ICICI direct Research

September 20, 2022

Growth visibility strong; treasury near term catalyst…

After a correction in Q1FY23 amid global uncertainty, domestic markets witnessed an outperformance compared to global peers on the back of sustained and strong economic parameters. The banking sector has outperformed (the **Bank Nifty gained ~22% whereas the Nifty was up 12% from June 2022**) as the earnings outlook has improved due to anticipation of improvement in business growth, lower credit cost and bottoming of NPA. **PSU banks, which remained laggards in the last several fiscals, have seen a relatively higher revival (PSU Nifty gained ~32% from June 2022) on the back of a better show on growth as well as asset quality; reversal of treasury losses reported in Q1FY23 remains a near term catalyst.**

Taking over the baton from previous quarter, bank credit growth has picked up pace, up 15.4% YoY, 2.2% QoQ at ₹ 114.9 lakh crore, led by retail & MSME segments. The corporate segment is showing green shoots of revival as working capital limits are getting utilised. Bank credit growth is expected to pick up further as demand improves. We believe NPAs have largely bottomed out with lower credit cost expected to aid earnings trajectory.

Banking sector outlook:

- Treasury losses amid run up in yields impacted improvement in operational performance in Q1FY23. However, recent decline in yields is expected to reverse these losses in Q2FY23, which remains a near term catalyst, especially for PSU banks. Thus, we expect strong earning trajectory for banking sector and, particularly PSU peers in Q2FY23
- For Q1FY23, business momentum was healthy, attributable to robust demand in retail & MSME segment. Loan growth for the quarter came in at 15.4% YoY. Sectoral data shows retail segment was up 18.1% YoY and agri credit jumped 13% YoY. Large corporate credit, which had been a drag on overall banking credit growth has started to enter the positive territory and was up 3.3% YoY. Management commentaries and data indicate revival in utilisation in WC limits ahead. Thus, we believe bank credit growth should continue to remain in double digits in FY23E
- The asset quality trend continued to improve led by healthy recoveries and steady incremental slippages. GNPA ratio for banks in our coverage declined ~6-35 bps with average drop (all banks) at ~10 bps. On an absolute basis, GNPA declined ~1% QoQ, 12.1% YoY for banking sector. Restructured book declined by an average of 20 bps QoQ, thus indicating overall reduction in stress. Management comments, revival in economy suggests improvement in asset quality and lower credit cost ahead
- NII grew at a healthy pace of 13.5% YoY, 2.5% QoQ. C/I ratio inched up 177 bps QoQ from 49.0% to 50.8%, mainly due to enhancement of distribution and tech capabilities. Credit cost (provisions) declined both QoQ and YoY due to lower slippages. However, earnings growth pace moderated QoQ due to treasury losses. Net profit grew 32.4% YoY but de grew 10% QoQ at ₹ 41242 crore

The momentum in credit growth and operational performance are expected to continue ahead in FY23E. Firing up the unsecured book is expected to aid in initial quarters of FY23E; recovery in corporate credit offtake is expected to revive credit growth from H2FY23. Gradual transmission of rate hike would offset rising competitive intensity on deposits. Overall, we expect continued traction in valuation with preference for lenders possessing a healthy CASA base, higher floating rate asset, adequate PCR and capital. Top picks: State Bank of India, Axis Bank and City Union Bank.

Sector View

Banks / NBFC/ HFCs – Overweight

Insurance– Neutral

Brokerage / AMC - Neutral

Sector Update

ICICI Securities – Retail Equity Research

Research Analyst

Kajal Gandhi
kajal.gandhi@icicisecurities.com

Vishal Narnolia
vishal.narnoliai@icicisecurities.com

Pravin Mule
pravin.mule@icicisecurities.com

Sustainable recovery to drive valuation of PSU banks; reversal in treasury to act as near term catalyst

PSU banks have remained laggards in past years due to concerns like subdued bank credit growth and asset quality pressure. Subdued bank credit growth observed in the last few years was mainly on account of weak demand, balance sheet deleveraging, shift to other funding sources and risk aversion by lenders. The underperformance was further compounded by the outbreak of Covid-19 given heightened uncertainty on growth and asset quality.

