

# Vogue, Oscillations & Choices



## Sector leaders confining valuations

### Gap between credit and deposit growth wide

The gap between credit and deposit growth sustained, with former at 16% YoY and the latter at 12% YoY. Liquidity was tight, which may strain deposit rate and margin. Some traits such as: a) elevated CD ratio (>95%), b) regulator stipulation for CD and c) trying deposit growth may feed into softening credit growth, converging to deposit growth.

### Liquidity tight

The 10Y GSEC has come off 3bps MTD and 16bps YTD. Shorter duration yield (five-year corporate bonds) has fallen slightly, while tenor spread is steady. Deposit cost (on fresh deposits) has risen across, indicating further NIM strain. Some banks have surprisingly seen sharp MCLR rate cuts (as large as 28bps) in January 2024.

### Retail payment – Strong growth continues

Payments grew 16% YoY with retail growth at 18% YoY. UPI growth sustained at >40% YoY and credit card transactions at INR 1.6tn (softened). The number of credit cards grew 2% MoM and 20% YoY. Spend seem softer for December, with reasonable dip in SBI spends.

### Soft traction in Life; growth better for General Insurance

Life insurers' APE growth was 15% YoY in December 2024, with 23% YoY in LIC and 10% YoY growth in private. Individual APE growth was 8.7% YoY, with LIC at 2% and private at 11.4%. GI saw better growth at 15.8% (YoY versus 10.6% YoY in November), with private at 15%, PSU at 13% and standalone health insurers up 26% YoY.

### AMC SIP flows at historical high

AUM traction was stout (indices performed well, with interest augmentation for index/thematic funds). SIP accounts rose to 76.4mn in December from 74.4mn in November, up 29.7% YoY, a historical high.

### Price round-up: PSU banks and non-lending outperform

In the past month, the Bank Nifty underperformed the Nifty by 5%, and underperformed ~10% in the past year. PSU banks and non-lending financiers have outperformed.

### Outlook: Frontline players restraining valuations

Banks are at a peculiar phase. Front-line players – HDFC Bank, ICICI Bank, Kotak within private banks and State Bank of India (SBI) and Bank of Baroda (BoB) in PSU banks underperformed. With outperformance by other private/mid-tier PSU banks, the valuation gap between mid-tier and frontline banks narrowed. We continue to be equal weight on bank and believe, hereon, risk-reward may be more tilted to frontline peers – Expect them to perform better. No significant asset quality challenges and better growth may ensure sustained rerating for PSU banks on earnings stability – SBI and BoB are our top picks in the space.

NBFC may sustain healthy growth, on cyclical tailwinds and strong capital base. Funding cost spike seems imminent across, primarily on repricing of high-cost bank borrowings and regulatory norms. Credit cost may rise in H2, in line with regulatory restraints, but expect no meaningful negatives.

### Month gone by...

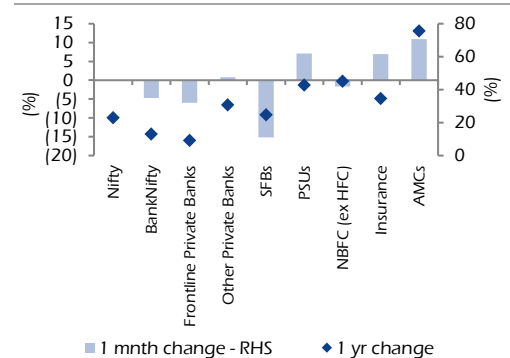
- **Sector round-up** encompasses growth, liquidity, and rates & payments
- **Non-lending financiers:** We map flows, growth and market share
- **What is hot?** Featuring interviews, meetings and sector trends
- **Outlook and valuation:** Glean price performances and historical bands

### PSU Index outperforms private this month

	31-Jan-24	1 mth	3 mth	6 mth	1 yr
Sensex	71,752.1	(0.7)	12.3	7.9	20.5
Bankex	51,999.1	(4.4)	7.3	1.1	12.8
Nifty	21,725.7	(0.0)	13.9	10.0	23.0
Bank Nifty	45,996.8	(4.8)	7.4	0.8	13.1
Nifty PSU Bank	6,271.7	9.8	27.1	35.7	56.5
Nifty Pvt. Bank	23,594.5	(5.2)	6.1	0.8	13.8

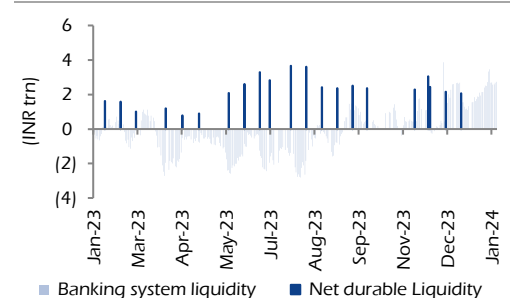
Source: Bloomberg, Elara Securities Research

### Non-lending financiers outperform Nifty in the past month



Source: Bloomberg, Elara Securities Research

### Liquidity in the system tight



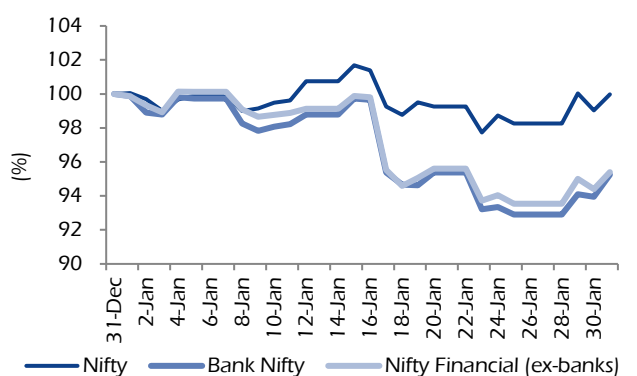
Source: RBI, Elara Securities Research

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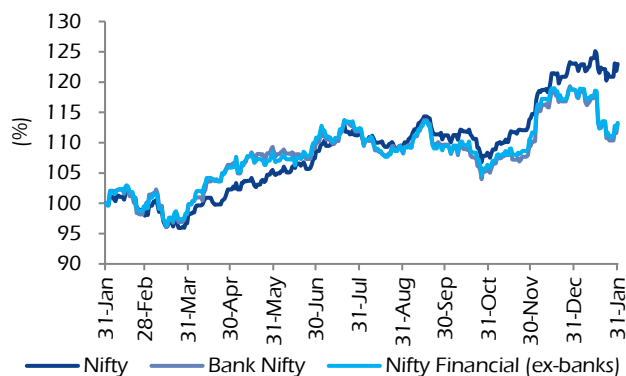
**Key charts**

**Exhibit 1: Banks underperform NIFTY 5ppt in a month..**



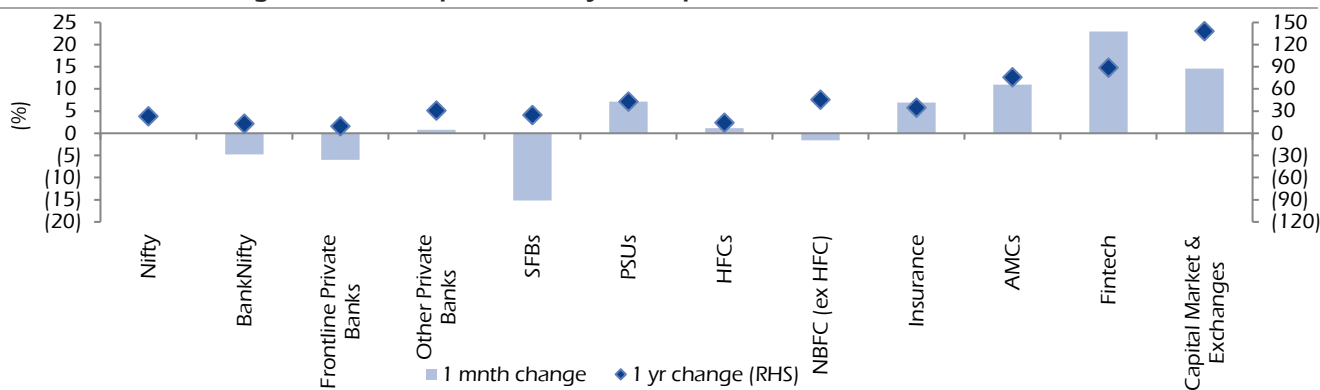
Source: Bloomberg, Elara Securities Research Note – Jan'23

**Exhibit 2: ... while underperform ~8% over 12 months**



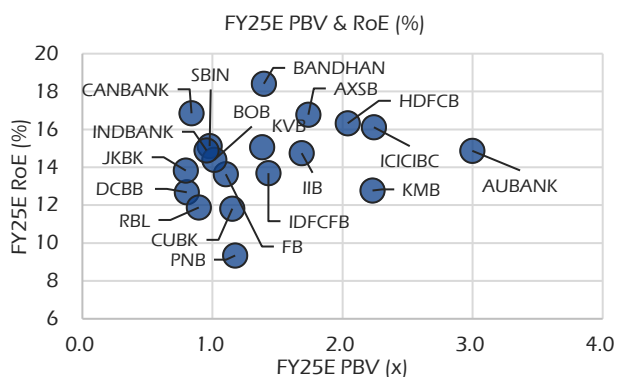
Source: Bloomberg, Elara Securities ResearchNote: Jan'22-Jan'23

**Exhibit 3: Non-lending financiers outperform Nifty in the past month**



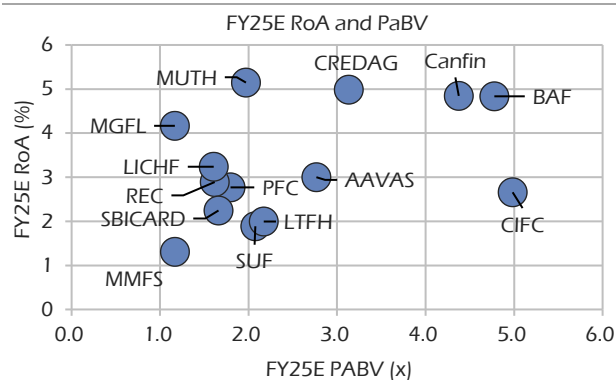
Source: Bloomberg, Elara Securities Research

**Exhibit 4: Valuations conundrum – Sector re-rating curtailed by valuations of sector leaders**



Source: Bloomberg, Elara Securities Estimate

**Exhibit 5: NBFC valuations caught up well; prefer high RoA plays**



Source: Company, Elara Securities Estimates

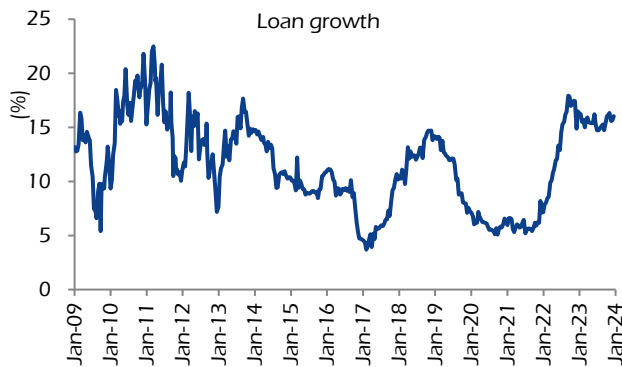
### Credit and deposits: Gap wide

- RBI data, released on 12 January 2024, reported credit growth of 16% YoY. On an absolute basis, credit growth was softer during the fortnight with an FoF growth of 0.1% (absolute accretion of INR 150bn). Loan growth outcomes have been better than expected till now, with YTD growth of 12.6%.
- Meanwhile, deposits continue to see softer trends with FoF decline of 0.5% (drawdown of INR 1tn), thus growing 12.4% YoY. This was primarily supported by time deposits, while demand deposits lagged.
- On credit growth, watch for a few aspects: elevated CD ratio (>95%), regulator stipulations for CD and deposit growth likely a challenge. Credit growth may

soften, converging to deposit growth (note base also turned unfavourable for credit growth).

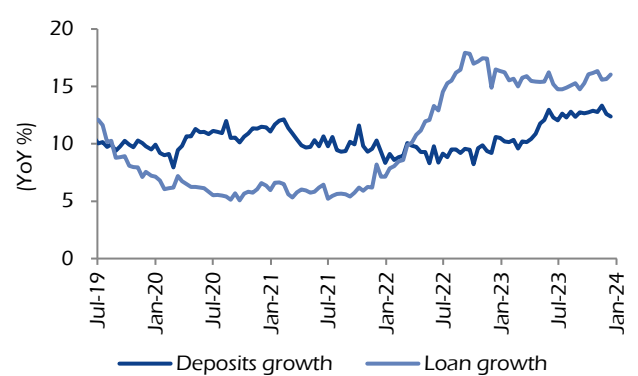
- We see the competition on deposit to stay elevated, as deposits accretion turns ever more important and on the apparent RBI narrative on CD ratios. Outstanding CD ratios rose to 77% plus and incremental CD ratios remained >95%.
- Sector credit – December trends: Growth was steady, led by agri & services segments, with agri growth of 22.3% YoY, services at 22.4% YoY while the industry is still at 10% levels. We continue to monitor the impact on growth after the RBI norms on retail (unsecured loans), banks’ lending to NBFC, and likely lower working capital demand.

Exhibit 6: Loan growth better-than-expected...



