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The State of Banking: Bank Sector Report

Investing in Expanding Profitability, Improving Asset Quality, and AI-led Digital Transformation of India's Banking Industry

Advertisement Approval Number - 15097

India's Banking Industry

What is Driving this Growth Vector?

India's has a Twin Balance Sheet Opportunity[1]

- India Inc. is in a phase of expanding profitability (high RoEs/RoAs) with reducing leverage (~70% D/E ratio), suggesting high capacity utilization and higher capacity to take additional borrowings
- India's banking sector asset quality is at a decadal high, with highest RoE/RoA levels and net NPAs below 1% of total loans/advances
- Both lender and borrower profiles have improved significantly, creating the ideal environment for future credit growth

Credit Growth to remain robust from Individuals, Government and Corporations[2]

- Housing finance has grown at ~25% annually from FY2022 to FY2024; expected to continue growing at ~22-23% CAGR till 2030 has household savings and per capita GDP keep growing
- USD 1.8 trillion (INR 144 lakh crore) worth of new greenfield investments have been laid down by the National Infrastructure Pipeline (NIP). Banks will continue to play crucial role in Infrastructure financing needs in coming decade (Current infrastructure exposure of banks stands at INR 11.9 trillion)
- Total gross debt to India Inc. stands at its highest level at ~INR 42 lakh crore, growing at 8% for the last 5 years

India's Banking Resilient to Global Interest Rate Risks[3]

- Conservative RBI policies, floating interest rates and a diffused deposit base help Indian banking to show relative immunity to global interest rate fluctuations (compared to US/Europe) and this resilience is expected to continue going forward.

India's Banks increasingly adopting Gen-AI/AI tools to drive Productivity Enhancement and Reduce Cost[4]

- Banking OPEX expected to come down as more banks (both public and private) adopt Gen-AI tools and technologies which positively impact customer experience, relationship management, claim management, fraud detection, query resolution etc.
- Leading India Private/Public Sector Banks have already adopted numerous AI/Gen-AI based tools and seeing significant productivity gains

INVESTMENT THESIS

With both Indian banks and corporate India having better asset-quality and cleaner balance sheets, India has a Twin-Balance Sheet Opportunity to propel credit growth further, especially as robust credit demand is expected from individuals, corporations, and multi-decadal infrastructure projects such as Gati Shakti and National Infrastructure Pipeline (NIP). Indian banks also continue to incorporate the latest in AI and Gen-AI tools to improve operational efficiencies and overall customer experience. With these factors in mind, we believe India's banking industry remains significantly undervalued, and it is likely that Mr. Market will realize this mispricing and re-rate the sector in the near to medium-term.

1. *Refer to Page 4-5 for Details/Sources*
2. *Refer to Page 3 for Details/Sources*
3. *Refer to Page 7 for Details/Sources*
4. *Refer to Page 9 for Details/Sources*

India's Credit Growth Story Remains Intact

India's credit growth since FY2014 has surpassed the cumulative past 63 years

The banking sector of any country is a strong indicator of its economic health, and India is no exception. With a nominal GDP of INR 269 trillion (~ USD 3.3 trillion) in FY 2022-23, India is the 5th largest economy in the world, and the health of its banking sector remains closely linked to all facets of its economy, including rising household incomes, increasing manufacturing and export activity, improved capacity utilizations across industries, and the rising aspirations and consumption of a growing middle-class.

As a sign of things to come in India's banking industry, the cumulative asset/liabilities growth of Scheduled Commercial Banks (SCB) from FY2014-23 stands at **1.3 times the cumulative asset/liabilities growth in the past 63 years (FY1951-2014)**[1]. Considering the strong link between a country's aggregate consumption growth and the growth of its banking sector, this is in line with India's cumulative nominal GDP growth in the same period (FY2014-23), which has been 1.4 times the cumulative nominal GDP in the FY1951-2014 period.