However, there has been a gradual improvement in asset quality of PSBs after a long period of stress, driven by lower fresh slippages, resolution, write-offs, recapitalisation and sale of doubtful/loss assets to ARCs by taking haircuts. Thus, asset quality pains of PSU banks seem to have bottomed out as the GNPA ratio has moderated to its lowest level in the last couple of years. Restructured book also continued to report a gradual improvement with no signs of any substantial slippages from the portfolio. In addition, with an economic recovery gathering pace and increased focus of PSU banks towards retail and MSME segment, bank credit growth started picking up gradually. With continued traction in granular loans coupled with a pick-up in working capital utilisation followed by capex led credit demand, overall credit offtake of PSU banks is expected to remain healthy.

In Q1FY23, rise in G-sec yields amid rate hike by the central bank played spoilsport for PSU banks as it led to mark to market losses on investment portfolio. Under our coverage (SBI, BoB, Indian Bank), PSU banks reported earnings at ₹ 9449 crore in Q1FY23, impacted by treasury loss of ₹ 7324 crore (led by increase of 65 bps in yields). MTM of bond book of PSU banks (coverage banks at ~₹ 20 lakh crore) is at ~7.5%. Thus, recent decline of 30-35 bps in G-sec yields is seen partially reversing treasury losses in Q2FY23, which can propel sequential growth of more than 20% (~5-8% on an annual basis) in earnings.

Sustainable and improving credit growth, bottoming of asset quality is seen driving valuations while a partial reversal of treasury loss amid declining yields is expected to act as a near term catalyst.

Exhibit 1: Moderation in yield to bump up earnings trajectory

Rs crore	Investment book	AFS	AFS/Invt book	Mod duration (years)	Change in yield (in bps)	Revaluation Impact	PAT (FY23E)	Impact on earnings
SBI	1493371	631547	42%	2.1	30	3034	34400	8.8%
BoB	320412	112878	35%	1.4	30	474	9385	5.1%
Indian Bank	184843	52944	29%	1.9	30	303	5557	5.5%

Source: Company, ICICI Direct Research

Incremental credit growth to be led by retail segment

Non-food credit continues to witness an improvement at 15.1% in July 2022, significantly up compared to a range of ~5.5% seen during the beginning of FY22. As per RBI's latest sectoral deployment data, retail and services segments grew 18.8% and 16.5%, respectively, on a yearly basis. Within retail segment, growth was primarily driven by housing loans, vehicle and consumption related loans as demand increased in this segment with the impact of pandemic led uncertainties receding.

In the past few years, there was a noticeable shift in bank credit deployment from the industry to the retail segment. Bank credit growth to the industry segment, which was in double digits till FY13-14, witnessed a sharp moderation mainly due to subdued demand, risk aversion and asset quality pressures. The proportion of industry loans in non-food credit has declined significantly from 35.1% as of March 2018 to 26.8% in March 2022 and further to 25.8% in July 2022. In contrast, proportion of retail loans has improved from 24.8% as of March 2018 to 28.5% as of March 2022 and further to 29.1% as of July 2022. As a result, the retail segment was the major growth driver in incremental bank credit. Share of agriculture and services segment was largely steady at 12-13% and 25-26%, respectively.

We believe demand for home loans will stay strong given the low mortgage penetration levels (~11%) in India and urge to buy own house. With better affordability, increasing interest rates are expected to have a limited impact on the demand side. If we observe the trend in auto sales numbers in August 2022, they recorded a significant improvement, indicating that the auto sector is coming out of the woods. The passenger vehicle (PV) segment is witnessing strong demand prospects with record waiting periods. A series of new launches and easing semi-conductor issues are expected to keep demand for new vehicles higher. The overall retail credit growth to be further supported by lower interest rates, credit push by banks by offering discounts, cashback offers and continued recovery in the overall economy.

The upcoming festive season is expected to give a further boost to retail credit. We believe the incremental bank credit growth for FY23E will be mainly driven by the retail segment. In addition, corporates (especially MSMEs) are turning to banks for working capital limits as bond yields are inching northwards. Bank credit to the industry segment should show a gradual improvement, going ahead. Hence, we expect bank credit growth for FY23E to be in early double digits, which remains a positive phenomenon for the industry.