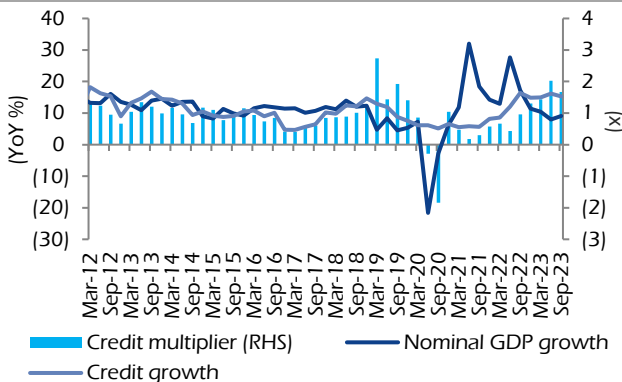
Source: RBI, Elara Securities Research

Exhibit 7: ...deposit growth, a challenge



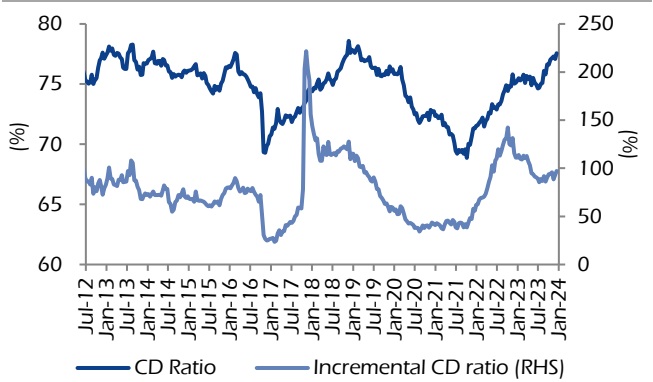
Source: RBI, Elara Securities Research

Exhibit 8: Credit multiplier expands to >1.6x



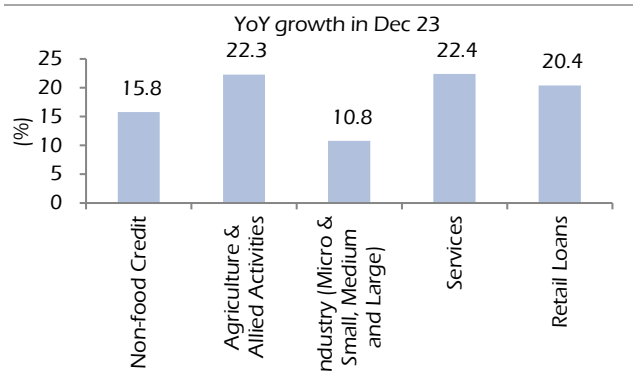
Source: RBI, Elara Securities Research

Exhibit 9: Outstanding CD ratio closer to peak



Source: RBI, Elara Securities Research

**Exhibit 10: Growth supported by services & agri**



Source: RBI, Elara Securities Research

**Exhibit 11: Retail growth sustains despite RBI action**



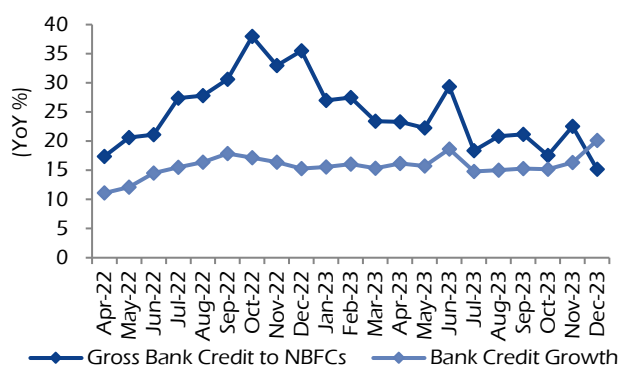
Source: RBI, Elara Securities Research

**Exhibit 12: Sector-wise credit growth led by HFCs & retail; traction post RBI norms warrants a watch**

Sector-wise credit growth	Dec (incl. merger)	Dec (incl. merger)	Dec (excl. merger)	Dec (excl. merger)	Nov (incl. merger)	Nov (incl. merger)	Nov (excl. merger)	Nov (excl. merger)
	YoY	MoM	YoY	MoM	YoY	MoM	YoY	MoM
<b>Growth (%)</b>								
<b>Non-food credit</b>	20.1	2.2	15.8	2.3	20.8	1.1	16.3	1.2
<b>Agriculture &amp; allied activities</b>	22.3	3.3	22.3	3.3	18.2	0.9	18.2	0.9
<b>Industry (micro &amp; small, medium and large)</b>	11.3	1.8	10.8	1.8	6.6	0.8	6.1	0.8
Micro & small industry	21.6	2.1	-	-	17.2	0.9	-	-
Medium industry	22.3	2.4	-	-	12.0	1.1	-	-
Large industry	7.9	1.6	-	-	3.6	0.7	-	-
<b>Services</b>	25.7	3.3	22.4	3.5	25.4	1.3	21.9	1.4
Transport Operators	36.4	2.5	-	-	24.4	1.7	-	-
Computer Software	23.1	4.3	-	-	9.3	3.7	-	-
Tourism, Hotels & Restaurants	21.8	0.6	-	-	12.9	0.7	-	-
Shipping	(4.4)	3.9	-	-	(10.8)	1.5	-	-
Aviation	55.7	11.3	-	-	65.4	0.8	-	-
Professional Services	24.3	1.0	-	-	21.1	1.2	-	-
Trade	22.4	3.2	-	-	19.0	(1.6)	-	-
Wholesale Trade (other than food procurement)	25.3	3.1	-	-	21.0	(1.5)	-	-
Retail Trade	19.6	3.3	-	-	17.1	(1.6)	-	-
Commercial Real Estate	41.1	1.7	19.6	2.1	37.5	1.1	16.2	1.6
Non-Banking Financial Companies (NBFC)	15.2	1.8	-	-	21.5	1.2	-	-
HFC	5.7	8.0	-	-	(2.4)	(5.5)	-	-
PFI	16.9	11.2	-	-	7.0	0.1	-	-
Other Services	39.9	7.1	34.7	7.6	36.2	4.5	30.6	4.8
<b>Retail loans</b>	31.5	2.4	20.4	2.7	30.1	1.1	18.6	1.3
Consumer durables	(33.6)	3.0	-	-	10.8	6.3	-	-
Housing (including priority sector housing)	39.1	1.8	17.4	2.4	37.0	1.1	15.0	1.5
Advances against FD (including FCNR (B), NRNR deposits etc.)	6.9	4.0	-	-	17.2	(0.9)	-	-
Advances to individuals against share, bonds, etc.	21.3	5.4	-	-	4.0	(0.5)	-	-
Credit card O/s	39.9	2.9	-	-	34.2	1.7	-	-
Education	23.9	2.8	-	-	22.8	1.0	-	-
Vehicle loans	20.3	3.3	-	-	20.8	2.1	-	-
Loans against gold jewelry	21.0	1.6	-	-	18.5	0.3	-	-
Other personal loans	28.0	2.8	25.5	2.9	24.3	0.8	21.7	0.8

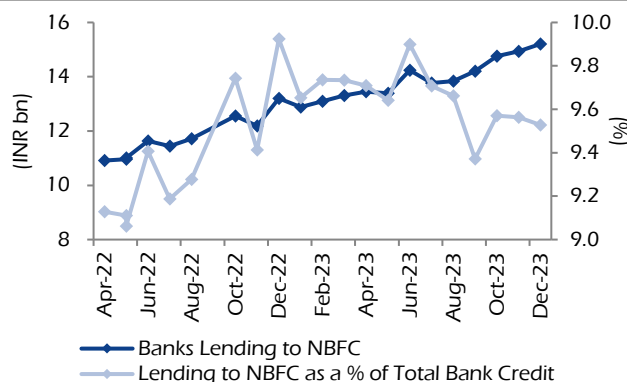
Source: RBI, Elara Securities Research Note: Green indicates growth and red indicates de-growth

Exhibit 13: Bank credit to NBFCs declines sequentially



Source: RBI, Elara Securities Research

Exhibit 14: NBFC lending, as percentage of bank credit dips



Source: RBI, Elara Securities Research

Exhibit 15: Auto, CV, commercial equipment, personal, two-wheeler & consumer loans show good growth; home and equipment loans show negative trend

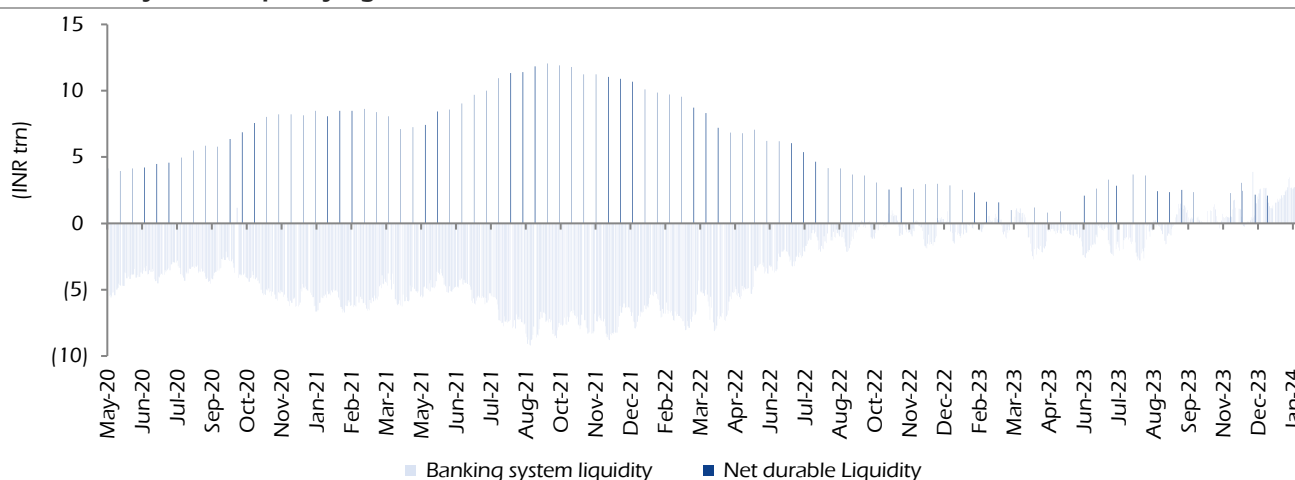
(INR bn)	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	% of overall sanctions (Q2FY24)	YoY growth (%)	QoQ growth (%)	Growth in past two years (%)
Auto loan	6.5	7.1	4.4	5.0	5.9	5.5	7.0	7.2	6.1	0.2	3.4	(15.3)	(6.0)
Auto loan (personal)	166.9	163.9	163.2	166.6	203.3	230.5	231.0	213.3	234.5	6.1	15.3	9.9	40.5
Commercial equipment loan	28.4	31.4	34.6	31.1	34.2	44.9	49.4	40.4	42.9	1.1	25.5	6.2	e50.9
Commercial vehicle loan	207.7	208.9	248.2	219.7	247.0	272.3	324.3	269.0	287.5	7.5	16.4	6.8	38.4
Consumer loan	164.5	212.5	197.3	243.6	206.5	228.2	221.7	296.2	260.7	6.8	26.2	(12.0)	58.5
Demand loan	8.4	14.1	13.5	14.1	19.6	25.3	33.7	31.6	21.2	0.6	8.2	(32.8)	152.8
Education loan	43.8	18.7	18.2	24.3	71.2	35.0	32.7	47.0	124.2	3.2	74.4	164.3	183.7
Equipment financing (construction office medical)	13.7	13.7	14.5	14.8	14.0	16.9	20.2	17.0	8.2	0.2	(41.3)	(51.9)	(40.2)
GECL loan	1.4	0.9	1.4	0.7	0.6	0.4	0.4	0.3	0.1	0.0	(91.8)	(84.7)	(96.5)
Gold loan	379.7	362.7	410.7	386.2	430.7	392.8	543.2	585.8	412.8	10.7	(4.2)	(29.5)	8.7
Health care finance	0.3	2.3	0.9	0.3	0.4	0.4	0.6	0.6	0.3	0.0	(29.3)	(44.9)	24.7
Hire purchase	1.0	0.0	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0	49.0	11.5	(90.2)
Housing loan	405.5	415.7	489.8	428.9	467.6	481.0	511.2	453.7	458.7	11.9	(1.9)	1.1	13.1
Inland bills discounted	5.8	4.7	14.8	10.4	14.1	17.4	15.0	16.7	11.4	0.3	(18.9)	(31.6)	97.4
LAS	711.1	341.8	113.4	98.0	37.0	29.3	-	28.8	8.5	0.2	(77.0)	(70.4)	(98.8)
Lease finance	8.9	7.5	9.8	8.0	7.9	9.7	8.6	6.8	4.9	0.1	(38.0)	(28.1)	(45.2)
Long term loan (period above three years)	320.9	284.9	414.4	242.8	306.7	287.3	352.1	200.0	128.1	3.3	(58.2)	(36.0)	(60.1)
Medium term loan (period above one year and up to three years)	154.0	137.1	206.8	139.9	161.2	146.1	224.2	112.7	75.4	2.0	(53.2)	(33.1)	(51.1)
Others	69.7	64.0	78.0	63.4	76.5	108.1	140.9	70.4	71.2	1.9	(6.9)	1.2	2.2
Overdraft	99.7	24.2	25.4	18.6	21.8	24.4	27.9	25.1	18.1	0.5	(16.9)	(27.9)	(81.8)
Personal loan	268.7	362.9	413.1	455.7	489.5	518.8	588.0	591.5	647.8	16.8	32.3	9.5	141.1
Property loan	217.3	247.2	304.6	276.9	320.4	338.2	431.7	342.1	371.7	9.7	16.0	8.6	71.0
Secured business loan	36.4	52.8	67.9	52.4	60.4	57.3	71.9	55.1	72.0	1.9	19.1	30.6	97.7
Seller financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	194.9	849.1	185.2
Short term loan (less than a year)	84.5	56.5	45.5	42.7	43.6	50.1	52.0	36.6	16.6	0.4	(62.0)	(54.7)	(80.4)
Two wheeler loan	85.6	122.3	95.5	109.1	111.9	168.7	132.5	138.2	136.0	3.5	21.6	(1.6)	58.9
Unsecured business loan	181.6	206.6	256.5	249.3	295.8	323.8	369.5	314.9	328.1	8.5	10.9	4.2	80.7
Used car loan	19.0	22.9	25.8	33.2	32.7	37.2	40.1	42.5	48.3	1.3	48.0	13.7	153.9
Used tractor loan	52.6	64.8	52.2	60.4	55.9	78.5	59.2	61.9	52.7	1.4	(5.7)	(14.8)	0.2
<b>Grand total</b>	<b>3,744</b>	<b>3,452</b>	<b>3,720</b>	<b>3,396</b>	<b>3,737</b>	<b>3,928</b>	<b>4,489</b>	<b>4,006</b>	<b>3,848</b>	<b>100</b>	<b>3.0</b>	<b>(3.9)</b>	<b>2.8</b>

Source: CRIF, Elara Securities Research

**Liquidity and rates – Liquidity tight**

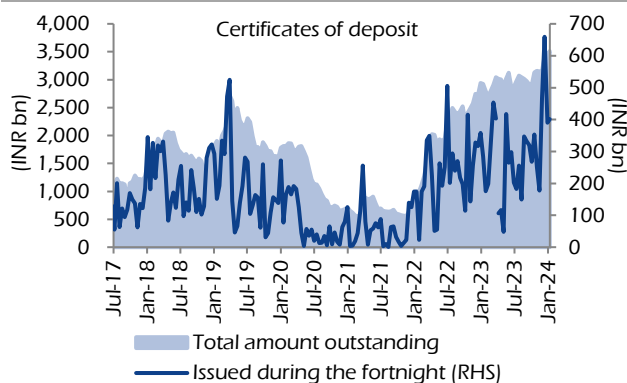
- The banking system faces a widening liquidity deficit, reaching levels last seen in CY16. Outflows towards advance tax payments and goods & services taxes have tightened liquidity further.
- The widening credit-deposit gap (credit growth at 16% and deposits at 12-13%) created pressure on the banks to mobilize funds from the money markets, seen in the high issuance of CP and CD.
- Consequently, yield on CD and CP may increase further, due to quarter-end and tight liquidity conditions in the banking system.
- The reliance on CP & CD and NCD has gone up, given the widening credit-deposit gap and recent RBI norms (lending to NBFC). Total lending growth (loans + NCD + CP) have risen 14% YoY. Overall system credit growth is lower than banking credit growth.
- The 10Y GSEC declined 3bps MTD and 16bps YTD. Shorter duration yield (five years for corporate bonds) declined while tenor spread was steady.

**Exhibit 16: Systemic liquidity tight**



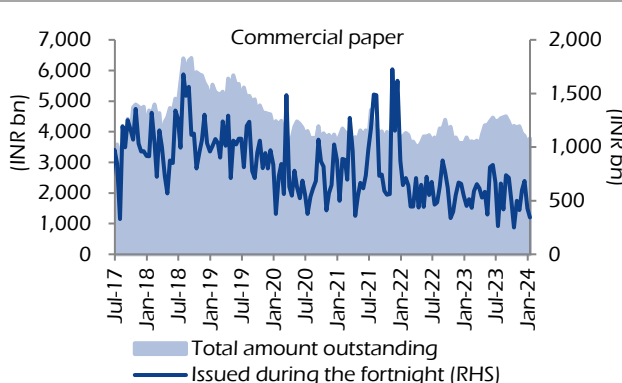
Source: RBI, Elara Securities Research

**Exhibit 17: CD issuances down in last fortnight of Jan...**



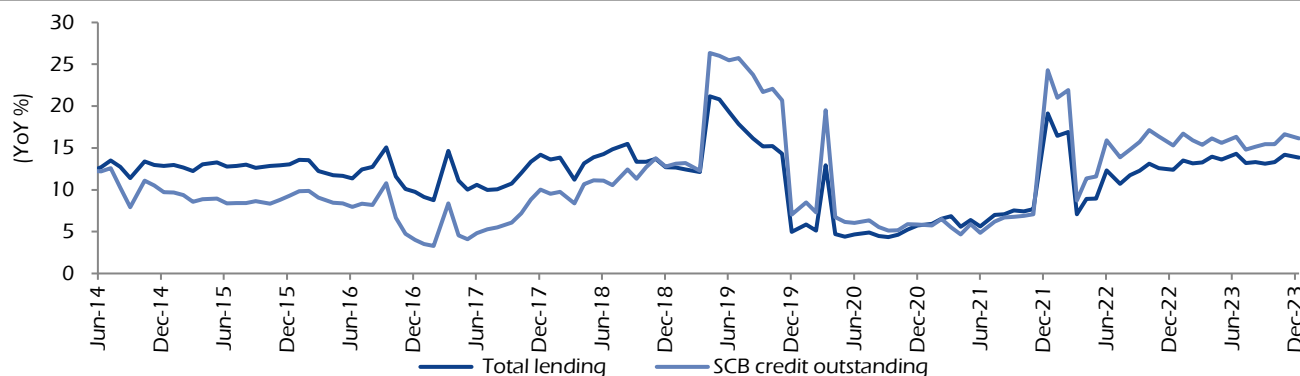
Source: RBI, Elara Securities Research

**Exhibit 18: ...and so did CP issuances**



Source: RBI, Elara Securities Research

Exhibit 19: Overall growth lags bank credit growth with slower growth in CP and NCD