All figures in INR trillion

Period	Credit Growth	Deposit Growth	Total (Credit + Deposit) Growth	Nominal GDP Growth
1951-2014	62.8	79.6	142.4	112.2
2014-2023	79.1	107.9	187.0	160.0
			~1.3x	~1.4x

Figure 1: Credit Growth in India*
(Source: SBI Research)

On an aggregate basis, gross bank credit in India grew to INR 136.5 trillion in FY 2023, clocking an annual growth rate of ~11%* since 2010[2], and a YoY (Year-on-Year) growth of 15%* (the highest in the last decade). Compare this to India's standing within its G20 peers, where India has one of the lowest credit-to-GDP ratios at ~50%[3] (nearly half of the global average).

This confluence of high absolute credit growth, coupled with an underpenetrated credit-to-GDP ratio, sets the tailwind for future growth in the country's banking sector – **an underleveraged but fast-growing economy with a capacity to absorb much more credit growth in the coming decade.**

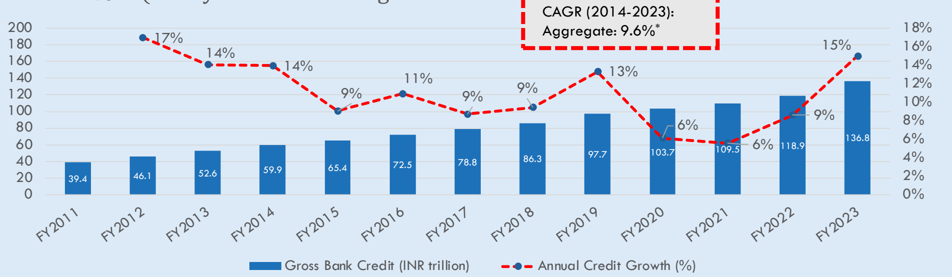


Figure 2: Credit Growth in India
(Source: Mirrority: https://shorturl.at/epFgF)

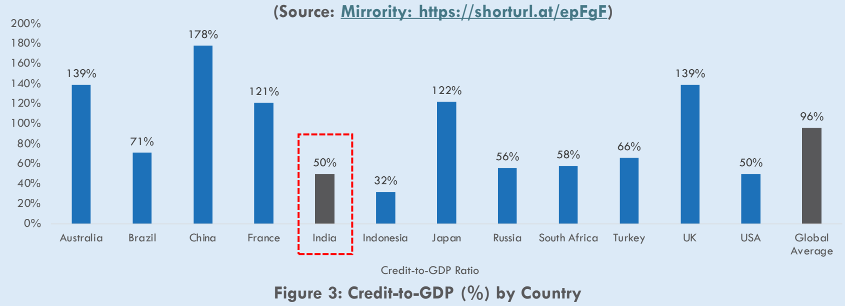


Figure 3: Credit-to-GDP (%) by Country
(Source: World Bank: https://shorturl.at/xjs4b)

1. *SBI Research: Credit Growth to Drive GDP: https://shorturl.at/XkmRt*
2. Mirrority: https://shorturl.at/epFgF
3. World Bank: https://shorturl.at/xjs4b

**All estimated growth figures are for Illustrative Purposes Only*

Asset Quality of Indian Banks at a Decadal High

Net Non-Performing Assets (NPAs) are at <1% of total loans/advances

Bad loans have long been considered the biggest thorn in the heel of the Indian banking industry. High Non-Performing Assets (NPAs) not only affect the bank in question, but cast doubts on the banking industry and the macroeconomic strength of the economy in general. India's Gross and Net NPAs (GNPA and NNPA respectively) peaked at a significant INR 10.4 lakh crores (GNPA Ratio ~11.2%) and INR 5.2 lakh crores (NNPA Ratio ~6%) respectively in FY2017-18. Since then both GNPA and NNPA in Indian Banks have witnessed a steep decline, **falling to a decadal low of just INR 5.7 lakh crore and INR 1.3 lakh crore respectively in FY2023 (GNPA Ratio and NNPA Ratio of 3.9% and 0.95% respectively)**[1]. This reduction is attributable to a combination of favorable factors, including:

- Improved borrower selection and better credit appraisal policies across PSB and PVB
- Increased policy intervention by RBI, namely the **Insolvency & Bankruptcy Code (IBC) 2016**, and amendments to the SARFAESI Act
- **Consolidation within PSBs** and balance-sheet clean-up since 2017
- **Significant write-offs of existing bad loans** (loans worth INR 10.4 lakh crores written-off between FY2015-23)

Another interesting takeaway from the GNPA and NNPA trend is that **PSBs – despite the bad rep they receive from the market in general – have been faster at NPA reduction in the past 5 years compared to PVBs**. This is attributable to the significant consolidation in the sector, and reinforces the government's commitment towards cleaning up the balance sheets of state-owned banks.

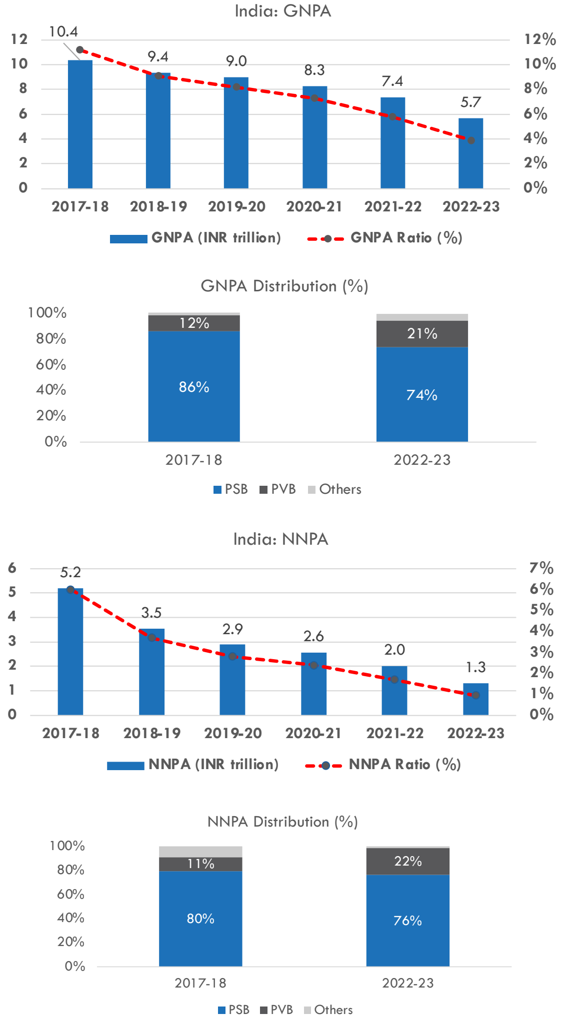


Figure 4: NPAs in Indian Banks
(Source: [Mirrority: https://shorturl.at/VCPJI](https://shorturl.at/VCPJI))

These policy reforms, along with incremental productivity improvements in both PSBs and PVBs over the last 5 years, also reflect in the aggregate Return-on-Assets (RoA) and Return-on-Equity (RoE) for Indian banks, which have seen a clear upward trajectory. **Both RoA and RoE levels are near their decadal high at ~1.2% and ~12.9%** respectively as of Sep-2023[1]. As banks undergo further digitization and apply additional AI/ML tools in their business operations (e.g. predictive analytics, claim management, fraud detection etc.), **we expect Indian banks to continue on this path of expanding profitability and healthy balance sheets.**

Figure 5: RoE and RoA of Indian Banks
(Source: [Mirrority: https://shorturl.at/cl1e4](https://shorturl.at/cl1e4))