Exhibit 1: Segment wise credit growth (YoY)

Segment wise growth YoY (%)	Mar'18	Mar'19	Mar'20	Mar'21	Mar'22	Apr'22	May'22	Jun'22	Jul'22
Non-Food Credit	**8.4**	**12.3**	**6.7**	**4.5**	**9.7**	**11.3**	**12.6**	**13.7**	**15.1**
Agriculture & Allied Activities	3.8	7.9	4.2	10.5	9.9	10.6	11.8	13.0	13.2
Industry	0.7	6.9	0.7	-0.4	7.1	8.1	8.7	9.5	10.5
Services	13.8	17.8	7.4	3.0	8.9	11.1	12.9	12.8	16.5
Personal Loans	17.8	16.4	15.0	10.7	12.4	14.7	16.4	18.1	18.8

Source: RBI, ICICI Direct Research

Exhibit 1: Segment wise share in non-food credit (%)

Segment wise Proportion	Mar'18	Mar'19	Mar'20	Mar'21	Mar'22	Apr'22	May'22	Jun'22	Jul'22
Agriculture & Allied Activities	13.4%	12.9%	11.7%	12.4%	12.4%	12.4%	12.4%	12.4%	12.4%
Industry	35.1%	33.4%	28.8%	27.5%	26.8%	26.5%	26.4%	26.2%	25.8%
Services	26.7%	28.0%	26.2%	25.9%	25.7%	25.3%	25.4%	25.4%	25.7%
Personal Loans	24.8%	25.7%	26.3%	27.8%	28.5%	28.9%	29.0%	29.1%	29.1%

Source: RBI, ICICI Direct Research

Exhibit 1: Growth in retail segment (%)

Retail segment growth YoY (%)	Mar'18	Mar'19	Mar'20	Mar'21	Mar'22	Apr'22	May'22	Jun'22	Jul'22
Consumer Durables	-68.0	-68.0	47.6	7.3	60.0	64.9	72.4	77.3	69.8
Housing	**19.0**	**19.0**	**15.4**	**9.6**	**6.4**	**13.7**	**13.7**	**15.1**	**16.2**
Advances against FD	14.3	14.3	-4.1	-4.9	15.4	12.0	17.0	12.0	36.4
Advances to Individuals	12.8	12.8	-14.9	-13.2	15.4	14.6	17.2	21.6	16.5
Credit card Outstanding	28.6	28.6	22.5	9.4	12.6	20.0	30.1	30.7	28.3
Education Loans	-2.5	-2.5	-3.3	-4.4	0.0	6.2	6.1	8.5	9.4
Vehicle Loans	**6.5**	**6.5**	**9.1**	**7.7**	**9.4**	**11.5**	**14.1**	**17.7**	**19.2**
Loan against gold jewellery	-	-	33.9	80.2	21.1	-2.9	-2.9	0.8	5.6
Other loans	19.4	19.4	19.0	13.7	23.1	18.9	22.4	24.2	21.9

Source: RBI, ICICI Direct Research

Asset quality trend steady; progress on NARCL to be watched...

According to the recent quarterly numbers, the asset quality performance was steady aided by lower slippages and better recoveries. GNPA ratio for banks, in our coverage, declined in the range of ~2-34 bps while on an overall basis it remained steady QoQ. Bandhan Bank reported a sharp increase in GNPA ratio (from 6.46% in Q4FY22 to 7.25% in Q1FY23). For banks under our coverage universe, the overall restructured book declined ~17 bps, thus indicating a further reduction in the stress pool.

Among PSU banks, SBI continued to post a healthy asset quality performance with lower slippage ratio of 1.38% (0.99% in Q4FY22) and credit cost at 0.61% (0.55% in Q4FY22). Overall credit cost for banks was largely stable QoQ at 1.2% in Q1FY23. Whereas for PSU banks it declined 12 bps QoQ, for private banks it declined 5 bps QoQ.

As per media reports, National Asset Reconstruction Company of India (NARCL) is likely to acquire five NPA accounts viz. Future Retail, GTL, McNally Bharat Engineering, Consolidated Construction Company and Rainbow Papers. The total debt of these companies is ~₹ 30,000 crore. Recently, the Finance Minister also directed to sell three accounts (i.e. Rainbow Papers with total debt of ₹ 1136 crore, Mittal Corp with total debt of ₹ 1587 crore and CCCL with total debt of ₹ 2426 crore) to NARCL by October 2022 end. For total debt of ₹ 5149 crore of these three companies, NARCL had earlier offered ~₹ 400 crore, which lenders rejected as the pricing was lower than expectations. Now, as the Finance Minister has directed to sell these accounts to NARCL by October 2022, we may see some progress, going ahead. Once the consent of lenders is received, NARCL will offer 15% consideration in cash while balance 85% would be in the form of security receipts (SRs). With the first set of NPAs likely to be resolved by October 2022 end, this would improve the pace of recoveries and reduce the portion of accumulated stress (NPAs).