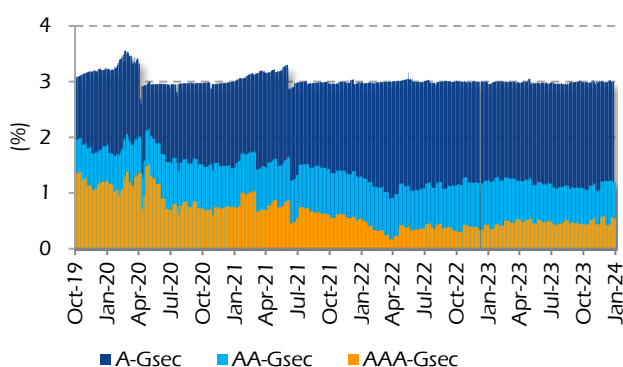
Source: RBI, Elara Securities Research

Exhibit 20: 10Y GSEC comes off 3bps MTD and 16bps YTD, while CD rates harden

(%)	31-Jan-24	31-Dec-23	MoM (bps)	31-Mar-23	YTD (bps)	30-Sep-23	QTD (bps)	31-Jan-23	YoY (bps)
<b>G-Sec - 10 year</b>									
-Tbill (three-month)	7.02	7.00	2.0	6.88	14.0	6.80	22.0	6.47	55.0
-5 year	7.08	7.13	(5.3)	7.17	(9.2)	7.23	(15.2)	7.21	(13.6)
-10 year	7.14	7.17	(3.0)	7.31	(16.7)	7.22	(7.1)	7.34	(20.0)
<b>CD</b>									
- 3 month	7.87	7.38	49.0	7.20	67.0	7.05	82.0	7.27	60.0
- 6 month	7.85	7.68	17.5	7.28	57.5	7.22	63.0	7.55	30.0
<b>Corp Bond (AAA)</b>									
-1 year	7.89	7.91	(1.6)	7.73	16.1	7.58	31.3	7.77	13.0
-5 year	7.78	7.79	(0.3)	7.85	(6.4)	7.71	7.0	7.75	3.0
-10 year	7.68	7.76	(7.4)	7.81	(12.6)	7.70	(1.5)	7.78	(9.3)
<b>Corp Bond (AA)</b>									
-5 year	8.17	8.18	(1.6)	8.20	(3.6)	8.13	3.4	8.19	(2.0)
-10 year	8.34	8.39	(4.9)	8.58	(23.6)	8.32	2.5	8.57	(22.8)
<b>Corp Bond (A)</b>									
-5 year	10.07	10.13	(6.2)	10.21	(13.5)	10.32	(24.9)	10.16	(8.6)
-10 year	10.13	10.19	(5.2)	10.30	(16.6)	10.21	(7.2)	10.34	(20.8)
<b>NBFC (AAA)</b>									
-5 year	7.93	7.90	3.0	8.00	(7.0)	7.86	7.0	7.89	4.0
-10 year	7.78	7.89	(11.0)	7.89	(11.0)	7.85	(7.0)	7.85	(7.0)
<b>NBFC (AA)</b>									
-5 year	8.61	8.60	1.0	8.71	(10.0)	8.54	7.0	8.69	(8.0)
-10 year	8.52	8.54	(2.0)	8.77	(25.0)	8.59	(7.0)	8.77	(25.0)

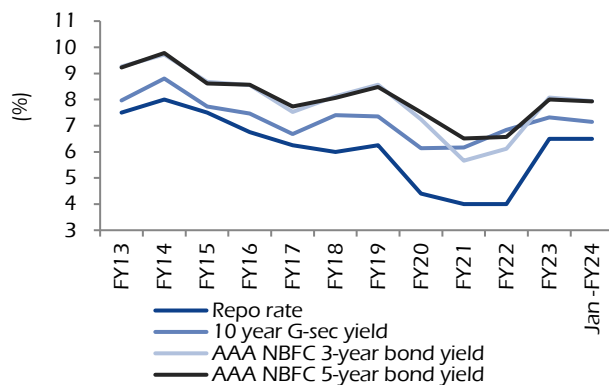
Source: RBI, Elara Securities Research

Exhibit 21: Spread – Lower-rated (GSEC – A) widens



Source: RBI, Elara Securities Research

Exhibit 22: Bond yield pricing sees slight decline



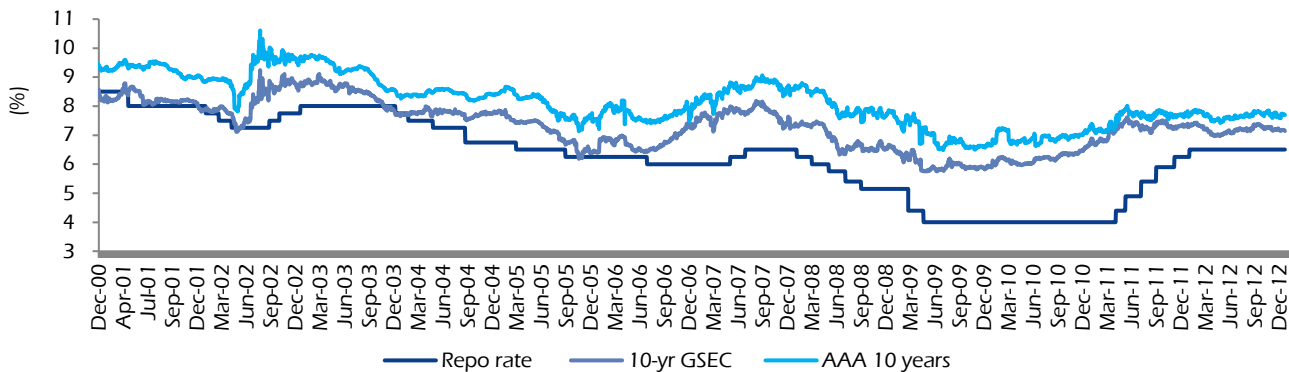
Source: Bloomberg, Elara Securities Research



**Lending & deposits and spreads analysis – NIM strain to stay**

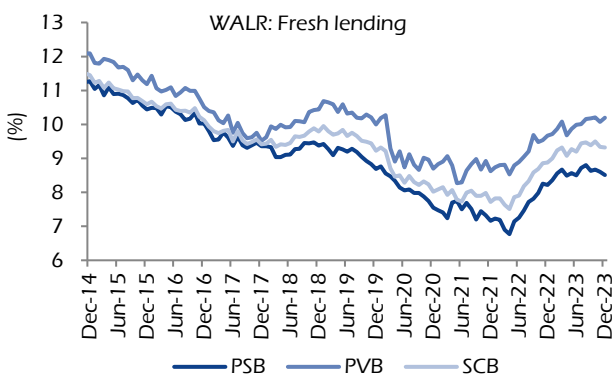
- The weighted average lending rate (WALR) on fresh loans rose for private banks but declined for PSU banks, indicating that yield pressure may rise on PSU banks, with the probability of PSUs choosing growth over NIMs remaining higher.
- Most banks raised MCLR rates by 5bps. But surprisingly, some banks saw a drop – DCB Bank (-28bps dip), Bandhan (-5bps dip) and J&K Bank (-5bps dip), indicating NIM strain. On the positive side, ICICI Bank/Federal Bank/Kotak/RBL, all raised rates by 10bps. While there are many moving variables for MCLR, the banks, to some extent, are choosing to maintain a fine balance between growth and margin, thus lowering the MCLR hike.
- Meanwhile, looking at weighted average domestic term deposit rates (WADTDR) on fresh deposits, the rates have risen across the group. While higher for private banks, this indicates that deposit re-pricing at the system level is still pending, which may percolate into sustained NIM strain. With sustained liquidity pressure and higher competition, the pressure on deposits may persist
- In a nutshell, lower and steady lending yield, higher term deposit rates plus lower CASA accretion indicate NIM pressure for a couple of quarters.

**Exhibit 23: Rate movement – Tenor spread steady**



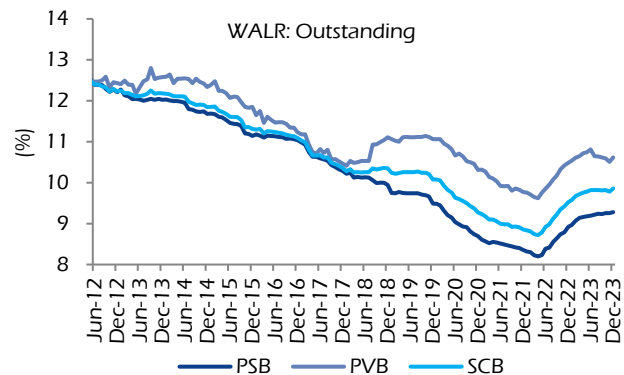
Source: RBI, Elara Securities Research

**Exhibit 24: WALR on fresh loans declined for PSUs...**



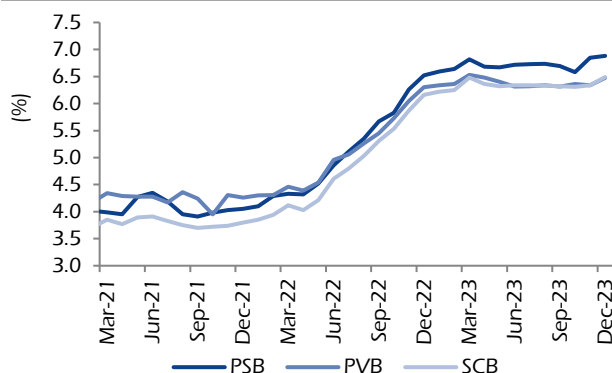
Source: RBI, Elara Securities Research

**Exhibit 25: ...even as o/s loan rate steady**



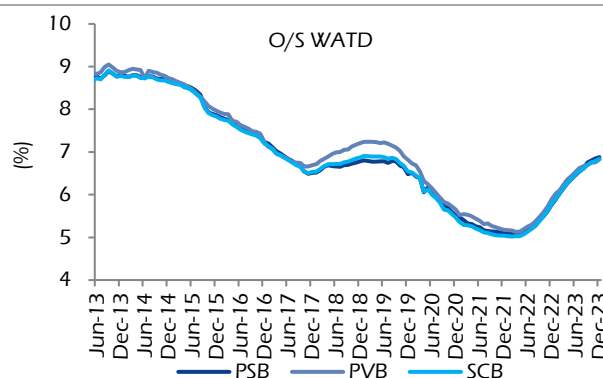
Source: RBI, Elara Securities Research

Exhibit 26: Fresh TD rates rose across...



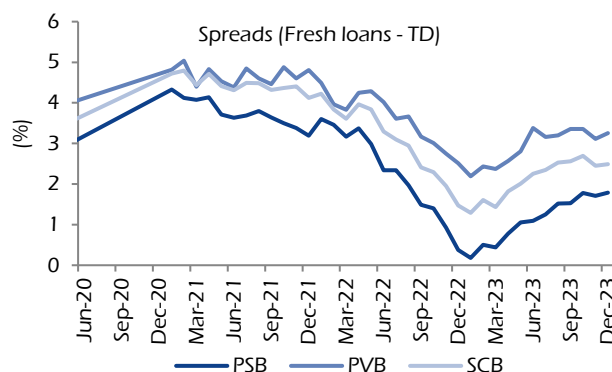
Source: RBI, Elara Securities Research

Exhibit 27: ...and so did TD rates on o/s loans



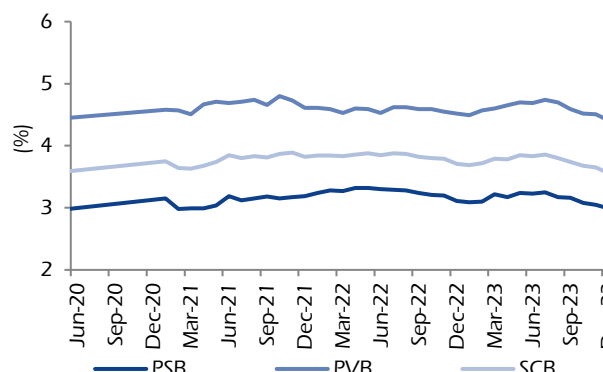
Source: RBI, Elara Securities Research

Exhibit 28: Spread (fresh loans – TD) declined significantly for PSU banks, but steady for private...



Source: RBI, Elara Securities Research

Exhibit 29: While o/s spreads are steady, these are likely to come off



Source: RBI, Elara Securities Research

Exhibit 30: Some banks viz., DCB surprisingly reduced rates 28bps

MCLR rates (%)	One-year tenure						
	Dec'22	Mar'23	Dec'23	Jan'24	MoM (bps)	YTD (bps)	YoY (bps)
<b>Large private banks</b>							
HDFC Bank	8.60	8.95	9.20	9.25	5	30	65
ICICI Bank	8.40	8.75	9.00	9.10	10	35	70
Axis Bank	8.75	8.95	9.25	9.25	-	30	50
Kotak Mahindra Bank	8.65	9.05	9.35	9.45	10	40	80
IndusInd Bank	9.95	10.15	10.35	10.35	-	20	40
<b>Other private banks</b>							
Bandhan Bank	10.75	11.13	11.27	11.20	(7)	7	45
Federal Bank	9.00	9.30	9.60	9.70	10	40	70
IDFC First Bank	9.35	9.65	10.25	10.25	-	60	90
RBL Bank	9.90	10.20	10.20	10.30	10	10	40
Yes Bank	9.75	10.10	10.50	10.50	-	40	75
Karur Vysya Bank	9.05	9.35	9.85	9.85	-	50	80
DCB Bank	10.23	10.61	10.81	10.53	(28)	(8)	30
City Union Bank	8.25	8.40	8.25	8.25	-	(15)	-
<b>Small finance banks</b>							
AU Small Finance Bank	11.05	11.75	11.85	11.75	(10)	-	70
<b>Public sector banks</b>							
State Bank of India	8.30	8.50	8.65	8.65	-	15	35
Bank of Baroda	8.30	8.55	8.75	8.80	5	25	50
Punjab National Bank	8.05	8.50	8.65	8.70	5	20	65
Canara Bank	8.15	8.60	8.75	8.80	5	20	65

Source: Company, Elara Securities Research

**Exhibit 31: RBL raised retail deposit rates 20bps in January 2024 – now offers highest among peers**

Retail term deposits (%)	Max (1-3 Year)				
	Mar'23	Dec'23	Jan'24	MoM (bps)	YTD (bps)
<b>Large private banks</b>					
HDFC Bank	7.00	7.15	7.15	-	15
ICICI Bank	7.00	7.10	7.10	-	10
Axis Bank	7.15	7.10	7.10	-	(5)
Kotak Mahindra Bank	7.20	7.25	7.25	-	5
IndusInd Bank	7.75	7.50	7.50	-	(25)
<b>Other private banks</b>					
Bandhan Bank	7.25	7.25	7.25	-	-
Federal Bank	6.80	7.50	7.50	-	70
IDFC First Bank	7.75	7.75	7.75	-	-
RBL Bank	7.40	7.80	8.00	20	60
Yes Bank	7.25	7.50	7.50	-	25
Karur Vysya Bank	7.00	7.00	7.00	-	-
DCB Bank	7.80	8.00	8.00	-	20
City Union Bank	6.95	7.00	7.00	-	5
<b>Small Finance Banks</b>					
AU Small Finance Bank	7.68	8.00	8.00	-	33
<b>Public Sector Banks</b>					
State Bank of India	6.90	7.00	7.00	-	10
Bank of Baroda	6.75	7.25	7.25	-	50
Punjab National Bank	6.90	7.25	7.25	-	35
Canara Bank	NA	7.25	7.25	-	NA

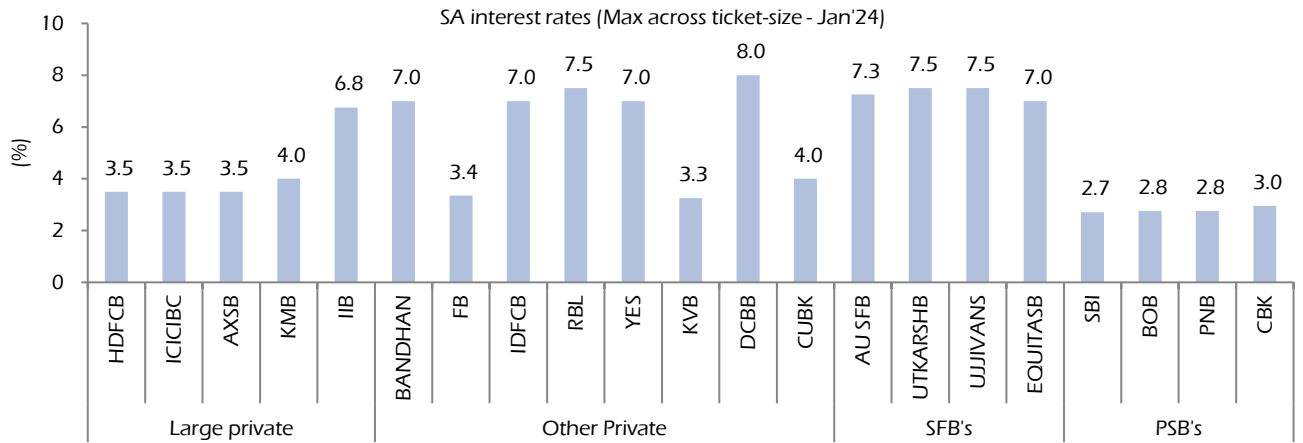
Source: Heatmap Company, Elara Securities Research

**Exhibit 32: BOB and IDFC First raised rates in bulk deposits even in January**

Wholesale term deposits (%)	Max (0-1 Year)				
	Mar'23	Dec'23	Jan'24	MoM (bps)	YTD (bps)
<b>Large private banks</b>					
HDFC Bank	6.75	6.75	6.75	-	-
ICICI Bank	6.75	6.85	6.85	-	10
Axis Bank	6.75	6.85	6.85	-	10
Kotak Mahindra Bank	7.00	7.00	7.00	-	0
IndusInd Bank	7.25	7.10	7.10	-	(15)
<b>Other private banks</b>					
Bandhan Bank	8.10	7.90	7.80	(10)	(30)
Federal Bank	7.70	7.80	7.80	-	10
IDFC First Bank	7.20	7.40	7.65	25	45
RBL Bank	NA	NA	NA	NA	NA
Yes Bank	7.55	7.50	7.50	-	(5)
Karur Vysya Bank	7.05	7.25	7.25	-	20
DCB Bank	NA	6.75	6.75	-	NA
City Union Bank	NA	7.10	7.10	-	NA
<b>Small finance banks</b>					
AU Small Finance Bank	NA	NA	NA	NA	NA
<b>Public sector banks</b>					
State Bank of India	6.25	6.75	6.75	-	50
Bank of Baroda	7.75	7.25	7.45	20	(30)
Punjab National Bank	6.75	7.00	7.00	-	25
Canara Bank	NA	7.40	7.40	-	NA

