NBFC

Finally, liabilities side out of the woods

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The liability profile for NBFCs has improved significantly since IL&FS with a) improved ALM profiles with on-BS liquidity at c.10% of total assets – 400bps higher than pre-Sep'18 levels, b) reduced dependence on short-term CPs – share down to <10% now vs as high as 20% pre-IL&FS, c) more diversified/stable sources of funds – the share of banks at 36% (on avg) now vs 26% pre-IL&FS while of sticky deposits is at 17% vs 13%. All this, coupled with a significant decline in credit spreads bodes well for the sector - 1yr AAA/AA credit spreads for NBFCs are down 250/190bps and 3yr AAA/AA credit spreads are down 185/150bps in the last 3-mths post SPV announcement in May'20. AAA credit spreads for NBFCs at 50bps, are already significantly below their LTAs of c.130bps while AA spreads at c.190bps are at LTAs, which we believe should further come down given significant surplus system liquidity of c.INR6trn and reduced risk aversion from lenders. Over last year, NBFCs have raised a cumulative equity of c.INR380bn thereby significantly reducing leverage and leading to strong capitalisation levels with T1s of 15-20% for coverage NBFCs. We believe finally c. 2yrs post IL&FS, the liabilities side of NBFCs is out of the woods and this puts them on a stronger footing to deal with any adverse impact of ongoing COVID19 crisis. We believe, going ahead, the sector's liabilities side will be complemented by, i) absolute fall in BS funding costs in tandem with lower credit spreads, ii) relief to margins as negative carry reduces due to normalisation of cash/liquid holdings on BS and iii) asset side support in the form of upto 170bps of COVID19 provisions with one-time restructuring applied to the severely impacted borrower segments. In this environment, our top picks are Bajaj Finance, HDFC and MMFS as we believe large retail finance NBFCs with strong promoter backing and well-managed ALM should do well.

	CMP	Target Multiple (FY22e P/B)	TP	Upside
BAF	3,410	6.2x	4,500	32%
HDFC	1,828	1.7x	2,200	20%
MMFS	138	1.2x	200	45%
SHTF	689	0.8x	840	22%
LICHF	278	0.8x	325	17%
CIFC	227	1.9x	250	10%
LTFH	67	0.8x	74	10%

- **Improved borrowing mix as NBFCs turn to bank loans, deposits:** Banks and market borrowing account for >70% of total borrowings for NBFC however high cost/ risk aversion had resulted in NCD share declining to 38% of borrowings for NBFC under coverage as of 1QFY21 vs 44% pre-IL&FS. Banks share has accordingly gone up to 36% as of 1QFY21 vs 26%. In terms of lenders too, NBFCs have diversified away from MFs to insurance companies (whole NBFCs/HFCs exposure has increased to 31/21% as of Mar'20 vs 26/20% as of Dec'18). In terms of NBFCs under coverage, share of CPs has come down from 10-20% of borrowings before IL&FS to 0-9% now. Similarly, deposit taking NBFCs have invested in and been able to increase share of deposits to 15-30% of borrowings as of Jun'20. Securitisation also has emerged as a key fund raising tool since IL&FS – share up to 10-20% as of Jun'20. We believe, improved borrowing profile and reduced risk aversion towards NBFCS sets the foundation for a strong revival FY22 onwards.

- **Stronger ALMs with on-BS liquidity highest in recent history:** ALM profiles for NBFCs under our coverage have witnessed an improvement, wherein BAF and HDFC stand out with best-in-class ALM. Further on-BS liquidity for NBFCs has increased from c.6% to 10% in FY20. Going ahead, we believe normalisation of on-BS liquidity and lower funding costs should support margins.

- **Significant decline in credit spreads post GOI/RBI measures:** Poor response to first tranche of TLTRO2.0 (bid-to-cover ratio of just 0.5x) reinforced significant risk aversion of banks towards NBFCs. The GOI finally in May'20 announced measures for NBFCs taking credit risk on sovereign book paving the way for normalisation of credit spreads for better rated NBFCs and access to liquidity for lower rated NBFCs. 1yr AAA/AA credit spreads for NBFCs are down 250/190bps and 3yr AAA/AA credit spreads 185/150bps in the last 3-mths post SPV announcement. AAA credit spreads for NBFCs are already below their LTAs (50bps for 1yr paper now vs 3/5yr avg of 150/130bps; 70bps for 3yr paper vs 3/5yr avg of 120/110bps) while AA spreads are at LTAs (180bps for 1yr paper now vs 3/5yr avg of 210/190bps; 180bps for 3yr paper vs 3/5yr avg of 190/170bps) which we believe should further come down given significant surplus system liquidity of c.INR6trn and reduced risk aversion from lenders.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

- **Recapitalisation of the sector provides comfort; cumulative c.INR380bn has been raised by NBFCs over last yr:** NBFCs have raised a cumulative c.INR380bn over the last yr increasing T1 ratios to ~20% - one of the highest in recent history. This, along with the aggressive COVID19 provisions (upto 170bps of AUM) over and above ECL should offer comfort to rating agencies and prevent further downgrades.

- **Valuations attractive as P/B multiples have corrected by 30-60% since lockdown and are c.50/51% below 3/5yr averages:** With valuation down 30-60%, we believe the sector offers an attractive investment opportunity especially in the context of significant improvement in liability profile, lower funding costs, significant decline in credit spreads and recapitalisation of companies under our coverage. With the liability side finally out of the woods after a period of 2yrs post IL&FS, we believe this will be a trigger for rerating going forward.

- **Top picks are BAF, HDFC and MMFS:** Our top picks are Bajaj Finance and HDFC as we believe large retail finance NBFCs with strong promoter backing and well managed ALM should do well going ahead. Additionally, HDFC will benefit from market share gains in the developer finance segment as c.40% of the players in the market were stressed even before the onset of COVID19 disruption and thus unlikely to become active again anytime soon. Further, we also like MMFS as a cyclical play given niche rural focus and cheap valuations.

- **Key risks:** 1) COVID19 crisis continues to impact the economy adversely in FY22, 2) RBI changing its stance with respect to liquidity.