Exhibit 6: Asset quality of Indian banking system as of June 2022

	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
GNPA	777496	761338	709300	776133	778716	741765	711406	688913	684108
NNPA	237543	201497	166003	239114	243520	225217	207756	190612	186365
GNPA ratio	7.3	7.2	6.6	7.1	7.2	6.8	6.1	5.8	6.0
NNPA ratio	2.2	1.9	1.6	2.2	2.2	2.1	1.8	1.6	1.6
GNPA of PSU banks	665587	632735	597945	636504	632026	601278	578060	562214	556804
GNPA of Private banks	120757	137451	119845	148962	155745	150310	142983	136334	135869

Source: Company, ICICI Direct Research

Q1FY23 quarterly highlights

- The banking sector witnessed a continued revival in earnings in Q1FY23. While credit growth continued to remain buoyant and asset quality remained steady, rising yields on treasury impacted operating profit, though lower provision led to a jump in bottomline. Lag in passing on a rate hike led to steady margin vs. our expectation of a sequential increase
- Asset quality trend continued to improve led by healthy recoveries and steady incremental slippages. GNPA ratio for banks in our coverage declined in the range of 6-35 bps with average drop (all banks) at ~10 bps. Even on an absolute basis, GNPA declined ~1% QoQ, 12.1% YoY for the banking sector. The restructured book also declined by an average of 20 bps QoQ, thus indicating an overall reduction in stress
- In the PSU space, SBI reported an 8 bps QoQ decline in GNPA and 7 bps decline in r/s book. Bank of Baroda continued to maintain its healthy run on the asset quality front as GNPA was down 35 bps while restructuring also declined ~7 bps QoQ. We believe asset quality trend should also continue to improve while management commentaries have also indicated incremental stress will be lower
- The business momentum was healthy in Q1FY23, attributable to robust demand in the retail and MSME segment. Lower base of previous year (last year business activity was impacted by pandemic) also enabled higher growth trajectory. Loan growth for the quarter came in at 15.4% YoY and 2.2% QoQ at ₹ 114.9 lakh crore. Among peers, private banks continued outperformance with 18% YoY growth, PSU banks also put up a good show
- Sectoral data shows the retail segment was up 18.1% YoY and agri credit jumped 13% YoY. Large corporate credit, which had been a drag on overall banking credit growth has started to enter the

positive territory. Now it is up 3.3% YoY. Management commentaries, data have indicated that improving capex, working capital limits have seen better utilisation, thus, aiding credit offtake in this segment

- NII grew at a healthy pace of 13.5% YoY, 2.5% QoQ, mainly due to healthy loan growth. Lag in transmission of rate hike led to a steady to marginal dip in margins vs. our expectation of sequential rise in NIMs. Kotak, Axis & Federal Bank saw NIM expansion while other banks in our coverage universe witnessed a decline in NIMs. Other income was down 24.3% YoY led by treasury loss attributable to hardening yields. However, core fee based income has shown healthy growth
- C/I ratio inched up 177 bps QoQ from 49.0% to 50.8%, mainly due to increased business activities, higher tech, marketing and employee cost coupled with lower topline owing to treasury loss
- Credit cost (provisions) for the quarter declined both QoQ and YoY due to better asset quality performance and lower slippages. Thus, earnings growth trajectory continued unabated. However, earnings growth pace moderated QoQ due to weaker topline. Net profit grew 32.4% YoY but de-grew 10% QoQ at ₹ 41242 crore
- Overall, Q1FY23 witnessed healthy business momentum continuing from last quarter (despite Q1 being seasonally weak for banks) along with improvement in asset quality. Kotak Bank outperformed its comparable peers on the growth front (with 28.8% YoY), while other banks in our coverage universe posted healthy loan growth trajectory (average 20% YoY)