Source Company, Elara Securities Research

Exhibit 33: Savings rates offered by small banks higher than retail TD rates offered by larger banks

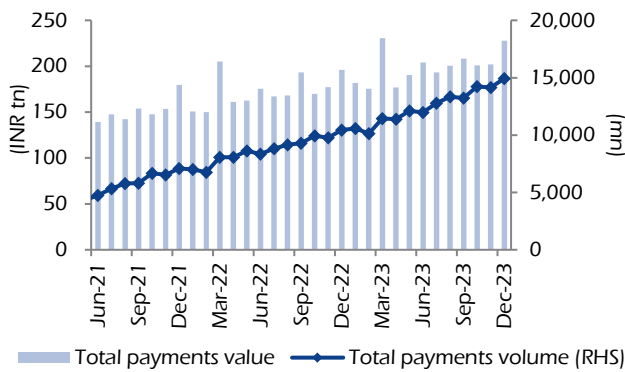


Source: Company, Elara Securities Research

**Payments: Retail growth sustains**

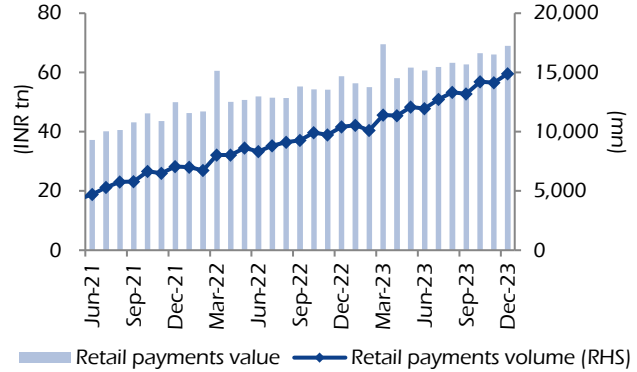
- Overall payments continued to grow, with 16%-plus value growth, supported by 17.5% growth in retail payments. YTD, overall payments growth was 29% YoY with retail at 19%. Digital payment growth has been strong at 17% YoY.
- UPI continues to show strong traction, crossing INR 18tn mark, up ~42% while UPI (QR) also grew 34% YoY to 317mn currently. Credit card transactions continued to show momentum at INR 1.6tn, up 30% YoY. Looking at other retail payments instruments, PPI (cards and wallets) softened.
- UPI market share:** PhonePe has a 49% market share (46% in volume), GooglePay 34% (36% in volume) and PayTM 10% (13% in volume terms).
- The bounce rate, both in terms of volume and value, was steady and similar to pre-COVID levels.
- Credit card data for December 2023 showed steady trend in card addition, except for some softness in Axis Bank and SBI. Overall, the **number of credit cards grew (2% MoM/20.6% YoY)**. Spends were softer – growth of 2.8% MoM – with sharp drop for SBI (spends down 7% MoM). For the quarter, overall spends grew 4.7% with SBI cards seeing similar growth (4.7% QoQ).
- We remain cognizant of the impact of RBI's intent to soften unsecured credit and signs of risk built-up, which, in turn, may anchor cards' business progression and our stance.

**Exhibit 34: Overall payment up 17% in value...**



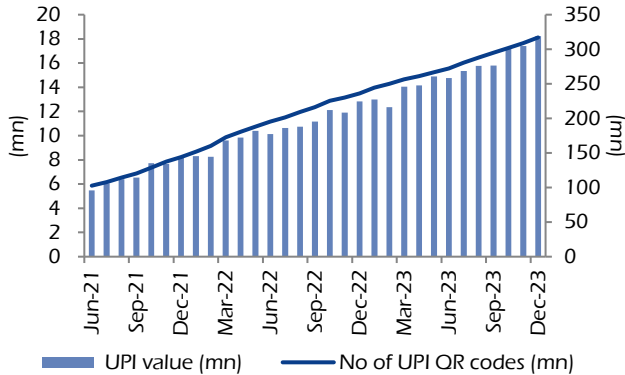
Source: RBI, Elara Securities Research

**Exhibit 35: ...with retail payments at 17.5%**



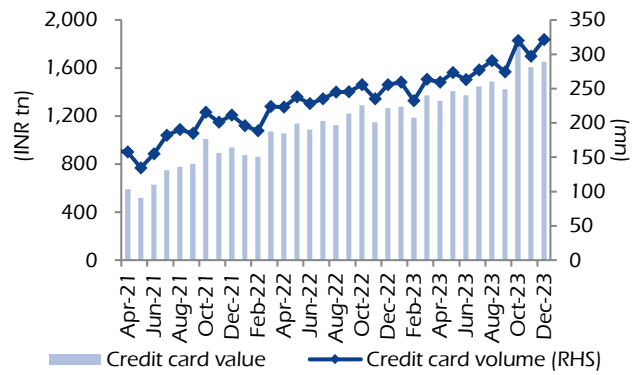
Source: RBI, Elara Securities Research

**Exhibit 36: UPI continues to grow at >40%...**



Source: RBI, Elara Securities Research

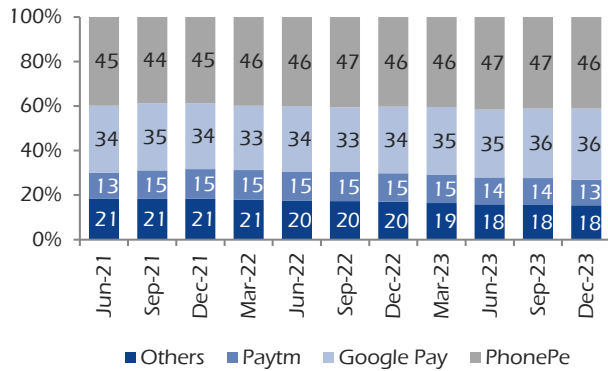
**Exhibit 37: Credit card transactions saw softer trends**



Source: RBI, Elara Securities Research

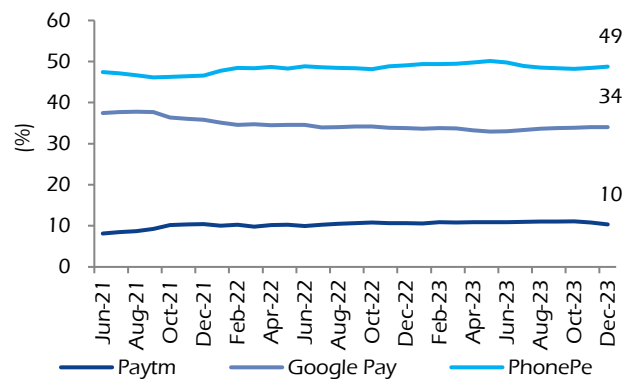
**Vogue, Oscillations & Choices**

**Exhibit 38: Market share in volume – PhonePe at 46% versus GooglePay’s 36%**



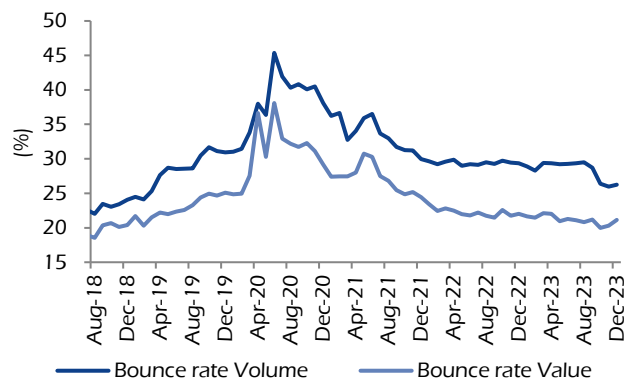
Source: NPCI, Elara Securities Research

**Exhibit 39: Volume – PhonePe continues to dominate**



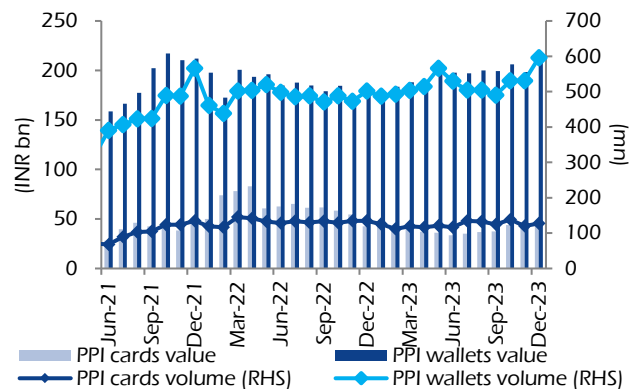
Source: RBI, Elara Securities Research

**Exhibit 40: Bounce rate slightly up over Nov 2023**



Source: NPCI, Elara Securities Research

**Exhibit 41: Other instruments sees softer traction**



Source: RBI, Elara Securities Research

**Exhibit 42: Steady credit card additions; spends softer – SBI saw reasonable dip in spends**

	# Credit cards (outstanding) (INR mn)					Spends (INR bn)					Spends per card (INR)				
	Dec-22	Nov-23	Dec-23	MoM (%)	YoY (%)	Dec-22	Nov-23	Dec-23	MoM (%)	YoY (%)	Dec-22	Nov-23	Dec-23	MoM (%)	YoY (%)
AXIS Bank	11.9	13.6	13.8	1.1	15.4	157	189	194	2.6	23.8	13,140	13,893	14,096	1.5	7.3
HDFC Bank	17.0	19.5	19.9	1.9	16.8	358	422	449	6.5	25.3	21,053	21,610	22,584	4.5	7.3
ICICI Bank	13.5	16.2	16.5	1.7	21.9	207	278	282	1.6	36.3	15,315	17,154	17,134	(0.1)	11.9
RBL Bank	4.2	4.9	5.0	1.9	18.9	54	68	73	7.9	35.3	12,799	13,759	14,571	5.9	13.8
SBI	15.9	18.3	18.5	1.2	16.3	238	315	293	(6.9)	23.2	14,979	17,237	15,859	(8.0)	5.9
Kotak Mahindra Bank	4.7	5.7	5.8	2.2	22.3	42	64	65	1.8	55.4	8,797	11,226	11,183	(0.4)	27.1
IndusInd Bank	2.1	2.7	2.7	2.8	32.2	69	81	90	11.1	30.4	33,343	30,441	32,901	8.1	(1.3)
YES Bank	1.4	1.8	1.8	4.0	30.2	15	21	23	11.0	56.6	10,398	11,718	12,501	6.7	20.2
Others	10.4	13.4	13.9	3.9	33.9	130	174	186	7.0	43.3	12,483	12,976	13,363	3.0	7.0
<b>Total</b>	<b>81.2</b>	<b>96.0</b>	<b>97.9</b>	<b>2.0</b>	<b>20.6</b>	<b>1,269</b>	<b>1,610</b>	<b>1,655</b>	<b>2.8</b>	<b>30.4</b>	<b>15,633</b>	<b>16,774</b>	<b>16,907</b>	<b>0.8</b>	<b>8.2</b>

Source: RBI, Elara Securities Research Note: Green is highest increase, yellow is moderate and red is decrease

**Exhibit 43: Market share movement – HDFC gained this month but per broader, one-year horizon, HDFC and SBI lost most in terms of cards and spend market share**

	Market share – credit card outstanding (%)					Market share – Spends (%)					Market share – Transactions (%)				
	Dec-22	Nov-23	Dec-23	MoM (bp)	YoY (bp)	Dec-22	Nov-23	Dec-23	MoM (bp)	YoY (bp)	Dec-22	Nov-23	Dec-23	MoM (bp)	YoY (bp)
AXIS Bank	14.7	14.2	14.1	(12.0)	(63.2)	12.4	11.7	11.7	(2.1)	(62.7)	17.1	16.2	15.6	(64.1)	(146.8)
HDFC Bank	21.0	20.3	20.3	(2.1)	(65.1)	28.2	26.2	27.1	93.7	(109.9)	24.5	25.7	25.9	21.7	139.9
ICICI Bank	16.7	16.9	16.8	(4.4)	17.5	16.3	17.3	17.1	(20.1)	73.9	18.6	18.9	18.9	(0.0)	29.1
RBL Bank	5.2	5.2	5.1	(0.6)	(7.5)	4.3	4.2	4.4	20.9	16.1	4.0	3.4	3.3	(9.6)	(70.6)
SBI	19.6	19.0	18.9	(13.9)	(69.2)	18.7	19.5	17.7	(183.3)	(104.4)	18.0	16.9	16.7	(23.2)	(138.6)
Kotak Mahindra Bank	5.8	5.9	5.9	1.2	8.0	3.3	4.0	3.9	(3.8)	62.9	3.6	4.1	4.4	31.1	77.1
IndusInd Bank	2.5	2.8	2.8	2.1	24.4	5.4	5.0	5.4	40.5	(0.1)	2.3	2.1	2.2	9.0	(6.2)
YES Bank	1.7	1.8	1.9	3.7	13.8	1.1	1.3	1.4	10.2	23.0	1.2	1.4	1.5	8.5	29.6
Others	12.8	14.0	14.2	26.0	141.2	10.2	10.8	11.2	44.0	101.2	10.5	11.0	11.3	27.2	77.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>0.0</b>	<b>0.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>0.0</b>	<b>0.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>0.0</b>	<b>0.0</b>

Source: RBI, Elara Securities Research Note: Green is highest increase, yellow is moderate and red is decrease

**Exhibit 44: On three-month rolling, spend growth steady but still sub-3%**

	# Credit Cards (outstanding)					Spends (INR bn)					Spends per card (INR)				
	Dec-22	Nov-23	Dec-23	QoQ (%)	YoY (%)	Dec-22	Nov-23	Dec-23	QoQ (%)	YoY (%)	Dec-22	Nov-23	Dec-23	QoQ (%)	YoY (%)
AXIS Bank	11.9	13.6	13.8	1.1	15.4	154	192	201	4.8	31.1	12,871	14,110	14,625	3.6	13.6
HDFC Bank	17.0	19.5	19.9	1.9	16.8	354	421	441	4.8	24.6	20,814	21,566	22,194	2.9	6.6
ICICI Bank	13.5	16.2	16.5	1.7	21.9	203	291	301	3.3	48.5	14,973	17,960	18,246	1.6	21.9
RBL Bank	4.2	4.9	5.0	1.9	18.9	53	67	71	5.8	33.7	12,497	13,537	14,056	3.8	12.5
SBI	15.9	18.3	18.5	1.2	16.3	227	306	321	4.7	41.1	14,307	16,790	17,359	3.4	21.3
Kotak Mahindra Bank	4.7	5.7	5.8	2.2	22.3	40	63	67	5.1	65.3	8,519	11,202	11,517	2.8	35.2
IndusInd Bank	2.1	2.7	2.7	2.8	32.2	70	79	83	5.0	20.0	33,632	29,887	30,526	2.1	-9.2
YES Bank	1.4	1.8	1.8	4.0	30.2	14	20	21	7.1	56.1	9,799	11,409	11,742	2.9	19.8
Others	10.4	13.4	13.9	3.9	33.9	124	169	179	5.9	43.7	11,972	12,600	12,849	2.0	7.3
<b>Total</b>	<b>81.2</b>	<b>96.0</b>	<b>97.9</b>	<b>2.0</b>	<b>20.6</b>	<b>1,238</b>	<b>1,609</b>	<b>1,685</b>	<b>4.7</b>	<b>36.1</b>	<b>15,254</b>	<b>16,761</b>	<b>17,212</b>	<b>2.7</b>	<b>12.8</b>

Source: RBI, Elara Securities Research Note: Green is highest increase, yellow is moderate and red is decrease

## Management interactions and industry trends

### Industry trends

#### Personal loans continue with growth trajectory

- Demand continued to be robust, with no impact from RBI regulations, currently. NBFCs are not preferred by customers with a good CIBIL score as the rate of interest is ~2x banks'.
- Post the RBI circular, private banks increased rates. Thus, the preference has moved to nationalized banks.