Exhibit 1. JMFL coverage universe: RoA and RoE

	RoA			RoE		
	FY20	FY21E	FY22E	FY20	FY21E	FY22E
BAF	3.6%	2.8%	4.1%	20%	14%	20%
HDFC (Standalone)	3.6%	1.6%	1.8%	22%	9%	10%
MMFS (Standalone)	1.3%	1.3%	2.5%	8%	8%	13%
SHTF	2.3%	2.1%	2.5%	15%	12%	14%
LICHF	1.2%	0.9%	1.0%	14%	11%	11%
CIFC	1.7%	1.8%	2.1%	15%	13%	15%
LTFH	1.6%	1.1%	1.5%	12%	8%	10%

Source: Bloomberg, JM Financial

Exhibit 2. JMFL coverage universe: Valuations

	Mcap	BVPS (INR)			EPS (INR)			P/B (x)			P/E (x)		
	($bn)	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E
BAF	27.5	539	615	736	88	80	134	6.3	5.5	4.6	38.9	42.6	25.4
HDFC (Standalone)	43.8	497	578	624	103	48	61	1.6	1.3	1.2	7.5	16.0	12.7
MMFS (Standalone)	1.8	184	125	142	15	8	17	0.6	1.0	0.8	8.1	14.7	7.0
SHTF	2.3	794	867	982	110	97	125	0.9	0.8	0.7	6.2	7.1	5.5
LICHF	1.9	360	395	434	48	41	45	0.8	0.7	0.6	5.8	6.7	6.1
CIFC	2.5	100	114	130	13	14	18	2.3	2.0	1.7	17.7	16.0	12.7
LTFH	1.8	73	79	87	8	6	9	0.9	0.8	0.8	7.9	11.2	7.8

Source: Bloomberg, JM Financial

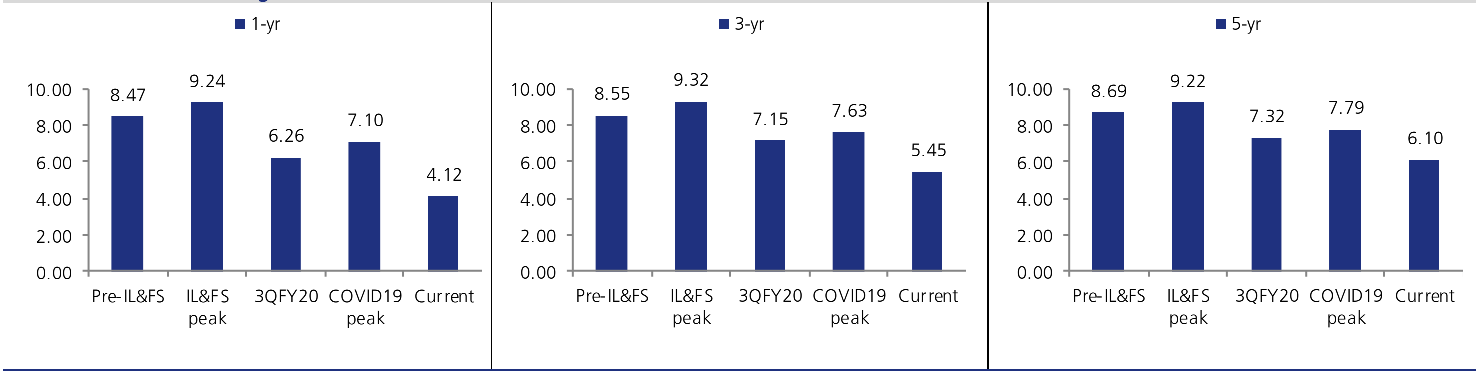
Exhibit 3. JMFL coverage universe: Valuations - Current vs. historical mean

	P/B (x)		P/E (x)		3 yr mean (1 yr fwd)		5 yr mean (1 yr fwd)	
	FY21e	FY22e	FY21e	FY22e	P/B	P/E	P/B	P/E
BAF	5.5	4.6	42.6	25.4	5.6	36.2	5.0	31.0
HDFC (Standalone)	1.3	1.2	16.0	12.7	2.1	15.4	2.3	15.1
MMFS (Standalone)	1.0	0.8	14.7	7.0	2.0	21.1	2.0	21.3
SHTF	0.8	0.7	7.1	5.5	1.5	10.3	1.6	11.3
LICHF	0.7	0.6	6.7	6.1	1.3	10.0	1.6	11.3
CIFC	2.0	1.7	16.0	12.7	2.8	18.6	2.9	18.0
LTFH	0.8	0.8	11.2	7.8	1.8	14.3	1.8	14.1

Source: Bloomberg, JM Financial

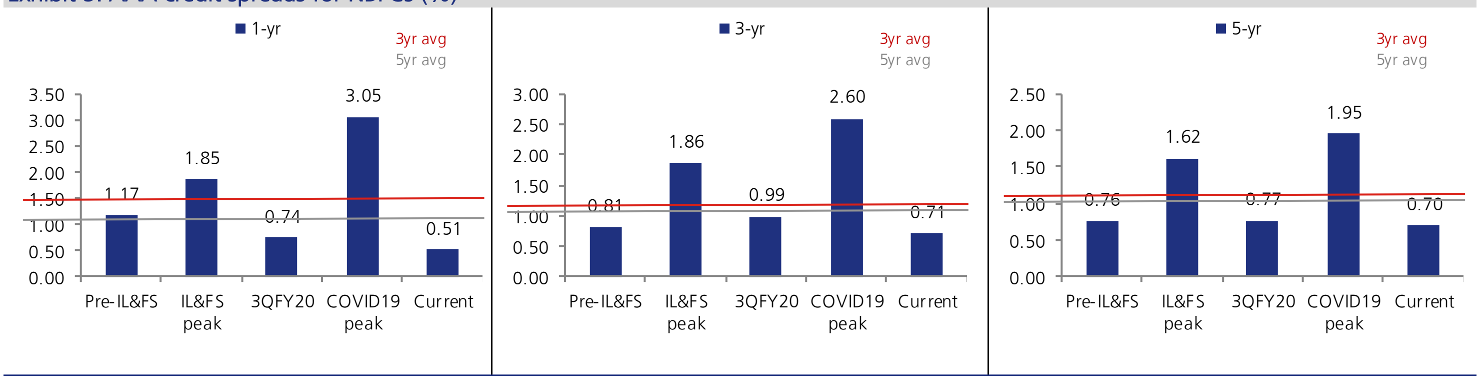
Key charts

Exhibit 4. AAA borrowing cost for NBFCs (%)



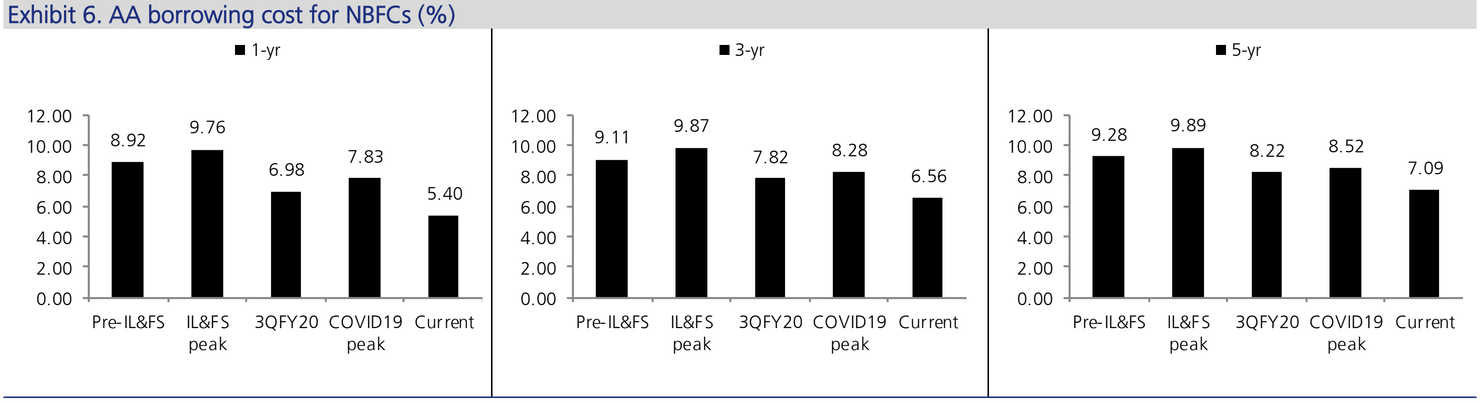
Source: JM Financial, Bloomberg

Exhibit 5. AAA credit spreads for NBFCs (%)