Annexure

Exhibit 7: Asset quality scenario

Asset quality trend	GNPA (₹ crore)					NNPA (₹ crore)				
	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
PSU coverage										
Bank of Baroda	63,029	59,504	55,997	54,059	52,591	20,260	19,602	16,465	13,365	12,653
SBI	1,34,259	1,23,942	1,20,028	1,12,023	1,13,272	43,153	37,119	34,530	27,966	28,258
Indian Bank	37,759	36,886	36,540	35,214	34,573	12,653	11,749	10,155	8,848	8,471
Private coverage										
Axis Bank	25,950	24,149	23,301	21,822	21,037	7,846	7,200	6,513	5,512	4,781
City Union Bank	2,035	2,119	1,999	1,933	1,904	1,242	1,294	1,296	1,191	1,161
DCB Bank	1,269	1,285	1,340	1,289	1,288	719	707	697	573	544
IndusInd Bank	6,186	6,245	5,779	5,517	5,933	1,760	1,771	1,633	1,530	1,661
Federal Bank	4,649	4,446	4,401	4,137	4,155	1,593	1,502	1,471	1,393	1,420
HDFC Bank	17,099	16,346	16,146	16,141	18,034	5,486	4,755	4,655	4,408	4,888

Source: Company, ICICI Direct Research

Exhibit 8: Quarterly margin trend

NIM (%)	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
PSU coverage							
Bank of Baroda	2.8	2.7	3.0	2.9	3.1	3.1	3.0
SBI	3.3	3.1	3.2	3.5	3.4	3.4	3.2
Indian Bank	3.1	2.3	2.9	2.9	3.0	2.9	3.1
Private coverage							
Axis Bank	3.8	3.8	3.7	3.7	3.8	3.7	3.8
City Union Bank	4.2	3.7	3.9	4.0	4.0	4.0	4.0
DCB Bank	3.8	3.5	3.3	3.4	3.6	3.9	3.6
Federal Bank	3.2	3.2	3.2	3.2	3.3	3.2	3.2
HDFC Bank	4.2	4.2	4.1	4.1	4.1	4.0	4.0
Kotak Mahindra Bank	4.4	4.4	4.6	4.5	4.6	4.8	4.9
IndusInd Bank	4.1	4.1	4.1	4.1	4.1	4.2	4.2
Bandhan Bank	8.3	6.8	8.5	7.6	7.8	8.7	8.0

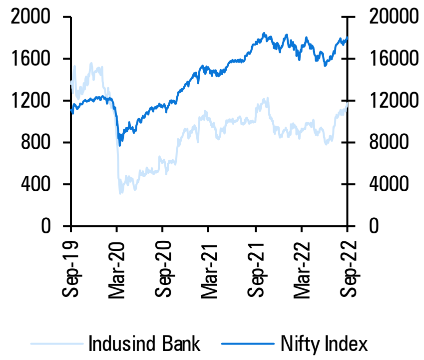
Source: Company, ICICI Direct Research

Exhibit 9: Key financials of industry as of Q1FY23

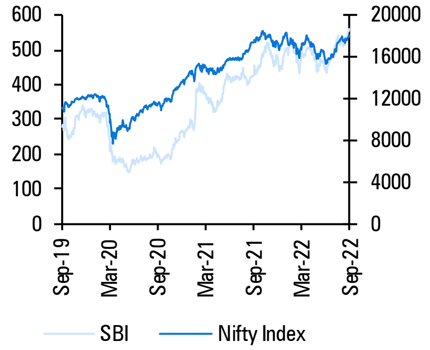
(₹ crore)	Q1FY23	Q4FY22	Q3FY22	Q2FY22	Q1FY22
NII	138736	135379	134454	127332	122258
Growth YoY	**13.5**	**16.6**	**9.6**	**6.3**	**0.6**
Other income	42137	54440	50257	52771	55689
Growth YoY	-24.3	-19.0	-4.4	16.2	26.1
Total operating exp.	91896	93069	91564	94774	81029
Staff cost	316052	41972	44064	43802	42665
Operating profit	88977	96750	93147	85328	96918
Growth YoY	-8.2	1.5	-0.6	-3.5	4.6
Provision	34056	36157	33553	34379	54495
PBT	54921	60592	59595	50949	42423
PAT	41242	45837	43698	43462	31154
Growth YoY	32.4	85.2	52.4	61.4	44.2
GNPA	684108	688913	711406	741765	778716
Growth YoY	**-12.1**	**-11.2**	**0.3**	**-2.6**	**0.2**
NNPA	186365	190612	207756	225217	243520
Growth YoY	**-23.5**	**-20.3**	**25.2**	**11.8**	**2.5**
Advances (Lakh crore)	114.9	112.4	106.6	99.9	99.5
Deposits (Lakh crore)	144.7	155.1	147.5	144.3	141.2