1. Mirrority: https://shorturl.at/VCPJI

India's has a Twin Balance Sheet Opportunity

India Inc. is in a high-growth, deleveraged period as bank balance sheets are cleaning up

The financial health of corporate India has never been better, with profitability at a decadal high, while balance sheets are significantly cleaned up from their past levels. Looking at the historical fundamentals of the market* in the last decade, increasing capacity utilizations across sectors, coupled with a steady rise in consumer demand, have delivered decadal high levels of Return-on-Equity (RoE), Return-on-Capital-Employed (RoCE) and Return-on-Assets (RoA). As of December 2023, the aggregate RoE, RoCE and RoA for the Indian market stood at 15.3%, 15.0% and 6.1% Respectively*. **While profitability has continuously improved, the markets have also significantly deleveraged**, with aggregate gross debt-to-equity ratio (D/E) of the market reducing to ~70% compared to +90% levels in FY2015, as interest-coverage ratios have also peaked to above +5.0 levels. This confluence of higher profitability and lower leverage will be a significant growth factor for driving organic credit growth in the country.

With an improved borrower profile (i.e. corporate India) with higher capacity and headroom to borrow, along with an improved lender profile (i.e. banking) with much reduced NPAs and rising RoE and RoA, India is in a unique **"Twin Balance Sheet Opportunity"** where a deleveraged yet profitable economy is seeking credit from lenders with healthy asset quality as well, spurring a steady credit growth cycle in the coming decade.