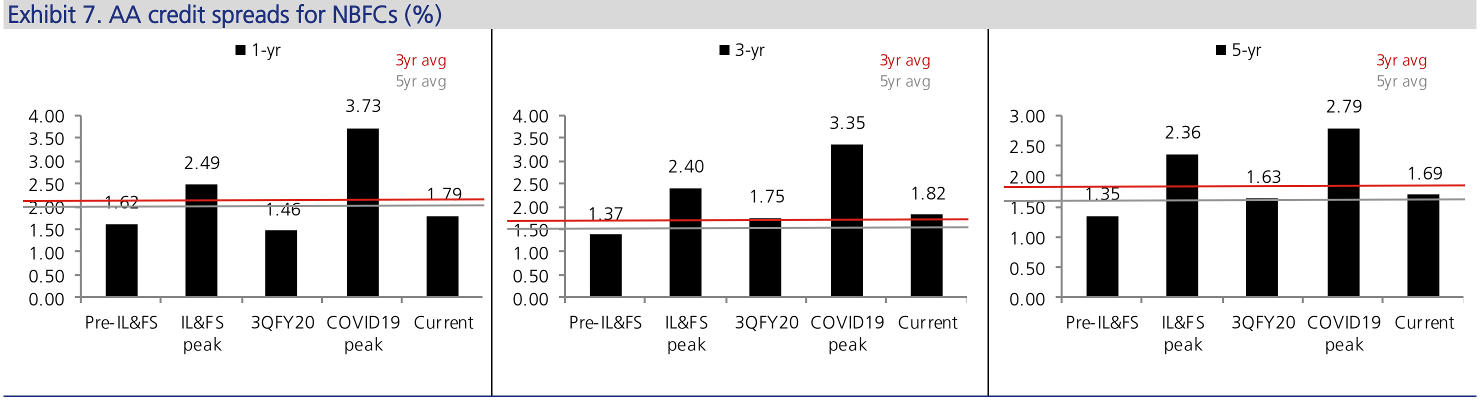
Source: JM Financial, Bloomberg

Exhibit 6. AA borrowing cost for NBFCs (%)



Source: JM Financial, Bloomberg

Exhibit 7. AA credit spreads for NBFCs (%)



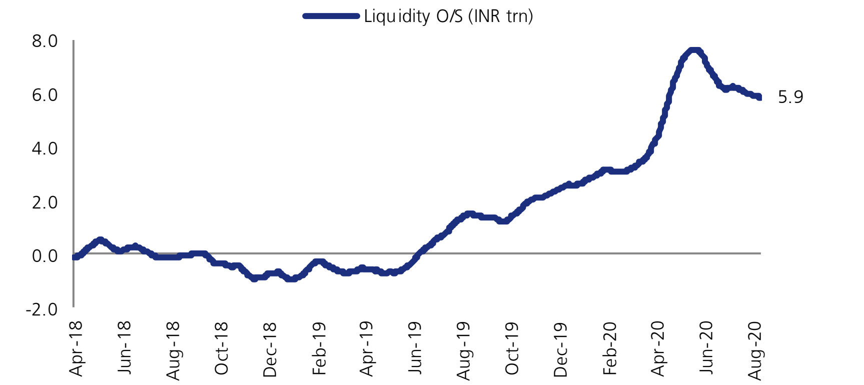
Source: JM Financial, Bloomberg

Exhibit 8. Significant decline in bank MCLR

MCLR	Current		Jul'19		Change (in bps)		Pre-ILFS		Change (in bps)	
	6 month	1 year	6 month	1 year	6 month	1 year	6 month	1 year	6 month	1 year
SBIN	6.95%	7.00%	8.25%	8.40%	-130	-140	8.10%	8.25%	-115	-125
HDFCB	7.20%	7.35%	8.50%	8.70%	-130	-135	8.25%	8.40%	-105	-105
ICICIBC	7.40%	7.45%	8.60%	8.65%	-120	-120	8.35%	8.40%	-95	-95
BOB	7.45%	7.60%	8.55%	8.60%	-110	-100	8.35%	8.50%	-90	-90
AXSB	7.70%	7.75%	8.65%	8.70%	-95	-95	8.50%	8.60%	-80	-85
Kotak	7.50%	7.50%	8.80%	8.90%	-130	-140	8.65%	8.95%	-115	-145
IIB	9.00%	9.05%	9.70%	9.75%	-70	-70	9.50%	9.55%	-50	-50

Source: Company, JM Financial

Exhibit 9. System in liquidity surplus since Jun'19



Source: JM Financial, Bloomberg

Exhibit 10. ALM profiles – under 1-yr bucket mismatch (% of borrowings)

	FY18	FY19	FY20
BAF	26%	21%	18%
LTFH	na	22%	26%
HDFC	3%	5%	2%
MMFS	13%	18%	16%
SHTF	2%	5%	2%
CIFC	-13%	-5%	-7%

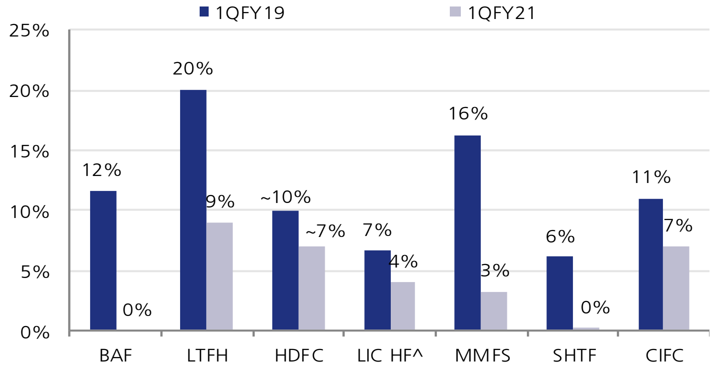
Source: Company, JM Financial

Exhibit 11. On-BS liquidity at all time high (% of total assets)