Source: Company, ICICI Direct Research

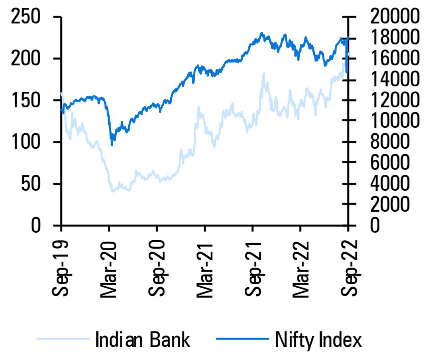
IndusInd Price Performance



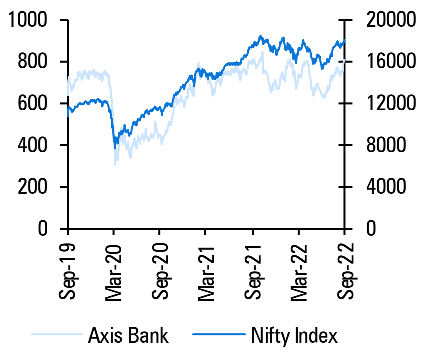
State Bank of India Price Performance



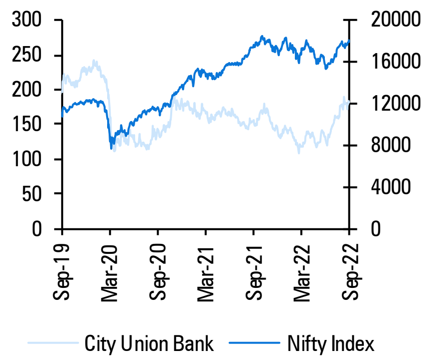
Indian Bank Price Performance



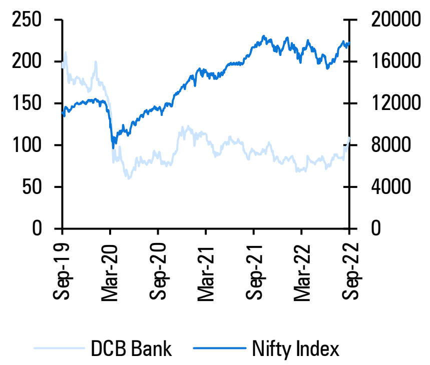
Axis Bank Price Performance



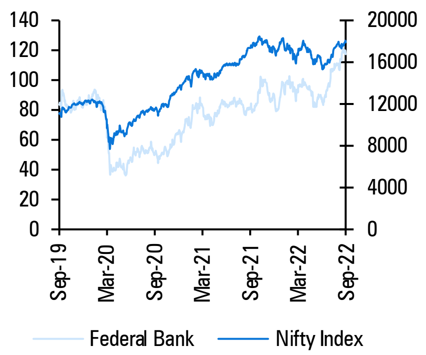
City Union Price Performance



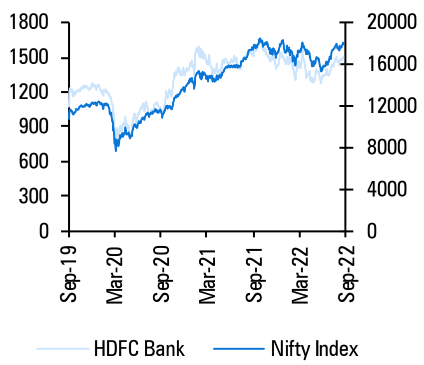
DCB Bank Price Performance



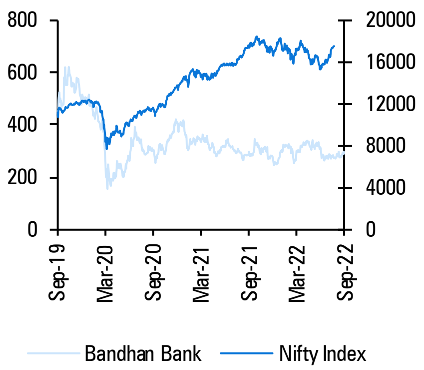
Federal Bank Price Performance



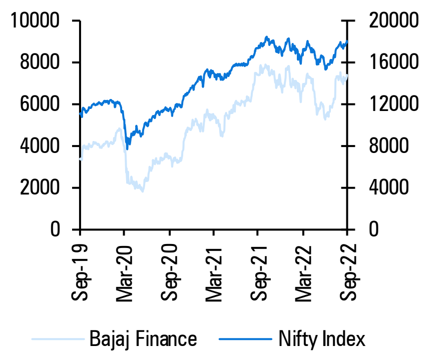
HDFC Bank Price Performance



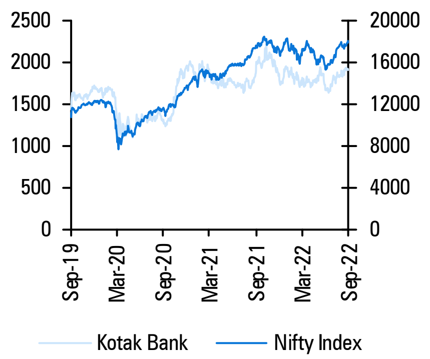
Bandhan Bank Price Performance



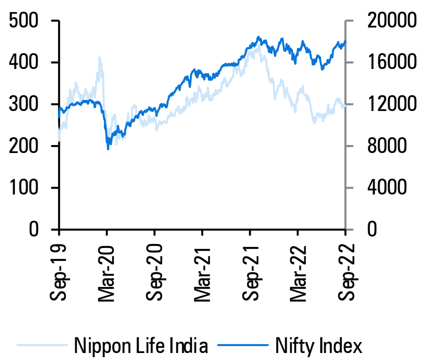
Bajaj Finance Price Performance



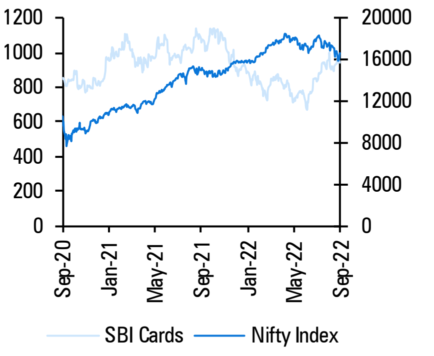
Kotak Mahindra Bank Price Performance



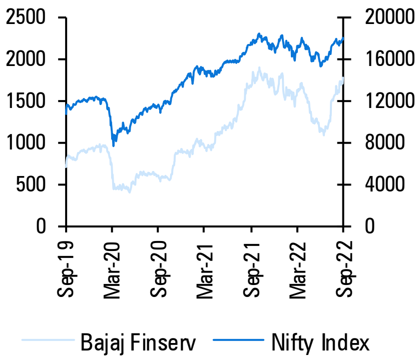
Nippon Life Price Performance



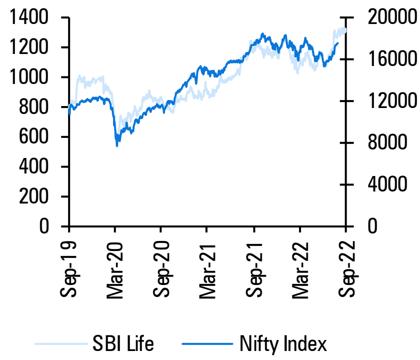
SBI Cards Price Performance



Bajaj Finserv Price Performance



SBI Life Price Performance



HDFC Life Price Performance

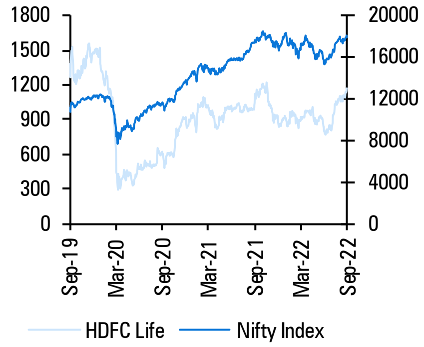


Exhibit 10: ICICI Direct coverage universe