## News and interviews

### Sector news

- [HFC and NBFC harmonization rules \(article\)](#)
  - As per the draft circular, HFCs will have stricter rules, going ahead comparable with NBFCs. Currently, HFCs accept public deposits and are subject to more relaxed prudential parameters on deposit acceptance as compared with NBFCs. Since regulatory concerns associated with deposit acceptance are same across all categories of NBFCs, it has been decided to move HFCs towards the regulatory regime on deposit acceptance as applicable to deposit-taking NBFCs, the RBI said.
- [UPI transactions cross 100bn in FY23 \(article\)](#)
  - This shows a staggering growth for UPI payments service in India, which recorded ~74bn transactions in 2022 and 38.7bn in UPI (over 49% jump), between January and December, per past year data from NPCI.
- [Banks to replace ATMs \(article\)](#)
  - Banks are likely to see a big ATM refresh-cum-addition cycle in the next 12-18 months, involving replacement of ~40,000 ageing ATMs, and network expansion by ~10,000, per industry estimates.
- [RBI draft norms on Fintech SRO \(article\)](#)
  - The RBI, on January 15 in its draft norms, said Self-Regulatory Organizations (SROs) for fintech sector should be independent from influence, development oriented, and legitimate arbiter of disputes.
  - According to the norms, SROs for fintech sector may operate objectively, with credibility and responsibility under the
  - oversight of the regulator.
- [Yields on short-term debt instruments rise \(article\)](#)
  - The yield on short-term debt instruments such as commercial papers and certificates of deposit rose ~15-20bps in December on tight liquidity conditions in the banking system.
- [Demand for travel and e-commerce credit card up \(article\)](#)
  - Tier-2/3 towns and cities saw increased adoption of travel credit cards, which grew the fastest in 2023 by 27% YoY on the back of offerings such as air miles, hotel discounts, or travel-related rewards.
  - Fuel credit cards were the most in demand in Tier 2-3 cities in 2023 due to rising fuel prices, whereas demand for travel and e-commerce credit saw a substantial increase in the year.
- [Payment aggregator license \(article\)](#)
  - Tata Pay, the Tata Group's payment application, secured a payment aggregator licence from the RBI on January 1.
- [RBI cap on deposit taking HFCs may not have a big impact.](#)
  - Experts of Housing Finance sector assess that the proposed cap may not hit deposit taking HFCs, considering the nature of their businesses and the low dependence on deposits. The draft circular, part of the RBI's review of the regulatory framework for HFCs and harmonization of regulations applicable to HFCs and NBFCs, suggests halving the limit from 3x to 1.5x their net-owned fund.
- [RBI relaxes NBFC credit concentration requirements](#)
  - The RBI has relaxed credit concentration risk standards for NBFCs in the mid layer (ML) and base layer (BL) to be at par with larger peers or upper layer (UL) NBFCs. With immediate effect, new guidelines have eliminated concentration limits on exposures to national credit guarantee programs, state and federal governments, security deposits of borrowers used as collateral,



and other categories, allowing NBFCs to lower their concentration risk.

- [SEBI grants renewals recognition to AMC repo clearing corporation for a year](#)
  - In October 2020, SEBI approved the formation of a Limited Purpose Clearing Corporation (LPCC) for the clearing and settlement of repo transactions in debt securities. Subsequently, in February 2021, the regulator published guidelines requiring asset management companies (AMCs) to deposit INR 1.5bn as share capital for the establishment of LPCC by mutual funds.
- [Lenders notify for some stress in retail loans](#)
  - Policymakers are urging to add a new parameter, the debt-to-income (DTI) ratio, as also encouraging lenders to employ developing technological ecosystems, such as account aggregators, to obtain borrowers' agreement, increase credit underwriting, and improve model monitoring.

## Company news and interviews

We highlight some conversational snippets that were in the limelight for BFSI companies, this past month.

### Banks

- [CSB Bank – Pralay Mondal, MD \(interview\)](#)
  - “We did not have a very aggressive quarter on the wholesale side. Some of the business got a little postponed to the next quarter and the gold loan has grown by ~23%, which is slightly slower than what we generally do because what we did is that gold prices fluctuated and went up significantly.”
  - “We should be able to do anywhere between 30% and 50% faster than the system. We should be able to sustain through the year. Maybe one quarter here and one quarter there can be a little different but overall for the year, I think we should be able to grow ~50% faster than the system.”
- [HDFC Bank – Srinivasan Vaidyanathan, CFO \(interview\)](#)
  - HDFC Bank reported a strong October-December quarter for 2023-24, with a 33.5% jump in net profit. HDFC Bank's CFO, in results call, revealed the bank's outlook as well, where he asserted that the bank is looking at granular deposits now and may want to replace more
- [South Indian Bank – P R Seshadri, MD & CEO \(interview\)](#)
  - Kerala-headquartered South Indian Bank (SIB) is planning to sharpen its focus towards micro, small, and medium enterprises (MSMEs) and retail businesses this year as part of the lender's business expansion plan.
  - “We want to get some growth on the MSME and retail sides of the house this year. So, for that, we are doing a bunch of things in that business. Our focus is on systems, processes, technology, digitalization, etc.”
- [IDFC First Bank – V Vaidyanathan \(interview\)](#)
  - IDFC First Bank is set to double its branch network in five years and reduce bad loans. It aims to expand its assets by 20% annually over five years and deposits by 25%.
  - “I think 20% loan growth target is comfortable to achieve when large banks which are 7-8x our balance sheet are comfortably growing at 20%. So, I think clearly, to grow this 20% should not be a problem at all,” said V Vaidyanathan, CEO of IDFC First Bank.
- [Kotak Mahindra Bank – Ashok Vaswani, MD & CEO \(interview\)](#)
  - “As I see it, the challenge of the story, from here on is how we scale,” Vaswani said during post-earnings call of the bank, on January 20, adding scaling should not be just for the sake of size but for relevance.
- [RBL Bank – R Subramaniakumar, MD & CEO \(interview\)](#)
  - Indian private lender RBL Bank expects a 20% growth in its loan book in the next two financial years, largely led by secured retail assets, per its Managing Director and Chief Executive Officer.
  - “We are trying to get into areas which are futuristic, and have a better management of the capital.”
- [Canara Bank – Satyanarayana Raju, MD & CEO \(interview\)](#)
  - Bengaluru-based PSU Canara Bank aims to increase exposure to its RAM (Retail, Agriculture, and MSME) portfolio, targeting a 60:40 ratio of

RAM to corporate mix by March 2026. The move is in line with improving the bank's bottom line.

- [Indian Overseas Bank – AK Srivastava, MD & CEO \(interview\)](#)
  - Public sector lender Indian Overseas Bank (IOB) is looking to increase advances by 13-14% in the next few quarters, said AK Srivastava, its Managing Director and Chief Executive Officer.
  - Srivastava said that the bank has a credit-deposit ratio of 78% and would like to maintain that.

## Fintech

- [Mobikwik IPO \(article\)](#)
  - Payment Platform One MobiKwik Systems has slashed its issue size to INR 7bn from INR 19bn and refiled the draft papers with the SEBI to raise funds from the public..
  - Of the INR 2.5bn raised, INR 1.35bn will fuel financial services growth, INR 1.35bn will support data and technology investment, INR 0.7bn will fund payment devices' capital expenditure, and the rest will cover general corporate needs.
- [BharatPe Fundraise \(article\)](#)
  - Fintech unicorn BharatPe has marked the final close of its USD 100mn debt round led by InnoVen Capital in the range of USD 60-70mn, per sources. The New Delhi-based start-up's new debt round comes after a gap of more than two years.
- [NPCI International for global expansion \(article\)](#)
  - Google India Digital Services (P) and NPCI International Payments, a wholly-owned subsidiary of the National Payments Corporation of India (NPCI) have signed an agreement to expand the Unified Payments Interface (UPI) platform beyond India.
  - The MoU seeks to broaden the use of UPI payments for travelers outside India and enable them to make transactions abroad. It intends to assist in establishing UPI-like digital payment systems in other countries, providing a model for seamless financial transactions and focusing on easing the process of remittances between countries by utilizing the UPI infrastructure to simplify cross-border financial exchanges.

## NBFCs and HFCs

- [Muthoot Microfin passes on the benefits to consumer by cutting lending rate:](#)

- Muthoot Microfin has decided to reduce lending rates by up to 55bps on fresh loans to existing customers, after nearly two years of upward movement. This would not affect its net interest margin, which rose to 12.6% for December 2023 quarter, as the lender managed to bring down its incremental cost of borrowing.

## ▪ [Asirvad MFI kept in abeyance by SEBI](#)

- Asirvad Micro Finance had filed preliminary papers with the SEBI in October 2023 to garner INR 15bn through an IPO. As per the DRHP, the public issue was purely a fresh issue of equity shares, with no offer for sale (OFS) component. On January 10, the SEBI kept in "abeyance" the proposed INR 15bn Initial Public Offering (IPO) of Asirvad Micro Finance, a subsidiary Manappuram Finance.

## ▪ [REC to be the nodal agency for PM Suryodaya Yojana:](#)

- REC's board has authorized a line of credit of ~INR 150bn to central public sector undertakings (CPSEs), which will act as renewable energy service companies in implementing this scheme. "We are committed to providing a line of credit up to INR 1.20tn for the rooftop solar mission," said REC.

## ▪ [REC signs MoU for infrastructure projects](#)

- REC signed four MoUs worth INR 160bn with Dilip Buildcon, GMR Power & Urban Infra, CDS Infra Projects and DP Jain & Co. Infrastructure Pvt.

## ▪ [Uday Kumar Hebbaro ,MD, CreditAccess Garmeen](#)

- The management guided credit cost at 1.6-1.8%, where credit cost is range-bound for FY24 and may not up from here. FY24 AUM growth was guided in the range of 24-25%, wherein expected retail book may contribute 3% to the book by FY24 and 12-15% in the next 4-5 years.
- The pricing policy is decided by cost of credit, cost of operation, cost of finance and cost of running the company. The cost of finance is stable, operating cost is down from 5% to 4.5% in the past year and credit cost is stable, leading to 50bps cut in pricing. CREDAG kept reviewing the pricing policy and based on efficiency improvement and stable CoF, decided pricing.

## ▪ [Suresh Srinivasan Iyer, MD & CEO – CanFin Homes](#)

- CanFin Homes is expected to grow at 15-18% as operations have stabilized, and the portfolio reset is over (it has not seen any upside from current

levels). NIMs increased due to asset repricing and a lag effect on account of annual reset clause, which has a prolonged effect.

- CanFin Homes is pushing sourcing through direct sourcing channel via a broad-based sourcing channel but there is no reduction in sourcing from DSA channel.
- [Sanjay Kulshrestha, CMD- HUDCO](#)
  - HUDCO has signed an MOU worth INR 145bn with the Gujarat government to fund housing and urban infrastructure projects, where the major concern of the MOU is towards infra projects and related disbursements may start in Q4FY24.
  - Expect NIM to see a slight uptake from the current levels, in Q4FY24 due to declining cost of funds and repricing of loans. The company is more focused towards urban infrastructure financing.
- [Pradeep Kumar Das, MD & Chairman- IREDA](#)
  - IREDA is targeting to double its AUM in the next three years. It is trying to leverage its book 6-7x and might think of perpetual debt after fully leveraging equity. The company has a total manpower of 178.

## Insurance

- [Kotak Mahindra Life – Manish Alagh \(interview\)](#)
  - Kotak Mahindra Life Insurance sees 2024-25 as a year of expansion and may look to grow across agency, bancassurance and direct sales, Manish Alagh, Senior Executive Vice President and Head Tied Agency & Direct Marketing said.
- [Bharati Axa to sell insurance arm \(article\)](#)
  - The move comes after Bharti Group in October 2023 announced plans to buy out its joint venture partner AXA Group's 49% stake in the life insurance business. "After acquiring the business from AXA, Bharti has been looking to exit the insurance business and focus on telecom," a source cited. "After selling the general insurance business to ICICI Lombard by way of merger, it has been looking to sell the life insurance business entirely."
- [IRDAI norms for investment \(article\)](#)
  - According to recent regulation by IRDAI, insurers are allowed to make investments in IDF-NBFCs, which are registered with the RBI and have a minimum credit rating of AA or its equivalent by a Credit Rating Agency registered with the SEBI to be eligible for the investment.

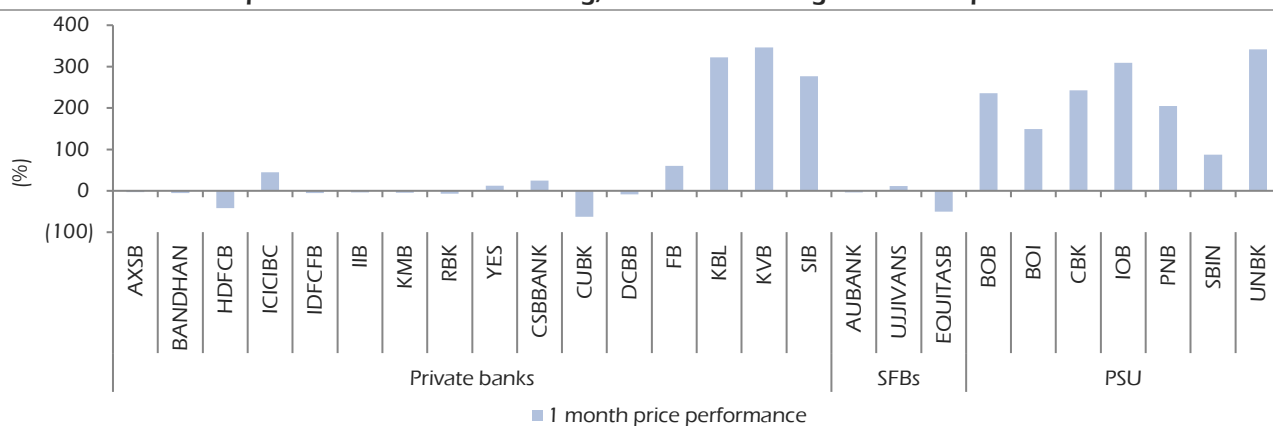
## Valuations

Exhibit 45: PSU Index outperforms private this month

	31-Jan-24	1 wk	1 mth	3 mth	6 mth	YTD	1 yr	3 yrs
Sensex	71,752.1	1.0	(0.7)	12.3	7.9	20.5	20.5	55.0
Bankex	51,999.1	1.9	(4.4)	7.3	1.1	12.8	12.8	50.0
Nifty	21,725.7	1.3	(0.0)	13.9	10.0	23.0	23.0	59.3
Bank Nifty	45,996.8	2.0	(4.8)	7.4	0.8	13.1	13.1	50.5
Nifty PSU Bank	6,271.7	5.9	9.8	27.1	35.7	56.5	56.5	245.7
Nifty Pvt. Bank	23,594.5	2.1	(5.2)	6.1	0.8	13.8	13.8	41.3

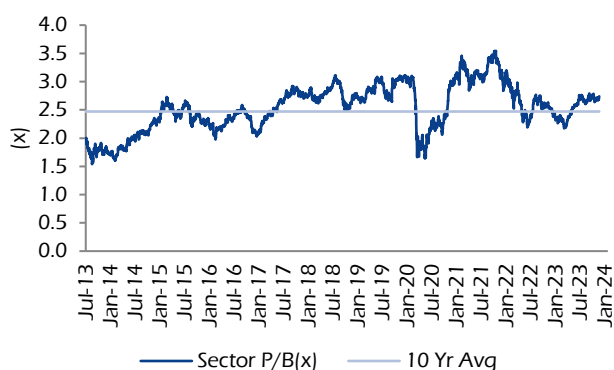
Source: Bloomberg, Elara Securities Research Note: Green is highest increase, yellow is moderate and red is decrease

Exhibit 46: Frontline private banks continue to lag, while PSU and regional banks perform better



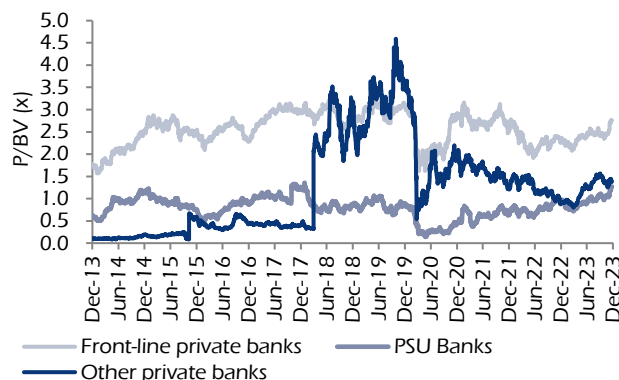
Source: Bloomberg, Elara Securities Research