	FY16	FY17	FY18	FY19	FY20
BAF	5.1%	7.0%	4.1%	7.2%	11.5%
LTFH	6.2%	9.1%	7.3%	9.9%	12.6%
HDFC	7.2%	8.1%	8.1%	10.4%	13.0%
LICHF	3.2%	3.6%	2.4%	3.3%	3.4%
MMFS	5.3%	5.4%	6.0%	7.1%	9.9%
SHTF	3.6%	3.6%	3.9%	5.0%	5.5%
CIFC	3.5%	4.0%	2.2%	6.5%	11.0%

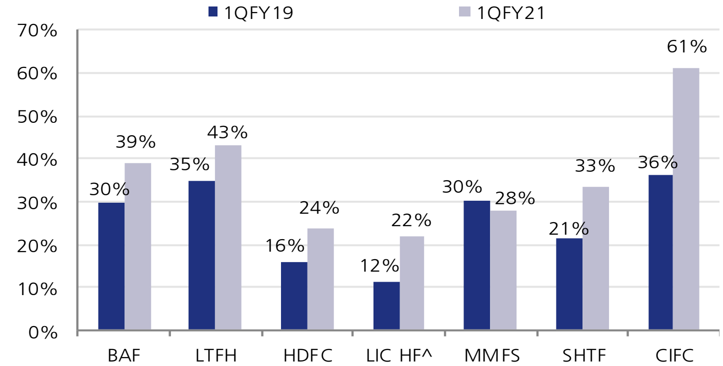
Source: Company, JM Financial

Exhibit 12. Dependence on CP borrowings reduced sharply



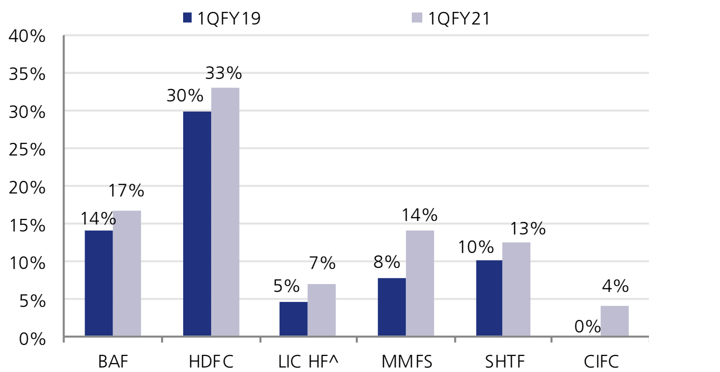
Source: Company, JM Financial; ^as of 4QFY20

Exhibit 13. Bank/ term loans share expanded for most NBFCs



Source: Company, JM Financial; ^as of 4QFY20

Exhibit 14. Deposit share up from pre IL&FS



Source: Company, JM Financial; ^as of 4QFY20

Exhibit 15. Incremental COF down especially for non AAA NBFCs

	Current	Fresh issuances		
	COF	1-2yr	3yr	5yr
BAF	7.96%	na	6.57%	7.30%
HDFC	7.34%	6.22%	5.00%	7.35%
LICHF	7.45%	6.57%	5.90%	7.33%
MMFS	9.60%	6.55%	5.90%	7.45%
SHTF	9.64%	9.15%	9.00%	na
CIFC	7.10%	6.74%	7.50%	7.92%

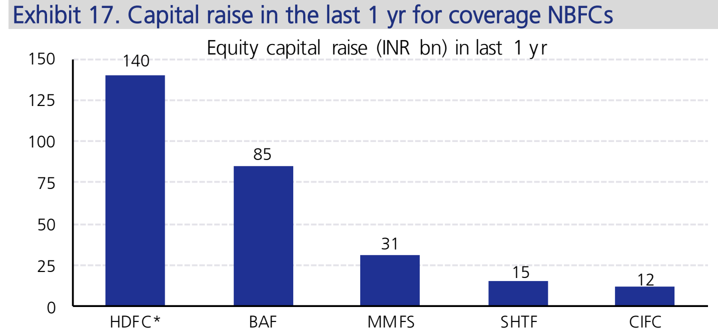
Source: Company, JM Financial

Exhibit 16. Tier 1 ratios at highs vs recent history

	T1 ratio (current)	T1 ratio (Avg)
BAF	22.6%	17.3%
LTFH	17.2%	13.9%
HDFC	19.7%	15.5%
LICHF	12.2%	12.7%
MMFS	20.3%	15.1%
SHTF	19.8%	15.6%
CIFC	15.8%	13.5%