Sector / Company	CMP (₹)	TP(₹)	Rating	M Cap (₹ Bn)	EPS (₹) FY22	EPS (₹) FY23E	EPS (₹) FY24E	P/E (x) FY22	P/E (x) FY23E	P/E (x) FY24E	P/ABV (x) FY22	P/ABV (x) FY23E	P/ABV (x) FY24E	RoE (%) FY22	RoE (%) FY23E	RoE (%) FY24E
BoB (BANBAR)	141	135	Buy	729	14.0	18.1	21.4	10.0	7.8	6.6	1.0	0.9	0.8	8.9	10.2	10.6
SBI (STABAN)	572	605	Buy	5108	35.5	38.6	44.1	16.1	14.8	13.0	2.0	1.8	1.6	11.9	11.6	11.9
Axis Bank (AXIBAN)	799	970	Buy	2453	42.4	53.2	65.4	18.8	15.0	12.2	2.3	2.0	1.9	12.0	13.3	15.1
City Union (CITUNI)	180	215	Buy	135	10.3	12.6	13.8	17.5	14.3	13.1	2.4	2.1	1.8	12.2	13.2	13.6
Federal Bank (FEDBAN)	123	110	Hold	258	9.0	10.8	12.4	13.6	11.4	9.9	1.5	1.4	1.2	10.8	11.5	12.0
HDFC Bank (HDFBAN)	1502	1650	Buy	8366	66.7	77.1	93.7	22.5	19.5	16.0	3.5	3.1	2.8	16.7	16.6	17.9
IndusInd Bank (INDBA)	1226	1150	Buy	950	59.5	91.7	117.1	20.6	13.4	10.5	2.1	1.8	1.6	10.1	14.0	15.7
Kotak Bank (KOTMAH)	1933	2200	Buy	3838	43.0	50.7	58.8	44.9	38.1	32.8	5.4	4.7	4.1	12.6	13.0	13.2
CSB Bank (CSBBAN)	241	250	Buy	42	26.4	25.4	28.6	9.1	9.5	8.4	1.7	1.5	1.3	19.0	15.4	14.9
Bandhan (BANBAN)	289	330	Buy	466	0.8	24.7	30.3	370.7	11.7	9.5	3.0	2.4	1.9	0.8	20.7	20.9
IDFC First (IDFBAN)	51	50	Buy	318	0.2	2.6	3.9	218.1	19.7	13.2	1.7	1.5	1.4	0.8	7.4	10.1
HDFC (HDFC)	2441	2800	Buy	4434	75.8	84.3	101.0	32.2	29.0	24.2	3.7	3.6	3.4	12.0	12.6	14.5