Exhibit 47: Valuation inching above 10-year average



Source: Bloomberg, Elara Securities Research

Exhibit 48: Public sector banks continue to re-rate



Source: Bloomberg, Elara Securities Research

**Exhibit 49: HDFCB widens its gap to ~16% from its five-year average**

(x)	Current P/BV	5 yr Avg	Avg – 1SD	Avg – 2SD	5 yr low	5 yr high	% away from 5 yr avg	(x)	Current P/BV	5 yr Avg	Avg – 1SD	Avg – 2SD	5 yr low	5 yr high	% away from 5 yr avg
<b>Frontline private banks</b>								<b>Old private banks</b>							
AXSB	2.3	1.8	1.4	1.0	0.9	2.7	29.2	FB	1.4	1.0	0.8	0.5	0.8	1.5	41.8
HDFCB	2.4	2.9	2.4	1.9	2.0	3.7	(16.3)	CSBBANK	2.2	1.3	0.6	(0.0)	-	2.7	68.4
ICICIBC	3.0	1.8	1.3	0.8	0.6	3.0	63.3	CUBK	1.4	1.8	1.2	0.7	1.0	3.1	(22.1)
KMB	3.0	3.2	2.7	2.1	1.8	4.5	(6.8)	KVB	1.8	0.7	0.4	0.1	0.2	1.8	175.1
IIB	2.1	1.7	1.1	0.4	0.5	3.6	24.6	SIB	1.1	0.4	0.4	0.4	0.2	1.1	179.9
<b>Private banks</b>								<b>PSU banks</b>							
BANDHAN	1.8	2.9	1.6	0.3	1.3	6.4	(37.9)	BOB	1.3	0.6	0.4	0.2	0.2	1.3	113.6
DCBB	1.0	1.0	0.5	0.0	0.5	2.2	1.0	BOI	1.0	0.5	0.5	0.5	0.2	1.0	118.5
IDFCFB	2.4	1.5	1.1	0.6	0.6	2.7	57.3	CBK	1.3	0.6	0.6	0.6	0.2	1.3	132.5
RBK	1.1	1.1	1.1	1.1	0.3	3.3	4.0	PNB	2.1	0.9	0.6	0.2	0.5	2.1	135.0
<b>Small finance banks</b>								<b>SBIN</b>							
AUBANK	3.9	4.1	3.7	3.3	2.0	6.7	(5.3)	UNBK	1.4	0.5	0.5	0.5	0.2	1.4	173.0
EQUITASB	2.5	1.0	0.6	0.1	-	2.7	148.1								
UJJIVANS	2.5	1.3	0.7	0.2	-	3.3	90.2								

Source: Bloomberg, Elara Securities Research

**Exhibit 50: Valuation snapshot – Larger banks at compelling valuations**

Coverage	BB ticker	Rating	Market Cap (INR bn)	CMP (INR)	TP (INR)	Upside/downside (%)	P/E (x)			P/B (x)			ROE (%)			ROA (%)		
							FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
<b>Private banks</b>																		
HDFC Bank	HDFCB	Accumulate	11,107	1,463	1,889	29	16.7	16.3	13.3	2.6	2.3	2.0	17.0	17.2	16.3	2.1	2.1	2.0
ICICI Bank	ICICIBC	Buy	7,213	1,028	1,214	18	18.5	15.8	14.9	3.0	2.6	2.2	17.5	17.5	16.1	2.2	2.3	2.2
Axis Bank	AXSB	Buy	3,293	1,068	1,311	23	31.6	12.7	11.2	2.4	2.0	1.7	8.0	17.4	16.8	0.8	1.8	1.8
Kotak Mahindra Bank	KMB	Accumulate	3,628	1,825	2,004	10	22.0	19.9	18.5	2.9	2.5	2.2	14.0	13.5	12.8	2.5	2.4	2.2
IndusInd Bank	IIB	Buy	1,193	1,534	1,890	23	16.1	13.6	12.2	2.2	1.9	1.7	14.5	15.1	14.7	1.8	1.9	1.9
Yes Bank	YES	Not Rated	693	24	NR	NA	51.5	30.8	21.2	1.7	1.6	1.5	2.9	5.0	7.2	0.4	0.5	0.7
Federal Bank	FB	Buy	358	147	189	28	10.4	9.7	9.9	1.4	1.2	1.1	14.9	14.5	13.6	1.3	1.4	1.2
City Union Bank	CUBK	Accumulate	107	145	145	0	11.4	10.8	10.3	1.4	1.3	1.2	13.4	12.5	11.8	1.5	1.5	1.5
Karur Vysya Bank	KVB	Buy	159	198	198	(0)	14.4	10.9	10.1	1.9	1.6	1.4	13.7	15.7	15.1	1.3	1.6	1.5
South Indian Bank	SIB	Not Rated	73	35	NR	NA	7.1	6.7	NA	1.0	0.9	NA	14.6	13.7	NA	0.9	0.9	NA
RBL Bank	RBK	Not Rated	157	261	NR	NA	13.7	10.1	7.9	1.1	1.0	0.9	8.3	10.3	11.9	0.9	1.1	1.2
DCB Bank	DCBB	Accumulate	43	138	165	19	9.3	8.3	6.7	1.0	0.9	0.8	11.4	11.4	12.7	1.0	1.0	1.0
IDFC first Bank	IDFCFB	Buy	596	84	NR	NA	19.1	14.7	11.3	1.9	1.6	1.4	10.6	11.9	13.7	1.2	1.3	1.3
Karnataka Bank	KBL	Not Rated	88	254	NR	NA	6.5	6.0	NA	0.9	0.8	NA	14.7	13.6	NA	1.3	1.2	NA
CSB	CSBBANK	Not Rated	67	383	NR	NA	12.1	10.8	8.9	1.8	1.5	1.3	15.8	15.2	15.8	1.7	1.6	1.6
Bandhan	BANDHAN	Accumulate	369	229	256	12	16.8	9.8	8.2	1.9	1.6	1.4	11.9	17.9	18.4	1.6	2.4	2.5
Jammu and Kashmir Bank	JKBK	Not Rated	148	134	NR	NA	8.7	6.8	6.1	1.1	0.9	0.8	13.3	14.4	13.8	1.0	1.2	1.2
<b>Public banks</b>																		
State Bank of India	SBIN	Buy	5,716	641	717	12	7.7	7.1	6.9	1.3	1.1	1.0	17.9	16.8	15.1	1.0	1.0	1.0
Punjab National Bank	PNB	Sell	1,260	114	80	(30)	50.2	17.7	13.1	1.4	1.3	1.2	2.8	7.4	9.3	0.2	0.5	0.6
Bank of Baroda	BOB	Buy	1,280	248	247	(0)	9.1	7.6	7.5	1.3	1.1	1.0	15.3	16.1	14.4	1.1	1.2	1.1
Canara Bank	CBK	Not Rated	874	482	NR	NA	6.1	5.6	5.2	1.1	1.0	0.8	19.2	17.6	16.9	1.0	1.0	1.0
Bank of India	BOI	Not Rated	633	139	NR	NA	8.5	7.0	7.1	0.9	0.8	0.8	11.3	11.8	10.9	0.8	0.9	NA
Union Bank	UNBK	Not Rated	1,037	140	NR	NA	7.4	6.1	5.8	1.2	1.0	0.9	16.7	16.8	16.3	1.1	1.1	1.1
Indian bank	INBK	Not Rated	672	499	NR	NA	8.3	7.3	6.7	1.2	1.1	1.0	15.8	15.4	14.9	1.1	1.1	1.1
<b>Small finance banks</b>																		
Au small Finance Bank	AUBANK	Reduce	426	637	680	7	27.9	25.5	20.2	3.9	3.4	3.0	15.4	13.4	14.9	1.8	1.6	1.6
Ujjivan SFB	UJJIVANS	Not Rated	108	55	NR	NA	8.6	7.9	6.7	2.0	1.7	1.4	26.9	23.4	22.4	3.4	3.0	2.8
Equitas SFB	EQUITASB	Not Rated	117	104	NR	NA	14.4	11.7	9.0	2.0	1.8	1.5	14.6	15.7	17.4	2.0	2.0	2.0
Suryoday SFB	Suryoday	Not Rated	18	167	NR	NA	8.1	6.0	NA	1.0	0.8	NA	12.9	14.8	NA	2.1	2.3	NA
Utkarsh SFB	UTKARSHB	Not Rated	63	58	NR	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

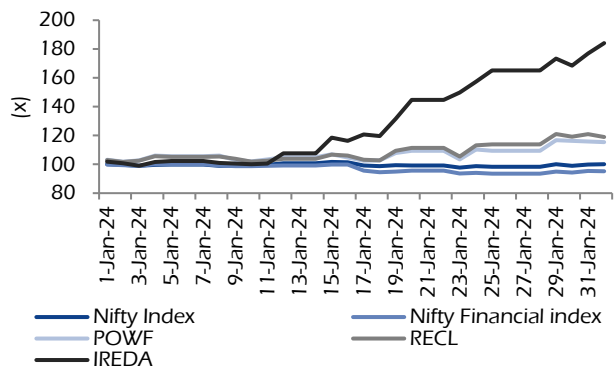
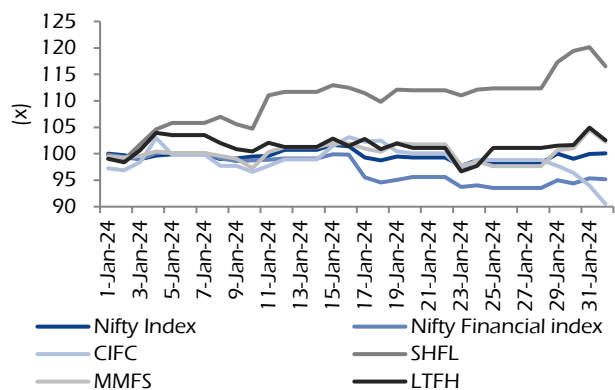
Note: pricing as on 31 January 2024; TP and Rating as per last published note; Source: Bloomberg, Elara Securities; Not Rated companies – Bloomberg Estimates

Exhibit 51: Rich valuations across the board; prefer high-capital, high-ROA businesses

Company	Ticker	Rating	Mkt Cap (INR bn)	CMP (INR)	TP (INR)	ROA (%)				ROE (%)				P/BV (x)			
						FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E
Bajaj Finance	BAF IN	Buy	4,140	6,863	9,000	5.2	4.8	4.8	4.7	23.5	22.7	20.7	21.1	6.5	5.4	5.0	3.6
Rural Electrification Corporation	RECL IN	Buy	1,314	499	582	2.8	3.0	2.9	2.9	20.3	21.0	19.0	17.7	2.4	2.0	1.6	1.3
Power Finance Corporation	POWF IN	Buy	1,170	443	343	2.9	2.9	2.8	2.8	18.2	18.0	16.5	16.5	2.2	2.2	1.8	1.5
Cholamandalam Investment and Finance Company	CIFC IN	Accumulate	973	1,184	1,295	2.7	2.6	2.7	2.6	20.8	21.5	22.3	22.1	7.8	6.3	5.2	4.2
Shriram Finance	SHFL IN	Accumulate	832	2,467	2,540	3.5	3.3	3.2	3.1	17.3	15.8	15.9	16.2	2.1	1.9	1.7	1.4
SBI Cards and Payment Services	SBICARD IN	Sell	675	715	719	5.6	5.3	5.4	5.2	25.7	25.8	26.0	22.1	7.1	5.8	4.5	3.3
Muthoot Finance	MUTH IN	Buy	560	1,395	1,520	4.9	5.3	5.1	5.1	16.5	17.0	16.7	16.5	2.8	2.4	2.0	1.7
L&T Finance Holdings	LTFH IN	Buy	429	173	209	1.4	2.1	2.2	2.3	7.5	10.5	11.4	12.8	2.1	1.9	1.7	1.5
Mahindra Finance	MMFS IN	Accumulate	357	289	322	2.3	2.1	2.0	2.0	12.1	12.6	13.7	15.2	2.3	2.2	2.2	2.0
LIC Housing Finance	LICHF IN	Accumulate	344	626	472	1.1	1.3	1.3	1.3	11.2	13.8	15.2	17.6	1.6	1.4	1.4	1.4
CreditAccess Grameen	CRETAG IN	Buy	248	1,590	1,986	3.9	5.2	5.0	5.0	17.8	24.0	22.7	22.4	5.0	3.9	3.1	2.5
Manappuram Finance	MGFL IN	Accumulate	156	185	200	4.0	4.5	4.2	3.9	16.4	19.0	17.9	18.4	1.7	1.4	1.2	1.2
AAVAS Financiers	AAVAS IN	Reduce	117	1,477	1,460	2.9	2.9	3.0	3.0	14.2	14.0	16.3	15.9	3.7	3.2	2.7	2.3
CAN FIN Homes	CANF IN	Accumulate	103	776	856	2.0	2.0	1.9	1.9	18.5	17.9	17.2	18.3	2.9	2.4	2.0	1.7
<b>Not under coverage</b>																	
Jio Financials Services	JIOFIN IN	Not Rated	1,577	248	NA	0.2	-	-	-	0.2	-	-	-	NA	NA	NA	NA
Indian Renewable Energy Development Agency	IREDA IN	Not Rated	489	182	NA	2.0	2.0	2.1	2.0	15.4	18.5	19.9	22.0	7.0	5.9	5.0	4.3
SUNDARAM FINANCE	SUF IN	Not Rated	396	3,568	NA	2.9	2.8	2.9	2.8	14.9	15.7	17.0	16.6	5.1	4.7	4.1	3.5
Poonawala Fincorp	POONAWALA IN	Not Rated	368	478	NA	3.8	4.6	4.8	4.4	9.6	13.7	12.8	16.6	5.7	4.5	4.0	3.4
Housing & Urban Development Corporation	HUDCO IN	Not Rated	345	172	NA	2.1	-	-	-	11.4	-	-	-	2.2	NA	NA	NA
IIFL Finance	IIFL IN	Not Rated	238	623	NA	3.0	3.5	3.6	3.7	19.4	19.5	20.6	21.6	2.6	2.2	1.8	1.5
Five-Star Business Finance	FIVESTAR IN	Not Rated	223	762	NA	8.0	8.1	8.0	7.7	15.0	16.8	17.9	18.7	5.1	4.3	3.6	3.1
Piramal Enterprises.	PIEL IN	Not Rated	206	916	NA	10.9	(0.1)	1.6	1.7	30.0	(0.9)	4.9	6.2	0.7	0.7	0.7	0.7
PNB Housing Finance	PNBHOUSI IN	Not Rated	204	785	NA	1.6	2.0	2.1	2.2	10.0	11.1	10.9	11.6	1.5	1.4	1.3	1.1
Aptus Value Housing Finance India	APTUS IN	Not Rated	187	375	NA	7.8	7.4	7.2	7.0	16.1	17.1	18.4	19.6	5.6	5.0	4.3	3.7
Home First Finance Company India	HOMEFIRS IN	Not Rated	87	985	NA	3.9	3.8	3.6	3.5	13.5	15.3	16.4	17.5	4.8	4.2	3.6	3.1
Spandana Sphoorty Financial	SPANDANA IN	Not Rated	74	1,046	NA	0.1	4.7	4.8	4.7	0.4	14.9	16.9	17.9	2.4	2.1	1.7	1.5
Fusion Micro Finance	FUSION IN	Not Rated	66	649	NA	4.6	5.0	5.1	5.1	21.2	20.3	21.2	20.9	2.8	2.3	1.9	1.5
MAS Financial Services	MASFIN IN	Not Rated	54	997	NA	2.8	2.8	2.9	3.0	14.3	15.3	16.9	17.9	3.6	3.2	2.8	2.3
Satin Creditcare Network	SATIN IN	Not Rated	29	258	NA	0.1	4.7	4.9	5.1	0.3	21.5	21.2	22.6	1.3	1.2	0.9	NA
<b>AMC</b>						<b>ROA (%)</b>				<b>ROE (%)</b>				<b>P/E (x)</b>			
HDFC Asset Management Company	HDFCAMC IN	Not Rated	765	3,582	NA	22.9	27.2	28.6	30.2	24.5	28.8	29.8	31.3	53.7	41.4	37.2	32.6
NAM	NAM IN	Not Rated	330	525	NA	18.9	24.4	24.6	25.9	20.7	27.3	29.4	31.8	45.2	33.0	30.0	26.8
Aditya Birla Sun Life AMC	ABSLAMC IN	Not Rated	138	478	NA	22.8	24.9	25.0	23.5	25.3	27.2	25.7	25.0	23.1	19.2	18.2	16.7
HDFC Asset Management Company	UTIAM IN	Not Rated	118	929	NA	10.7	17.3	15.9	16.5	11.7	17.6	14.8	15.3	27.0	16.6	18.8	17.3
<b>Wealth Management</b>																	
Angel One	ANGELONE IN	Not Rated	276	3,285	NA	12.1	10.5	9.0	9.5	47.5	41.7	39.6	36.5	30.7	25.8	21.1	17.9
360 ONE WAM	360ONE IN	Not Rated	222	620	NA	6.0	24.4	25.4	25.5	21.5	22.8	24.6	28.2	33.5	32.0	28.1	22.9
Anand Rathi Wealth	ANANDRAT IN	Not Rated	128	3,058	NA	30.5	32.6	33.2	32.0	41.5	41.3	40.3	37.7	75.7	55.7	43.7	36.3