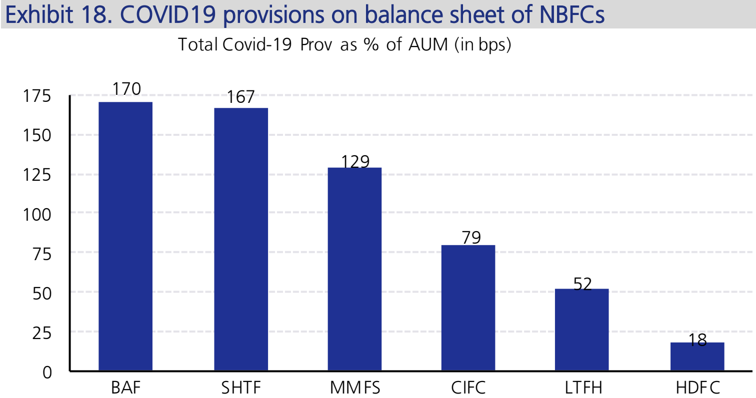
Source: Company, JM Financial

Exhibit 17. Capital raise in the last 1 yr for coverage NBFCs



Source: Company, JM Financial; *including warrants

Exhibit 18. COVID19 provisions on balance sheet of NBFCs



Source: Company, JM Financial

Exhibit 19. Summary of GOI and RBI measures

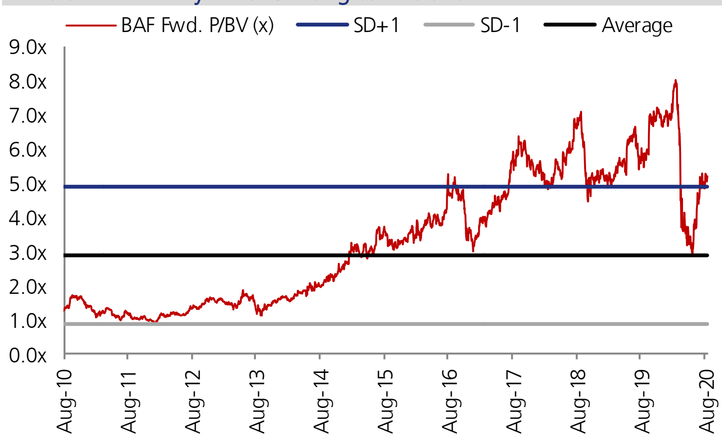
	Steps / Scheme	Key details	Progress
Budget FY19	Partial Credit Guarantee Scheme	Public banks' purchases of high-rated asset pool of financially-sound NBFCs-SI-ND & HFCs, amounting to INR 1trn during FY20 will be eligible for one-time six months' partial credit guarantee for their first loss of up to 10%. The move was to aid smaller NBFCs. Better placed NBFCs like CIFC, PNBHF have not opted for the scheme given higher cost vs. plain-vanilla securitisation.	Amendments were made in Dec'19. PCGS 2.0 was launched in May-20 and further revised in Aug-20
	Expanding RBI jurisdiction over HFCs (from NHB earlier), and additional powers over NBFCs	Powers of RBI increased to include superseding an NBFCs' Board or remove its director(s), amalgamate or reconstruct or split an NBFC in public interest or for financial stability, remove and debar auditors, direct the inspection and audit of any group company of an NBFC, raise the Net Owned Fund requirement for NBFCs, and impose higher penalties in case of legal contraventions.	Dewan Housing Finance was taken to NCLT by RBI under the new powers and amended IBC rules.
Jul'19	Regulatory and supervisory frameworks for NBFCs are being aligned with that of Scheduled Commercial Banks	To remove the regulatory arbitrage between banks and non-banks.	
	Minimum holding period requirement for originating NBFCs was relaxed till Dec'19	To encourage NBFCs to securitise/assign their eligible assets.	This relaxation has been further extended till 30-Jun-20.
	RBI permitted special dispensation to banks till 31st Mar'19, whereby their incremental credit to NBFCs and HFCs after 19th Oct'18 could be treated as high-quality liquid assets for calculation of liquidity coverage ratios		
	Single-borrower exposure limit for NBFCs that do not finance infrastructure was increased from 10% to 15% of capital funds, up to 31st Mar'19		
	RBI front-loaded the increase in the facility to avail liquidity for liquidity coverage ratio (FALLCR) of 0.5% each of banks' NDTL scheduled for 1-Aug-19 and 1-Dec-19, respectively, for incremental credit given to NBFCs and HFCs, over and above credit outstanding to NBFCs and HFCs as on 5-Jul-19		
	End-use restrictions relating to external commercial borrowings (ECB) were relaxed with eligible borrowers allowed to raise ECBs from recognised lenders (except foreign branches / overseas subsidiaries of Indian banks)	(i) min. avg. maturity period of 10 yrs for working capital purposes, general corporate purposes and repayment of rupee loans availed domestically for purposes of on-lending (other than capex) by NBFCs. (ii) min. avg. maturity period of 7 yrs for repayment of rupee loans availed domestically for capital expenditure	
Aug'19	Co-origination of loans by PSBs jointly with NBFCs	Public banks to fast track collaboration for loans to MSMEs, small traders Self Help Groups and MFI.	Since announcement, banks have already entered into 14 tie-ups with NBFCs for co-originating loans, with another 36 such tie-ups in the pipeline.
	INR100bn additional support to housing sector by NHB	Liquidity infusion facility of INR100bn for HFCs as additional liquidity for individual housing loans & for affordable housing. NHB would be buying out existing developer loans (subject to certain conditions) as well as individual housing loans.	
	Priority Sector Lending – Lending by banks to NBFCs for On-Lending	Fresh bank credit to registered NBFCs (ex MFIs) for on-lending will be eligible for classification under PSL – upto INR1mn for agri, upto INR2mn for MSMEs and upto INR2mn for Housing.	
Sep'19	Corporate rate tax cuts	Corporate tax rates slashed to 22% for domestic companies and 15% for new domestic manufacturing companies and other fiscal reliefs.	Financial companies have been the major beneficiaries with some using the surplus to shore up provisioning.
Nov'19	INR 250bn Realty AIF launched by GOI for stalled residential housing projects; significant positive for real estate NBFCs	The fund is for stalled RERA projects in the middle and low-income residential housing segment. Most importantly, projects which are NPA / under arbitration of NCLT are also covered by the scheme provided the project has not been declared as "liquidation worthy".	The scheme is slated to benefit approximately 1,600 stalled projects representing c.0.5 million housing units.
Nov'19	RBI has revised guidelines to raise the standard of asset-liability management (ALM) framework of NBFCs. The revised guidelines stipulates more granular maturity buckets and tolerance limits along with adoption of liquidity risk monitoring tools, including stress testing and diversification of funding.	Maintenance of a liquidity buffer in terms of a liquidity coverage ratio (LCR) starting at: i) 50% for all deposit taking NBFCs and all non-deposit taking NBFCs (NBFCs-ND) with an asset size of INR 100bn ii) above 30% for all NBFCs-ND with an asset size of INR 50bn and above but less than INR 100bn, from 1-Dec-20 to reach 100% on 1-Dec-24	