Bajaj Finserv (BAFINS)	1766	1850	Hold	2813	52.7	43.1	56.5	33.5	41.0	31.3	3.5	6.0	5.0	11.1	15.7	17.4
Bajaj Finance (BAJFI)	7493	8500	Buy	4537	116.7	168.5	221.7	64.2	44.5	33.8	10.6	8.9	6.6	17.4	21.0	21.6
SBI Cards (SBICARD)	943	1100	Buy	890	17.1	23.3	31.9	55.1	40.4	29.5	11.8	9.6	7.1	23.0	25.5	25.8
Muthoot Finance (MUTFIN)	1031	1300	Hold	414	98.5	106.2	134.0	10.5	9.7	7.7	2.5	2.1	1.7	23.5	21.5	23.2
HDFC AMC (HDFAMC)	1942	2200	Buy	414	66.4	69.0	80.0	29.2	28.1	24.3	7.4	6.7	6.1	25.2	23.9	25.1
Nippon AMC (RELNIP)	285	330	Buy	177	12.0	11.9	14.5	23.9	24.0	19.6	5.1	4.8	4.5	17.0	14.4	17.7
SBI Life Insurance	1303	1500	Buy	1304	15.1	17.6	21.5	86.6	74.1	60.5	3.3	2.9	2.5	8.5	12.0	14.0
HDFC Life	548	635	Buy	1158	5.7	7.4	8.9	95.9	74.0	61.6	3.9	3.1	2.5	18.0	18.1	18.2
Star Health	725	860	Buy	419	-20.5	12.0	14.1	-35.3	60.6	51.3	9.8	8.1	6.7	-27.8	13.4	13.0
ICICI Lombard	1210	1550	Buy	594	-20.1	21.3	19.3	-60.2	56.8	62.8	6.5	5.7	5.0	14.5	14.8	15.1

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%
Hold: -5% to 15%;
Reduce: -15% to -5%;
Sell: <-15%

Pankaj Pandey | Head – Research | pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Kajal Gandhi, CA, Vishal Narnolia, MBA and Pravin Mule, MBA, M.com, Research Analysts Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.