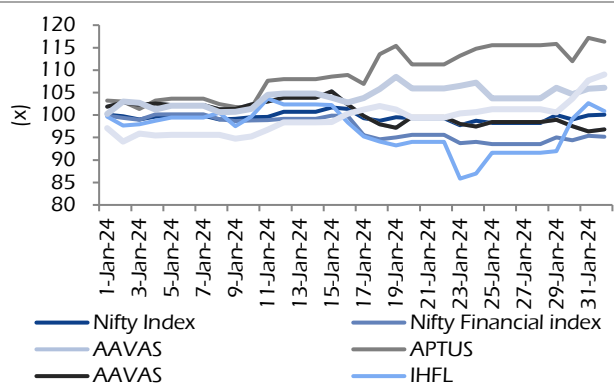
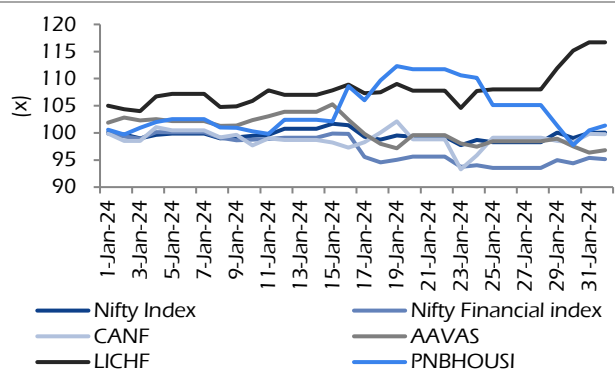
Note: pricing as on 31 January 2024; TP and Rating as per last published note; Source: Company, Bloomberg, Elara Securities Estimate

**Exhibit 52: Expect POWF, REC, to maintain bullish run; diversified plays such as LTFH to outperform; consumer finance concentrated players face near-term headwinds**



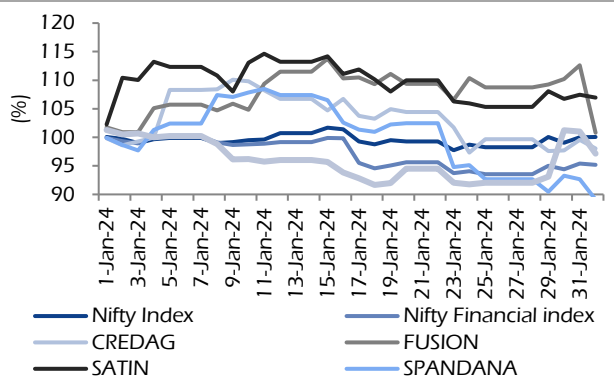
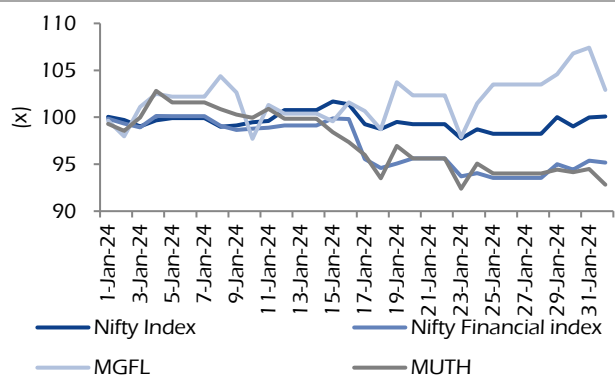
Source: Company, Elara Securities Research

Source: Company, Elara Securities Research



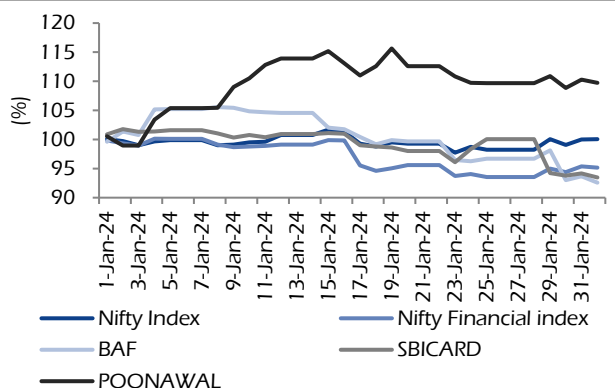
Source: Company, Elara Securities Research

Source: Company, Elara Securities Research



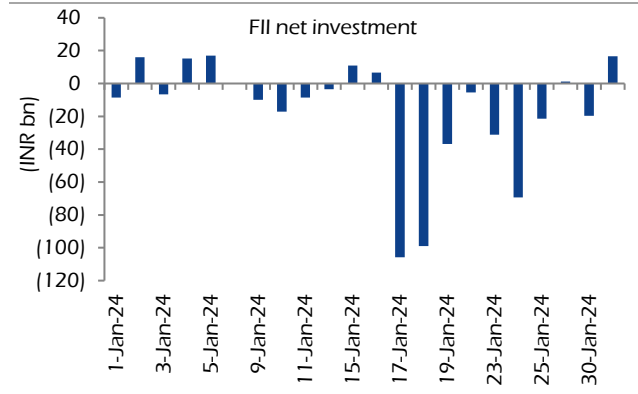
Source: Company, Elara Securities Research

Source: Company, Elara Securities Research



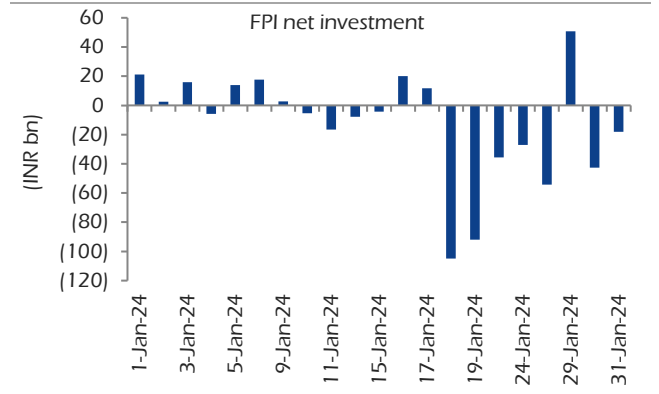
Source: Company, Elara Securities Research

**Exhibit 53: Net FII flows negative for the month**



Source: Company, Elara Securities Research

**Exhibit 54: FPI flows also negative**



Source: Company, Elara Securities Research



**Non-lending financials: Life and general insurers see soft traction**

In December, individual annualized insurance premium growth softened and grew 8.7% YoY, with private life insurers growing at 11.4% YoY and LIC at 2.1% YoY. Along with this, group insurance APE grew by 59.3% YoY, primarily led by LIC growing at 89.2% YoY, which fed into a growth of 14.8% YoY in overall APE. YTD, private firms reported an 11.3% YoY growth. While LIC saw a muted growth of 0.1% YoY, most private companies saw broad-based growth.

For general insurers, premium growth came in at 15.8% YoY (10.6% YoY in previous month), led by >26% YoY growth for standalone health insurers and 14.8% for private general insurers. In this month, PSU insurers grew by 13.1% (flat YoY in previous month).

**Life insurance: Soft growth for PSU; private still better**

- In December, life insurance new premium (annualized) saw a growth of 10.5% YoY, while LIC grew at 23% YoY, led by higher group sale. This led to overall industry growth of 14.8% YoY.

- Private insurers continue to lead in terms of YTD growth – YTD growth of 11.3% YoY was higher than LIC’s decline of 11.2% YoY.
- Growth was soft for HDFC Life, which saw a dip of 2.7% YoY, but growth was seen for other large private peers. SBI Life was up 19.9% YoY, IPru Life by 11.3% YoY, Bajaj Life 18.9% YoY, and Max Life 16.2% YoY.

**General insurance: Health insurers continue to grow**

- In December, general insurance premium growth was at 15.8% YoY, led by 26.3% YoY growth for health insurers (SAHI).
- Specialized insurers softened with the decline in premium by 19.1% YoY, forming ~4% of sector premium currently.
- YTD, private general insurers continue to see better growth of ~19% YoY, with SAHI reporting 25%-plus YoY growth. Post moderation in previous month, public insurers’ witnessed robust growth at ~9% YTD.

**Exhibit 55: Life insurers – Growth softer, largely broad-based in nature**

(INR bn)	Individual		Group		Total		YTD - Individual		YTD - Group		YTD - Total	
	Dec-23	YoY (%)	Dec-23	YoY (%)	Dec-23	YoY (%)	FY24TD	YoY (%)	FY24TD	YoY (%)	FY24TD	YoY (%)
<b>APE data</b>												
Aditya Birla Sun Life	3.6	10.1	0.4	62.6	4.0	13.9	19.7	8.2	3.3	3.9	23.0	7.6
Aegon Life	0.0	2,086.6	0.0	1,428.0	0.0	1,724.3	0.1	1,033.3	0.1	1,812.7	0.1	1,300.2
Aviva Life	0.2	(10.3)	0.0	(34.5)	0.2	(11.2)	1.4	19.6	0.1	40.6	1.5	20.8
Bajaj Allianz Life	6.4	20.2	0.3	(17.6)	6.7	17.9	39.9	24.0	3.2	(18.0)	43.1	19.5
Bharti Axa Life	0.6	(24.6)	0.0	(64.1)	0.6	(25.5)	4.2	(14.0)	0.1	(25.7)	4.3	(14.4)
Canara HSBC OBC Life	1.9	19.5	0.0	(96.2)	1.9	(27.1)	10.4	6.9	0.9	(45.1)	11.3	(0.7)
Pramerica Life	0.2	30.1	0.1	58.5	0.3	36.8	1.2	14.4	0.6	105.4	1.9	34.5
Edelweiss Tokio Life	0.5	8.0	0.0	7.3	0.5	8.0	2.9	7.9	0.0	(22.9)	2.9	7.7
Future Generali Life	0.4	11.7	0.0	5.4	0.4	11.5	2.1	5.7	0.1	(61.0)	2.2	(1.6)
HDFC Life	11.7	(4.7)	1.4	20.0	13.1	(2.7)	72.4	11.6	10.7	14.9	83.1	12.0
ICICI Prudential Life	6.5	12.6	0.7	1.5	7.2	11.3	42.1	4.1	6.2	10.9	48.3	4.9
Ageas Federal Life	0.6	14.1	0.0	50.5	0.6	15.7	4.0	27.7	0.2	28.1	4.2	27.7
IndiaFirst Life	1.2	(39.5)	0.1	29.2	1.2	(37.7)	10.9	(8.6)	0.9	26.0	11.8	(6.5)
Kotak Mahindra Life	2.7	(7.9)	0.4	30.9	3.1	(4.6)	14.8	3.1	2.9	12.7	17.7	4.5
Max Life	8.0	15.0	0.2	131.3	8.2	16.2	42.9	19.2	1.3	120.8	44.1	20.8
PNB Met Life	2.6	15.6	0.1	7.9	2.7	15.3	15.1	10.5	0.7	(0.4)	15.8	10.0
Reliance Nippon Life	1.2	10.9	0.1	20.6	1.3	11.5	7.4	10.2	0.5	(19.8)	7.9	7.7
SBI Life	30.2	19.6	0.8	34.9	31.0	19.9	127.8	14.8	8.4	30.9	136.3	15.7
Shriram Life	1.0	43.1	0.1	42.1	1.1	43.0	5.4	32.0	0.7	113.6	6.1	38.0
Star Union Dai-Ichi Life	1.8	20.9	0.2	(10.0)	2.0	17.8	10.2	8.4	1.2	(11.2)	11.4	6.0
Tata AIA Life	8.8	16.7	0.1	(30.7)	8.9	16.3	47.4	13.0	0.5	26.4	47.9	13.1
CreditAccess Life	-	#DIV/0!	0.0	#DIV/0!	0.0	#DIV/0!	-	#DIV/0!	0.0	#DIV/0!	0.0	#DIV/0!
Acko Life Insurance	0.0	#DIV/0!	0.0	#DIV/0!	0.0	#DIV/0!	0.0	#DIV/0!	0.0	#DIV/0!	0.0	#DIV/0!
Go Digit Life	-	#DIV/0!	0.1	#DIV/0!	0.1	#DIV/0!	-	#DIV/0!	0.2	#DIV/0!	0.2	#DIV/0!
<b>Private players Total</b>	<b>90</b>	<b>11.4</b>	<b>5</b>	<b>(3.2)</b>	<b>95</b>	<b>10.5</b>	<b>483</b>	<b>11.3</b>	<b>42</b>	<b>10.9</b>	<b>525</b>	<b>11.3</b>
<b>LIC</b>	<b>33.1</b>	<b>2.1</b>	<b>19.8</b>	<b>89.2</b>	<b>52.9</b>	<b>23.3</b>	<b>233.1</b>	<b>0.1</b>	<b>129.1</b>	<b>(26.1)</b>	<b>362.1</b>	<b>(11.2)</b>
<b>Industry total</b>	<b>123</b>	<b>8.7</b>	<b>25</b>	<b>59.3</b>	<b>148</b>	<b>14.8</b>	<b>716</b>	<b>7.4</b>	<b>171</b>	<b>(19.5)</b>	<b>887</b>	<b>0.9</b>

Source: IRDAI, Elara Securities Research

**Exhibit 56: General insurers – Growth improves; SAHI firms continue to see strong growth**

(INR bn)	Total GDPI					Market share (%)				
	Dec-23	MoM (%)	YoY (%)	FY24YTD	YoY (%)	Dec-23	MoM (bps)	YoY (bps)	FY24YTD	YoY (bps)
Acko General	1.7	(0.0)	29.1	13.6	26.0	0.7	(13)	7	0.6	6
<b>Bajaj Allianz</b>	<b>14.3</b>	<b>16.9</b>	<b>17.9</b>	<b>155.4</b>	<b>33.9</b>	<b>5.6</b>	<b>(11)</b>	<b>10</b>	<b>7.2</b>	<b>105</b>
Cholamandalam MS	6.2	4.6	12.8	55.3	25.9	2.4	(34)	(6)	2.6	23
Go Digit	6.0	(10.8)	24.7	59.7	31.7	2.4	(80)	17	2.8	36
HDFC ERGO	16.7	40.2	13.2	134.0	12.3	6.6	99	(15)	6.3	(12)
<b>ICICI Lombard</b>	<b>19.8</b>	<b>(5.4)</b>	<b>19.9</b>	<b>187.0</b>	<b>16.5</b>	<b>7.8</b>	<b>(204)</b>	<b>27</b>	<b>8.7</b>	<b>15</b>
IFFCO Tokio	8.9	10.0	(7.0)	76.3	7.2	3.5	(30)	(86)	3.6	(25)
Reliance General	9.6	10.4	9.7	92.1	13.7	3.8	(30)	(21)	4.3	(3)
Royal Sundaram	3.3	18.0	10.0	26.3	6.9	1.3	(1)	(7)	1.2	(9)
SBI General	10.0	15.2	50.0	85.1	23.4	4.0	(14)	90	4.0	29
Tata-AJG	12.1	5.1	3.3	112.1	19.5	4.8	(64)	(58)	5.2	22
Universal Sompo	3.9	(0.0)	6.1	37.2	18.7	1.5	(30)	(14)	1.7	6
Others	13.0	5.8	18.9	110.5	15.5	5.1	(66)	14	5.2	4
<b>Private Insurers</b>	<b>125.5</b>	<b>8.8</b>	<b>14.8</b>	<b>1,144.6</b>	<b>18.9</b>	<b>50.6</b>	<b>(471)</b>	<b>59</b>	<b>53.4</b>	<b>196</b>
National	9.6	(35.3)	(17.1)	117.5	1.5	3.8	(318)	(150)	5.5	(70)
<b>New India</b>	<b>40.7</b>	<b>72.2</b>	<b>14.5</b>	<b>284.5</b>	<b>9.0</b>	<b>16.1</b>	<b>494</b>	<b>(19)</b>	<b>13.3</b>	<b>(67)</b>
Oriental	17.1	39.2	29.4	135.4	16.9	6.8	97	71	6.3	13
United India	15.8	9.9	19.5	140.5	9.4	6.2	(53)	19	6.6	(31)
<b>Public Insurers</b>	<b>83.1</b>	<b>27.8</b>	<b>13.1</b>	<b>678.0</b>	<b>9.2</b>	<b>33.5</b>	<b>234</b>	<b>(10)</b>	<b>31.6</b>	<b>(155)</b>
<b>General Insurers Sub Total</b>	<b>208.6</b>	<b>16.1</b>	<b>16.9</b>	<b>1,822.5</b>	<b>16.0</b>	<b>84.4</b>	<b>(228)</b>	<b>81</b>	<b>85.7</b>	<b>111</b>
Aditya Birla	3.1	20.6	67.1	24.0	29.1	1.2	1	38	1.1	13
Cigna TTK	1.2	3.4	17.9	11.4	21.5	0.5	(8)	1	0.5	3
Max Bupa	5.6	28.3	39.4	38.5	40.5	2.2	16	38	1.8	33
Religare	5.8	10.3	29.2	48.3	32.4	2.3	(19)	24	2.3	30
Star Health	13.4	17.1	14.9	102.9	17.5	5.3	(10)	(4)	4.8	12
<b>SAHI Sub total</b>	<b>29.2</b>	<b>17.3</b>	<b>26.3</b>	<b>225.0</b>	<b>25.5</b>	<b>11.5</b>	<b>(19)</b>	<b>96</b>	<b>10.5</b>	<b>91</b>
AJC (Crop)	9.3	282.8	(21.2)	73.4	(27.6)	3.7	252	(172)	3.4	(199)
ECGC (Export & Credit)	1.1	7.9	4.2	8.8	5.9	0.4	(5)	(5)	0.4	(3)
<b>Specialized Insurers Sub Total</b>	<b>10.4</b>	<b>200.3</b>	<b>(19.1)</b>	<b>82.2</b>	<b>(25.0)</b>	<b>4.1</b>	<b>247</b>	<b>(177)</b>	<b>3.8</b>	<b>(202)</b>
<b>Grand Total</b>	<b>253.3</b>	<b>18.9</b>	<b>15.8</b>	<b>2,144.6</b>	<b>14.5</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>100</b>	<b>-</b>

Source: GI Council, Elara Securities Research

**AMC: Traction for equity AUMs intact; SIP flows at historical high**

**AMC industry data – Key highlights**

- **Inflows:** Gross inflows for December 2023 stood at INR 10,422bn as against INR 8,998bn in November 2023, up 15.8% MoM and 13.8% YoY. Across asset classes, viz, equity/debt/liquid, inflows increased 30.7%/101.0%/11.2% MoM. Equity inflows stood higher, led by six new fund offers garnering INR 63.21bn. Small caps followed by thematic and large & mid-caps continued to contribute materially too.
- **Outflows:** Gross outflows for December 2023 stood at INR 10,829bn versus INR 8,742bn in November 2023, up 23.9% MoM and 18.8% YoY – Equity/debt/liquid outflows rose 43.7%/ 130.2%/ 17.8% MoM.
- **Net flows:** Net outflows for the month stood at INR 407bn against inflows of INR 256bn in November 2023, down 258.8% YoY with equity net flows at INR 175bn, up 12.3% MoM and debt outflows of INR 205bn.
- **AUM:** Industry AUMs were INR 50,779bn as against INR 49,050bn in November 2023, up a robust 3.5% MoM and 27.3% YoY. But equity flows witnessed higher inflows after festive season holidays. While

large-cap funds continue to witness tepid inflows with investor preference tilting to index funds (led by favorable liquidity conditions, easing global rate concerns and strong macroeconomic data), small-cap funds, followed by mid-cap and thematic funds (notably in December 2023), which witnessed the launch of three sectoral/thematic funds; viz, Aditya Birla Sun Life Transportation and Logistics Fund, Kotak Consumption Fund and Quant Momentum Fund, garnering cumulatively INR 13.15bn. This continued to augment better inflows for December 2023. Arbitrage flows were also strong, led by better yields and tax incentives.