	Steps / Scheme	Key details	Progress
Dec'19	Partial Credit Guarantee Scheme has been amended	Following amendments were made to PCGS: 1) Eligibility: To make NBFCs / HFCs that may have slipped to SMA-0 category during the one year period prior to 1.8.2018 (i.e. prior to the IL&FS crisis), eligible for purchase of pooled assets from them by PSBs. NBFCs / HFCs reported under SMA-I and SMA-2 category during the aforesaid period will continue to be ineligible under the Scheme. 2) Pool rating: To revise the minimum rating of the underlying asset pool being purchased by PSBs from the existing "AA" to "BBB+". 3) PCE time in force: To make the Scheme effective upto 30.6.2020, with powers being delegated to the Finance Minister to further extend the Scheme by 3 more months, depending upon the progress made under the Scheme.	
Mar'20	RBI issued new IndAS guidelines, providing capital relief on securitisation for NBFCs	NBFCs/ARCs under IndAS are required to implement RBI's guidance on select topics such as governance, ECL and regulatory capital in order to ensure consistent implementation of IndAS across companies, facilitation of comparison and for better supervision. 1) Treatment of securitisation for regulatory capital calculations: Securitised assets not qualifying for de-recognition under IndAS due to credit enhancement given by the originating NBFC on such assets shall be risk weighted at 0%. However, the NBFC shall reduce 50% of the amount of credit enhancement given from Tier I capital and the balance from Tier II capital. 2) Prudential Floor for ECL: Companies should maintain both ECL provisions and IGAAP provisions. A comparison between provisions required under IGAAP and ECL impairment allowances should be disclosed by NBFCs in the notes to their financial statements. Where ECL impairment allowance is lower than the IGAAP provisioning (inc. standard asset provisioning), NBFCs shall appropriate the difference from their PAT (or loss) to a separate 'Impairment Reserve' account. The balance in the 'Impairment Reserve' shall not be reckoned for regulatory capital. Further, no withdrawals shall be permitted from this reserve without prior permission from RBI.	
Apr'20	RBI announces relief to NBFC sector via TLTRO lines and extension of 1-yr DCCO relaxation to NBFCs/HFCs	1) Liquidity measures: Dedicated TLTRO 2.0 of INR500bn should be invested in investment grade bonds, CPs, and NCDs of NBFCs, with at least 50% of the total amount availed going to small and mid-sized NBFCs and MFIs. Further, to provide special refinance facilities for a total amount of INR500bn to NABARD, SIDBI and NHB to enable them to meet sectoral credit needs. This will comprise INR250bn to NABARD for refinancing regional rural banks (RRBs), cooperative banks and micro finance institutions (MFIs); INR150bn to SIDBI for on-lending/refinancing; and INR 100bn to NHB for supporting housing finance companies (HFCs). Advances under this facility will be charged at the RBI's policy repo rate at the time of availment. 2) NBFC Loans to Commercial Real Estate Projects: The date for commencement for commercial operations (DCCO) in respect of loans to commercial real estate (CRE) projects delayed for reasons beyond the control of promoters can be extended by an additional one year, over and above the one-year extension permitted in normal course, without treating the same as restructuring. This is extended to loans given by NBFCs to CRE which was earlier restricted to only banks.	First tranche of TLTRO 2.0 of INR 250bn for a 3-yr tenor at a rate of 4.4% received poor response and got 14 bids of total amount of c.INR 129bn, implying a bid to cover ratio of just 0.5.
May'20	Govt. announced following: 1) Special Liquidity Scheme for NBFCs/HFCs/MFIs 2) Partial Credit Guarantee Scheme 2.0 amounting to INR450bn for NBFCs 3) 100% GOI credit guarantee cover to Banks and NBFCs on loans to standard MSME loan accounts	1) Special Liquidity Scheme for NBFCs/HFCs/MFIs: Govt. to launch a INR300 billion Special Liquidity Scheme under which investment will be made in both primary and secondary market transactions in investment grade debt paper of NBFCs/HFCs/MFIs. Moreover, the Securities will be fully guaranteed by GoI providing liquidity support for NBFCs/HFC/MFIs and mutual funds. 2) Partial Credit Guarantee Scheme 2.0 amounting to INR450bn for NBFCs: While PCGS 1.0 was catering primarily to investment grade NBFCs and offering only 10% first loss cover, PCGS 2.0 is made for lower rated NBFCs/HFCs/MFIs covering borrowings such as primary issuance of Bonds/ CPs (i.e. liability side support). The paper eligible for the scheme has to be AA paper and below including unrated paper, which was not included in the earlier PCGS1.0 making PCGS2.0 especially relevant for many MFIs. First 20% of loss will be borne by the Guarantor i.e. Govt. 3) 100% GOI credit guarantee cover to Banks and NBFCs on loans to standard MSME loan accounts: The GOI announced a 100% credit guarantee cover to Banks and NBFCs on principal and interest on loans made to eligible MSMEs under "Emergency Credit Line". This allows Businesses/MSMEs, with up to INR250mn outstanding and INR1bn in turnover, to borrow up to 20% of the entire outstanding credit as on 29-2-2020. INR3trn is the estimated size of this facility. Loans to have a 4 year tenor with moratorium of 12 months on Principal repayment with interest to be capped. Scheme can be availed till 31-10-2020. The Businesses/MSMEs will have to bear no guarantee fee and offer no fresh collateral. 4) Long term finance support from All India Financial Institutions (AIFIs) such as NHB, SIDBI for on-lending: RBI on 17-04-2020 announced special refinance facilities for a total amount of INR500bn to NABARD, SIDBI and NHB. The tenure of such SIDBI finance was extended to 1-yr from earlier 90-days while the NHB finance has a tenure of 1-yr from the start of the scheme.	In Jul'20, RBI stated eligibility conditions to use the direct INR300bn special liquidity window. Below all conditions need to be met: 1. Registered NBFCs including MFI excluding Core Investment Companies 2. Housing Finance Companies that are registered under the National Housing Bank Act 3. CRAR/CAR of NBFCs/HFCs should not be below regulatory minimum, i.e. 15% and 12% respectively as on Mar'19 4. NPS should not be more than 6% as on Mar'19 5. They should have made net profit in at least one of the last two preceding FY (i.e. FY18 and FY19) 6. They should not have been reported under SMA-1 or SMA-2 category by any bank for their borrowings during last one year prior to Aug'18 (pre-ILFS) 7. They should be rated investment grade (rated 'BBB' and above) by a SEBI registered rating agency 8. They should comply with the requirement of the SPV for an appropriate level of collateral from the entity, which, however, would be optional and to be decided by the PV Other details 1. The SPV will purchase the short-term papers from eligible NBFCs/HFCs 2. NBFCs/HFCs shall utilise the proceeds under this scheme solely for the purpose of extinguishing existing liabilities 3. The instruments will be CPs and NCDs with a residual maturity of not more than 3 months and rated as investment grade 4. The facility will not be available for any paper

Steps / Scheme	Key details	Progress
		issued after 30 Sep'20 and the SPV would cease to make fresh purchases after 30 Sep'20 5. SPV would recover all dues by 31 Dec'20; or as may be modified subsequently under the scheme In Aug'20, govt. has made following changes to PCGS 2.0: 1) It has been further extended to Nov-20 (vs. Aug-20 earlier). 2) Govt. has allowed banks to invest up to 50% of total investment under the scheme in AA and AA- vs. 25% earlier. As of 17-Aug-20, under the scheme, PSBs have approved purchase of AA and AA- rated securities issued by 28 entities, and below AA- rated securities issued by 62 entities, amounting to INR 213bn overall (or 47% of the earmarked amount).

