provisions	17.5	20.5	53.9	13.9	13.7	17.7	16.3	27.5	105.7	75.2
Net Profit	23.1	30.1	55.8	35.8	41.9	45.7	47.2	79.2	144.9	214.1
% Change (YoY)	NM	218.7	41.2	327.1	81.2	51.9	-15.4	121.3	NM	47.8
Operating Parameters										
Deposits (INR t)	29.5	30.3	31.1	32.4	34.2	34.7	35.4	36.4	32.4	36.4
Loans (INR t)	21.3	21.5	22.0	23.3	23.0	22.9	23.5	24.4	23.3	24.4
Deposit Growth (%)	7.3	8.0	9.9	11.3	16.0	14.4	13.9	12.4	11.3	12.4
Loan Growth (%)	13.8	9.6	7.4	6.4	7.7	6.9	7.0	5.0	6.4	5.0
Asset Quality										
Gross NPA (%)	7.5	7.2	6.9	6.2	5.4	5.3	6.3	6.5	6.2	6.5
Net NPA (%)	3.1	2.8	2.7	2.2	1.9	1.6	2.0	2.2	2.2	2.2
PCR (%)	61.1	62.9	63.5	65.2	67.1	71.0	69.0	68.0	65.2	68.0

HDFC Standard Life Insurance

Neutral

CMP: INR678 | TP: INR650 (-4%)

EPS CHANGE (%): FY20|21: +4.0|+5.6

- New business premium remains healthy
- Expense ratio to remain stable
- VNB margins to improve, resulting in healthy VNB
- Protection mix to improve; RoEV to stay modest

INR m

Policy holder's A/c	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net premium income	64,512	74,537	78,543	104,645	57,218	100,454	94,824	112,210	322,236	364,707
Growth (%)	29.2%	10.0%	13.9%	2.1%	-11.3%	34.8%	20.7%	7.2%	11.4%	13.2%
PAT	4,246	3,087	2,502	3,117	4,511	3,261	3,376	3,973	12,953	15,121
Growth (%)	11.7%	7.6%	1.9%	-14.4%	6.2%	5.6%	34.9%	27.5%	1.4%	16.7%
Key metrics (INR b)										
New business APE	17.1	17.6	18.2	18.7	12.0	20.9	21.6	27.4	71.6	81.8
VNB	5.1	4.5	4.5	5.1	2.9	5.5	5.6	7.1	19.2	21.1
AUM	1,296	1,310	1,365	1,272	1,400	1,506	1,583	1,614	1,272	1,614
Key Ratios (%)										
VNB Margins	29.8	25.4	24.7	27.4	24.3	25.6	26.0	25.9	25.9	25.8
Solvency ratio	193.0	192.0	195.0	184.1	190.0	203.0	201.0	196.1	184.1	196.1

ICICI Prudential Life Insurance

Buy

CMP: INR499 | TP: INR575 (+15%)

EPS CHANGE (%): FY20|21: +5.1|+18.0

- New business premium to increase, but remain under pressure
- Expense ratio to remain stable
- VNB margins to witness moderation
- Mix of Protection business to continue to improve

INR m

Policy holder's A/c	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net premium income	62,081	80,647	81,310	104,751	55,511	85,722	89,607	116,377	328,790	347,217
Growth (%)	14.2%	6.1%	8.7%	4.2%	-10.6%	6.3%	10.2%	11.1%	7.5%	5.6%
PAT	2,849	3,019	3,025	1,795	2,876	3,032	3,122	3,469	10,687	12,509
Growth (%)	1.2%	0.3%	1.9%	-31.3%	0.9%	0.5%	3.2%	93.3%	-6.3%	17.0%
Key metrics (INR b)										
New Business APE	14.7	19.0	20.4	17.0	8.2	14.7	15.1	23.5	71.1	61.5
VNB	3.1	4.0	4.3	4.7	2.0	4.0	4.1	6.4	16.0	16.4
AUM	1,640	1,655	1,720	1,530	1,700	1,815	2,001	2,084	1,530	2,084
Key Ratios (%)										
VNB Margins	21.0	21.1	20.9	23.8	24.4	27.4	26.8	27.0	21.7	26.7
Solvency ratio	217	211	207	194	205	206	202	200	194	200

SBI Life Insurance

Buy

CMP: INR895 | TP: INR1,050 (+17%)

EPS CHANGE (%): FY20|21: +6.5|+10.8

- New business premium to witness healthy uptick
- To maintain cost leadership
- VNB margins to witness improvement, thereby improving VNB
- Mix of Protection business to continue to improve

INR b

Policy holder's A/c	FY20				FY21				FY20	FY21e
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net premium income	66.6	101.1	116.9	118.6	75.9	128.6	131.0	149.6	403.2	485.0
Growth (%)	40%	32%	28%	5%	14%	27%	12%	26%	23%	20%
PAT	3.7	1.3	3.9	5.3	3.9	3.0	4.5	6.2	14.2	17.7
Growth (%)	5%	-48%	47%	16%	5%	131%	16%	18%	7%	24%
Key metrics (INR b)										
New Business APE	18.6	28.1	33.8	26.9	12.7	27.1	33.5	36.8	105.1	110.1
VNB	3.3	5.2	6.2	5.4	2.4	5.1	7.0	8.4	20.1	22.9
AUM	1,470	1,548	1,642	1,604	1,754	1,864	1,999	2,020	1,604	2,020
Key Ratios (%)										
VNB margins	17.7	18.5	18.3	20.1	18.9	18.8	20.9	22.7	18.7	20.8
Solvency ratio	217.0	220.0	230.0	195.0	239.0	245.0	220.0	205.1	195.0	205

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