- **AAUM** of the industry, as of 31 December 2023, stood at INR 51,091bn as against INR 48,748bn in November 2023, up 4.8% MoM and 25.3% YoY.
- **SIP** inflows continued to rise to a new high of INR 176.10bn (INR 170.73bn) in December 2023, up 29.7% YoY. SIP accounts surged to 76.4mn in December 2023 (versus 74.4mn in November 2023), up 24.7% YoY and at historic highs. The SIP asset at INR 9.96-lakh crore accounted for 43% of overall equity AUM of INR 21.79-lakh crore.

**Exhibit 57: AUM sees record traction, supported by equity boom and steady SIP inflows**

(INR bn)	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
<b>Gross inflows</b>	<b>9,156</b>	<b>8,676</b>	<b>7,972</b>	<b>10,157</b>	<b>8,253</b>	<b>8,588</b>	<b>9,461</b>	<b>10,003</b>	<b>9,606</b>	<b>8,884</b>	<b>9,772</b>	<b>8,998</b>	<b>10,422</b>
<i>Growth MoM (%)</i>	<i>8.8</i>	<i>(5.2)</i>	<i>(8.1)</i>	<i>27.4</i>	<i>(18.7)</i>	<i>4.1</i>	<i>10.2</i>	<i>5.7</i>	<i>(4.0)</i>	<i>(7.5)</i>	<i>10.0</i>	<i>(7.9)</i>	<i>15.8</i>
<i>Growth YoY (%)</i>	<i>(0.1)</i>	<i>10.1</i>	<i>4.1</i>	<i>3.2</i>	<i>1.0</i>	<i>2.0</i>	<i>2.2</i>	<i>20.4</i>	<i>7.2</i>	<i>(9.2)</i>	<i>25.1</i>	<i>7.0</i>	<i>13.8</i>
Equity inflows	279	271	305	348	242	297	368	368	435	409	426	377	492
<i>Growth MoM (%)</i>	<i>3.7</i>	<i>(3.1)</i>	<i>12.8</i>	<i>14.1</i>	<i>(30.4)</i>	<i>22.4</i>	<i>24.0</i>	<i>(0.0)</i>	<i>18.2</i>	<i>(5.9)</i>	<i>4.2</i>	<i>(11.7)</i>	<i>30.7</i>
<i>Growth YoY (%)</i>	<i>(33.5)</i>	<i>(13.5)</i>	<i>(4.3)</i>	<i>(18.4)</i>	<i>(22.0)</i>	<i>(1.8)</i>	<i>39.9</i>	<i>70.5</i>	<i>63.0</i>	<i>19.0</i>	<i>75.4</i>	<i>39.8</i>	<i>76.2</i>
Debt inflows	351	312	297	894	494	432	425	440	419	463	479	262	528
<i>Growth MoM (%)</i>	<i>(4.0)</i>	<i>(11.1)</i>	<i>(4.8)</i>	<i>200.9</i>	<i>(44.7)</i>	<i>(12.7)</i>	<i>(1.6)</i>	<i>3.5</i>	<i>(4.6)</i>	<i>10.3</i>	<i>3.5</i>	<i>(45.2)</i>	<i>101.0</i>
<i>Growth YoY (%)</i>	<i>(34.9)</i>	<i>(50.2)</i>	<i>(15.7)</i>	<i>86.5</i>	<i>(25.9)</i>	<i>38.2</i>	<i>86.1</i>	<i>29.3</i>	<i>(19.7)</i>	<i>44.2</i>	<i>68.5</i>	<i>(28.2)</i>	<i>50.3</i>
Liquid inflows	8,063	7,668	6,983	8,245	7,212	7,518	8,349	8,747	8,272	7,461	8,379	7,922	8,807
<i>Growth MoM (%)</i>	<i>8.4</i>	<i>(4.9)</i>	<i>(8.9)</i>	<i>18.1</i>	<i>(12.5)</i>	<i>4.2</i>	<i>11.0</i>	<i>4.8</i>	<i>(5.4)</i>	<i>(9.8)</i>	<i>12.3</i>	<i>(5.4)</i>	<i>11.2</i>
<i>Growth YoY (%)</i>	<i>3.7</i>	<i>17.3</i>	<i>7.3</i>	<i>(2.5)</i>	<i>6.5</i>	<i>1.4</i>	<i>(1.1)</i>	<i>17.5</i>	<i>5.9</i>	<i>(14.5)</i>	<i>19.7</i>	<i>6.5</i>	<i>9.2</i>
Other inflows	463	425	386	670	304	341	320	448	479	551	489	436	595
<i>Growth MoM (%)</i>	<i>36.5</i>	<i>(8.2)</i>	<i>(9.2)</i>	<i>73.4</i>	<i>(54.6)</i>	<i>12.0</i>	<i>(6.2)</i>	<i>40.0</i>	<i>7.1</i>	<i>15.0</i>	<i>(11.3)</i>	<i>(10.7)</i>	<i>36.4</i>
<i>Growth YoY (%)</i>	<i>7.6</i>	<i>5.2</i>	<i>(19.4)</i>	<i>40.5</i>	<i>(28.1)</i>	<i>(11.5)</i>	<i>(0.1)</i>	<i>48.1</i>	<i>33.0</i>	<i>42.5</i>	<i>69.3</i>	<i>28.6</i>	<i>28.5</i>
<b>Gross outflows</b>	<b>9,111</b>	<b>8,562</b>	<b>7,876</b>	<b>10,349</b>	<b>7,039</b>	<b>8,014</b>	<b>9,482</b>	<b>9,182</b>	<b>9,462</b>	<b>9,546</b>	<b>8,967</b>	<b>8,742</b>	<b>10,829</b>
<i>Growth MoM (%)</i>	<i>10.0</i>	<i>(6.0)</i>	<i>(8.0)</i>	<i>31.4</i>	<i>(32.0)</i>	<i>13.8</i>	<i>18.3</i>	<i>(3.2)</i>	<i>3.0</i>	<i>0.9</i>	<i>(6.1)</i>	<i>(2.5)</i>	<i>23.9</i>
<i>Growth YoY (%)</i>	<i>(1.1)</i>	<i>13.7</i>	<i>7.3</i>	<i>(1.8)</i>	<i>(5.4)</i>	<i>(5.6)</i>	<i>(4.8)</i>	<i>13.8</i>	<i>13.9</i>	<i>(6.4)</i>	<i>16.9</i>	<i>5.6</i>	<i>18.8</i>
Equity outflows	210	158	156	171	188	261	279	286	231	267	226	220	317

(INR bn)	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
Growth MoM (%)	(13.6)	(24.9)	(0.9)	9.0	10.3	39.0	6.9	2.2	(19.0)	15.6	(15.5)	(2.5)	43.7
Growth YoY (%)	21.3	(8.9)	19.0	1.2	20.5	99.0	146.6	121.4	12.9	32.7	48.3	(9.4)	50.6
Debt outflows	397	387	340	670	270	344	425	326	459	652	410	318	733
Growth MoM (%)	7.7	(2.5)	(12.1)	97.0	(59.6)	27.3	23.4	(23.2)	40.7	42.1	(37.1)	(22.4)	130.2
Growth YoY (%)	(56.7)	(42.2)	(59.6)	(32.4)	(67.0)	(54.9)	(43.1)	(24.8)	11.2	7.6	0.6	(13.5)	84.7
Liquid outflows	8,223	7,690	7,072	9,010	6,379	7,167	8,520	8,249	8,508	8,307	8,021	7,925	9,336
Growth MoM (%)	11.6	(6.5)	(8.0)	27.4	(29.2)	12.4	18.9	(3.2)	3.1	(2.4)	(3.4)	(1.2)	17.8
Growth YoY (%)	4.3	19.4	16.0	(0.9)	1.6	(3.1)	(4.2)	13.0	14.8	(8.8)	16.2	7.6	13.5
Other outflows	281	327	307	499	201	241	258	321	264	319	310	278	443
Growth MoM (%)	(7.2)	16.2	(6.0)	62.4	(59.7)	19.5	7.3	24.3	(17.9)	21.1	(2.9)	(10.3)	59.4
Growth YoY (%)	20.6	33.1	13.1	70.6	6.3	17.6	25.7	54.4	(4.9)	15.2	47.1	(8.3)	57.4
<b>Net Flows</b>	<b>45</b>	<b>114</b>	<b>96</b>	<b>(193)</b>	<b>1,214</b>	<b>574</b>	<b>(20)</b>	<b>820</b>	<b>144</b>	<b>(662)</b>	<b>805</b>	<b>256</b>	<b>(407)</b>
Growth MoM (%)	(66.1)	153.2	(15.8)	(301.2)	NM	(52.7)	(103.5)	NM	(82.5)	(560.1)	NM	(68.2)	(258.8)
Growth YoY (%)	NM	(67.7)	(69.6)	NM	66.7	NM	NM	247.6	(77.9)	NM	473.3	93.1	(1,005.8)
<b>AUM</b>	<b>39,887</b>	<b>39,624</b>	<b>39,463</b>	<b>39,420</b>	<b>41,618</b>	<b>43,205</b>	<b>44,392</b>	<b>46,376</b>	<b>46,635</b>	<b>46,578</b>	<b>46,717</b>	<b>49,050</b>	<b>50,779</b>
Growth MoM (%)	(1.2)	(0.7)	(0.4)	(0.1)	5.6	3.8	2.7	4.5	0.6	(0.1)	0.3	5.0	3.5
Growth YoY (%)	5.7	4.2	5.1	4.9	9.4	16.1	24.6	22.9	18.5	21.2	18.3	21.5	27.3
Equity AUM	14,024	14,354	14,060	13,902	13,869	14,005	14,612	15,285	16,089	16,860	17,218	17,667	17,423
Growth MoM (%)	4.0	2.4	(2.1)	(1.1)	(0.2)	1.0	4.3	4.6	5.3	4.8	2.1	2.6	(1.4)
Growth YoY (%)	18.4	22.9	15.2	13.4	16.8	11.9	16.5	25.0	36.0	29.6	26.7	31.0	24.2
Debt AUM	6,497	6,545	6,530	6,484	6,464	6,734	7,031	7,173	7,207	7,364	7,421	7,263	7,356
Growth MoM (%)	(1.5)	0.7	(0.2)	(0.7)	(0.3)	4.2	4.4	2.0	0.5	2.2	0.8	(2.1)	1.3
Growth YoY (%)	(31.3)	(29.2)	(26.3)	(26.6)	(22.8)	(14.6)	(9.1)	(1.2)	6.7	9.7	8.0	10.2	13.2
Liquid AUM	6,137	6,245	6,122	6,136	6,082	5,366	6,229	6,572	6,488	7,028	6,833	6,027	6,424
Growth MoM (%)	2.1	1.8	(2.0)	0.2	(0.9)	(11.8)	16.1	5.5	(1.3)	8.3	(2.8)	(11.8)	6.6
Growth YoY (%)	14.4	7.8	7.4	5.5	(2.5)	(4.7)	1.4	6.3	12.6	18.4	7.5	0.3	4.7
Others AUM	13,229	12,480	12,752	12,897	15,203	17,100	16,520	17,346	16,851	15,326	15,245	18,092	19,576
Growth MoM (%)	(7.4)	(5.7)	2.2	1.1	17.9	12.5	(3.4)	5.0	(2.9)	(9.0)	(0.5)	18.7	8.2
Growth YoY (%)	19.7	10.4	18.1	21.1	31.7	52.8	79.0	43.6	12.4	20.1	20.2	26.6	48.0
<b>AAUM</b>	<b>40,762</b>	<b>40,803</b>	<b>40,688</b>	<b>40,046</b>	<b>41,527</b>	<b>42,948</b>	<b>44,823</b>	<b>46,277</b>	<b>46,936</b>	<b>47,790</b>	<b>47,804</b>	<b>48,748</b>	<b>51,091</b>
Growth MoM (%)	0.7	0.1	(0.3)	(1.6)	3.7	3.4	4.4	3.2	1.4	1.8	0.0	2.0	4.8
Growth YoY (%)	7.5	4.9	5.5	6.2	6.8	14.9	21.2	22.5	18.7	19.8	20.9	20.4	25.3
<b>Monthly SIP</b>	<b>135.7</b>	<b>138.6</b>	<b>136.9</b>	<b>142.8</b>	<b>137.3</b>	<b>147.5</b>	<b>147.3</b>	<b>152.5</b>	<b>158.1</b>	<b>160.4</b>	<b>169.3</b>	<b>170.2</b>	<b>176.1</b>
Growth MoM (%)	2.0	2.1	(1.2)	4.3	(3.8)	7.4	(0.1)	3.5	3.7	1.4	5.5	0.6	3.4
Growth YoY (%)	20.1	20.3	19.7	15.8	15.7	20.0	20.0	25.6	24.6	23.6	29.8	27.9	29.7
<b>SIP count (Nos. mn)</b>	<b>61.2</b>	<b>62.2</b>	<b>62.8</b>	<b>63.6</b>	<b>64.2</b>	<b>65.3</b>	<b>66.5</b>	<b>68.1</b>	<b>69.7</b>	<b>71.3</b>	<b>73.0</b>	<b>74.4</b>	<b>76.4</b>
Growth MoM (%)	1.3	1.5	1.1	1.2	1.0	1.6	1.9	2.3	2.4	2.3	2.4	1.9	2.6
Growth YoY (%)	24.8	23.1	21.5	20.5	19.2	19.0	19.9	21.1	21.9	22.1	23.0	23.1	24.7

Source: AMFI, Elara Securities Research

## Acronyms and Abbreviations

AIF	Alternative Investment Fund
APE	Annual Premium Equivalent
AT-1	Additional Tier - 1
AUM	Asset Under Management
CAR	Capital Adequacy Ratio
CASA	Current Account Savings Account
CD	Certificate of Deposit
CET-1	Common Equity Tier 1
CP	Commercial Paper
CV	Commercial Vehicle
FII	Foreign Institutional Investor
FOF	Fortnight over Fortnight
FPI	Foreign Portfolio Investor
FSR	Financial Stability Report
GI	General Insurance
G-sec	Government Securities
HFC	Housing Finance Company
LAS	Loan against shares
LTV	Loan-to-Value
MCLR	Marginal Cost of Funds based Lending Rate
NBFC	Non-Banking Financial Company
NCD	Non-Convertible Debenture
NIM	Net Interest Margin
NPA	Non-Performing Asset
PBV	Price-to-Book Value
PPI	Prepaid Instruments
PSU	Public Sector Bank
RoE	Return on Equity
SAHI	Standalone Health Insurance
SFB	Small Finance Banks
SIP	Systematic Investment Plan
SME	Small & Medium Enterprises
Tbill	Treasury Bills

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