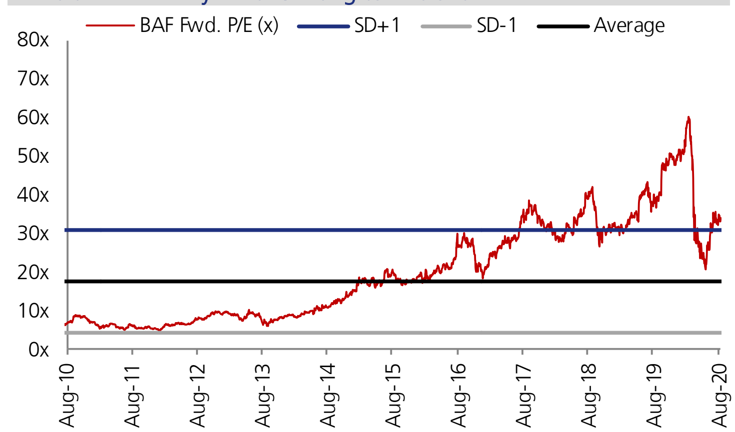
Valuation charts

Exhibit 20. BAF: 1-yr fwd P/B long term trend



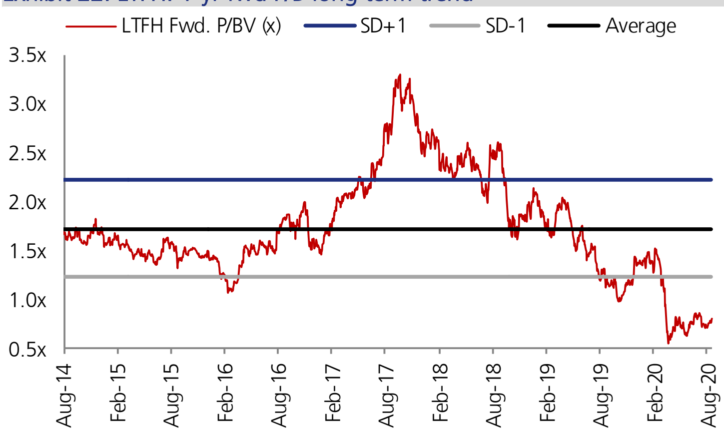
Source: Bloomberg, JM Financial

Exhibit 21. BAF: 1-yr fwd P/E long term trend



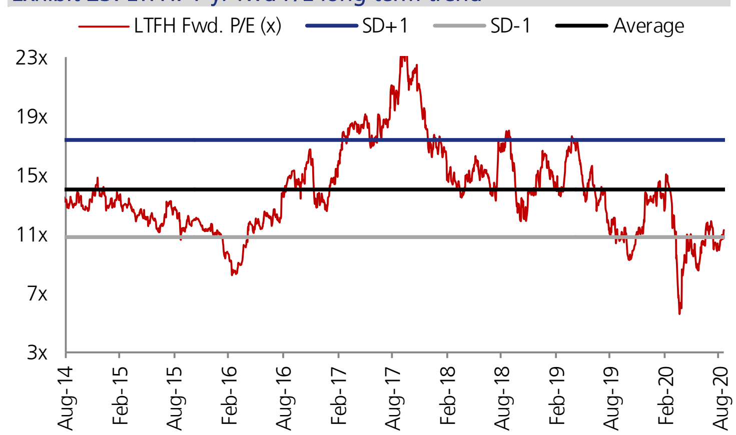
Source: Bloomberg, JM Financial

Exhibit 22. LTFH: 1-yr fwd P/B long term trend



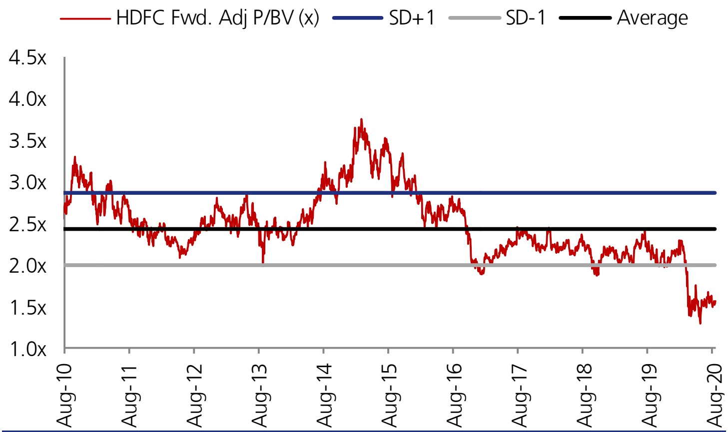
Source: Bloomberg, JM Financial

Exhibit 23. LTFH: 1-yr fwd P/E long term trend



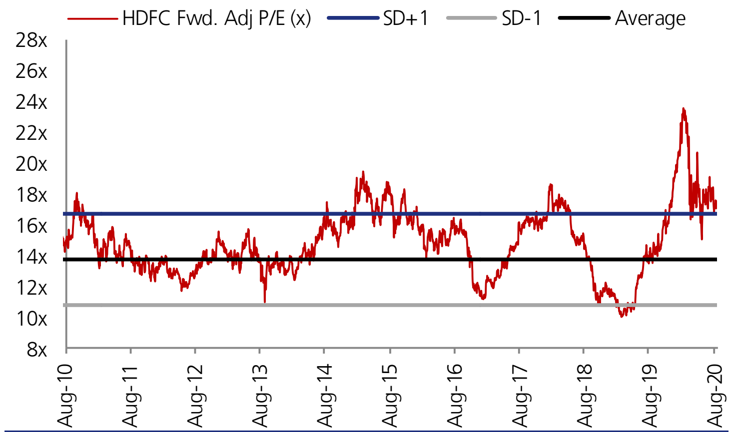
Source: Bloomberg, JM Financial

Exhibit 24. HDFC: 1-yr fwd P/B long term trend



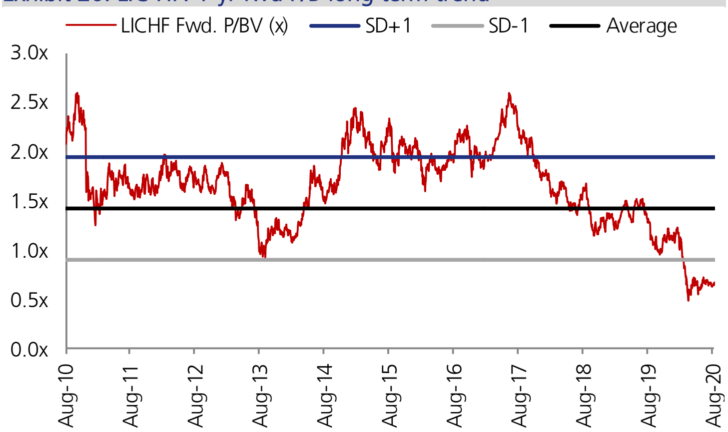
Source: Bloomberg, JM Financial

Exhibit 25. HDFC: 1-yr fwd P/E long term trend



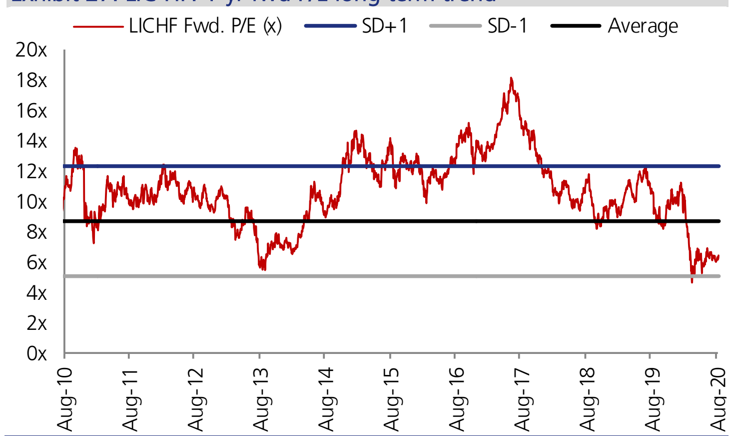
Source: Bloomberg, JM Financial

Exhibit 26. LIC HF: 1-yr fwd P/B long term trend



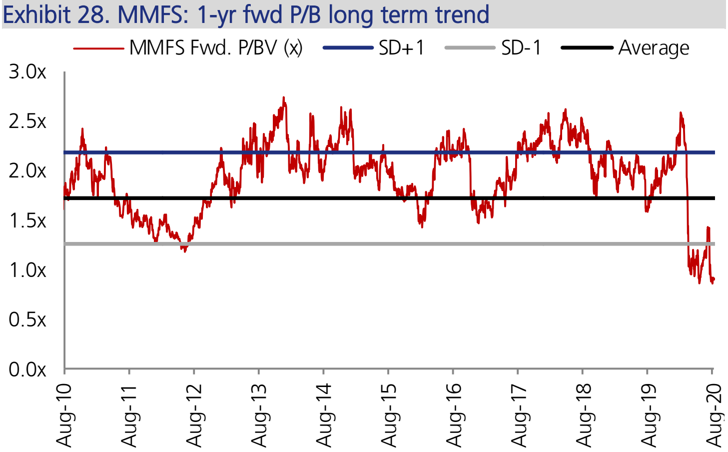
Source: Bloomberg, JM Financial

Exhibit 27. LIC HF: 1-yr fwd P/E long term trend



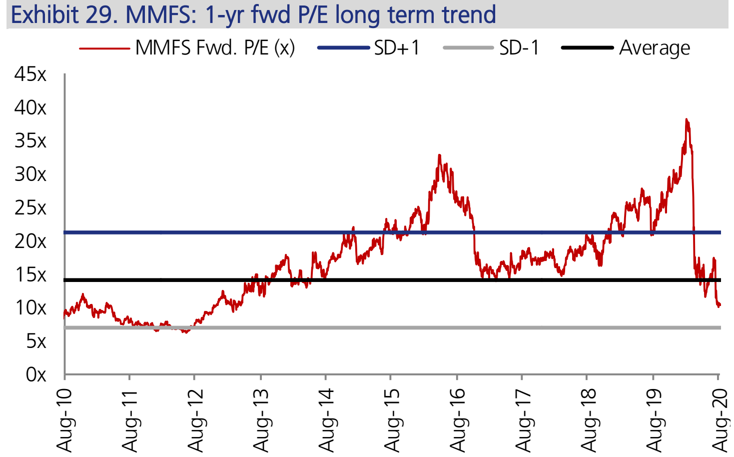
Source: Bloomberg, JM Financial

Exhibit 28. MMFS: 1-yr fwd P/B long term trend



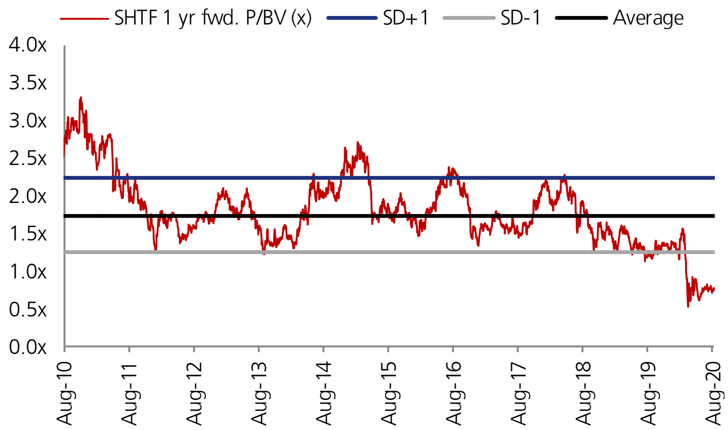
Source: Bloomberg, JM Financial

Exhibit 29. MMFS: 1-yr fwd P/E long term trend



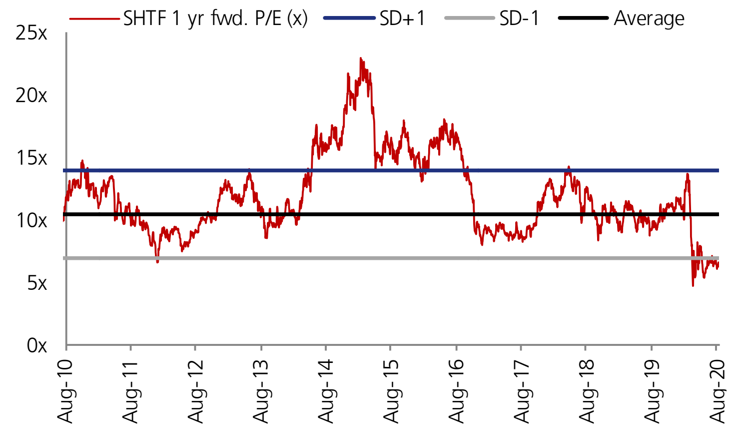
Source: Bloomberg, JM Financial

Exhibit 30. SHTF: 1-yr fwd P/B long term trend



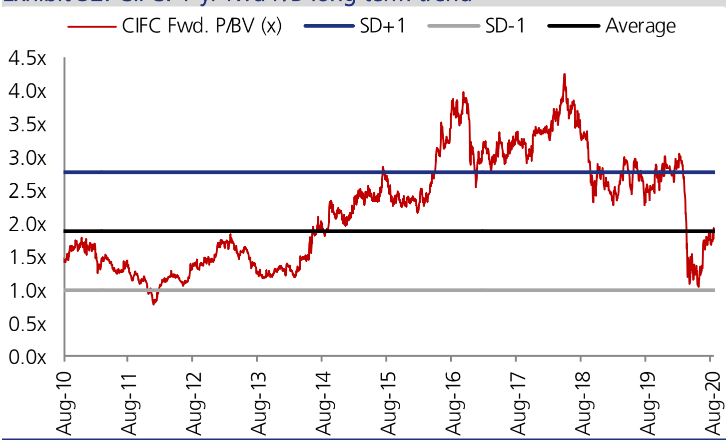
Source: Bloomberg, JM Financial

Exhibit 31. SHTF: 1-yr fwd P/E long term trend



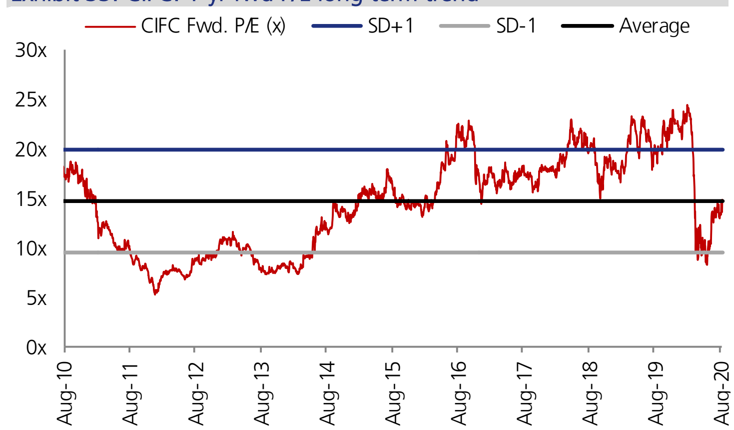
Source: Bloomberg, JM Financial

Exhibit 32. CIFC: 1-yr fwd P/B long term trend



Source: Bloomberg, JM Financial

Exhibit 33. CIFC: 1-yr fwd P/E long term trend



Source: Bloomberg, JM Financial

APPENDIX I

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Rating	Meaning
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Hold	Price expected to move in the range of 10% downside to 15% upside from the current market price.
Sell	Price expected to move downwards by more than 10%

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