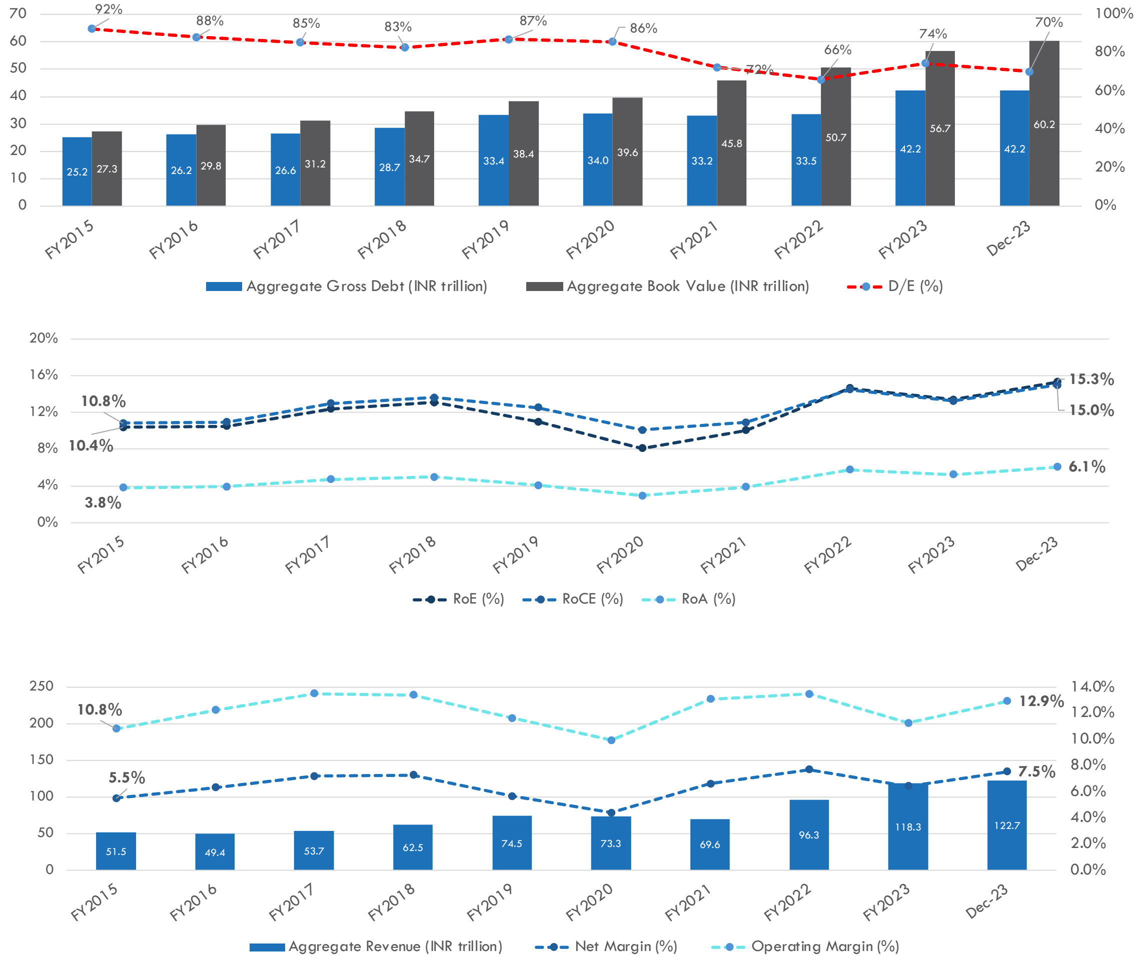


Figure 6: Fundamental Performance of Indian Markets*
(Source: Omniscience Research)

*All non-financial companies from top 1,000 companies by Market Capitalization as of 30 Apr 2024

*All estimated growth figures are for Illustrative Purposes Only

India's Infrastructure Push to Require Huge CAPEX

Banks to play key role in financing India's infrastructure upheaval through NIP and Gati Shakti

Being a bedrock of any economy, infrastructure development in India will play a critical role in achieving inclusive and sustainable growth in this era of *Amrit Kaal.* India's logistics cost as a percentage of GDP still remains higher compared to the global benchmark. This necessitates not just heavy investments in all facets of infrastructure, but radically improving coordination and centralization of the country's entire infrastructure framework. Currently, there are two multi-decadal central government initiatives in progress, which are intended to work in a complementary manner:

- **National Infrastructure Pipeline (NIP)**: NIP was launched in 2021 with a total outlay of INR 108 lakh-crores (now expanded to ~INR 144 lakh-crores)[1]. The NIP initiative is spread across the entire stakeholder chain of Central Government, State governments and private sector, and is intended to upgrade infrastructure to global standards across all modes in India.
- **PM Gati Shakti**: While NIP is focused on planning and execution of multi-modal infrastructure projects, the PM Gati Shakti National Master Plan is all about improving efficiencies, identifying gaps and improve movement of goods, services and people across India. Gati Shakti will work closely in alignment with the NIP to speed up delivery of infrastructure projects, through close monitoring and synchronization between all relevant ministries and departments.

With Gross Budgetary Capex also increasing by over 30% for the last 2 consecutive years[2], the combined implementation of NIP and PM Gati Shakti is expected to bring in additional and significant CAPEX financing requirements to India's organic credit growth. India's banking sector will continue to play a major role in financing this multi-modal infrastructure push.

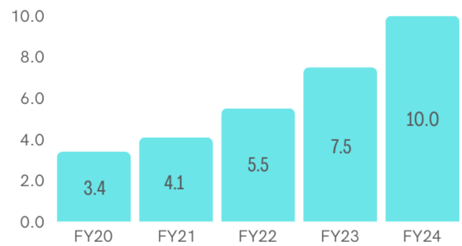
CAPEX CAGR(%)	(FY2015-19)	(FY2020-24)
Road & Highways	42.1%	39.5%
Railways	15.1%	37.1%
Telecom	22.5%	88.1%
Housing & Urban Affairs	20.9%	7.7%
Energy	-0.3%	49.4%
Ports & Shipping	-11.5%	42.5%
Civil Aviation	-9.1%	41.9%

Figure 7: Historical & Expected CAPEX Growth in India
(Source: Care Ratings Research: https://shorturl.at/I8I8B)

INDIA'S MULTI-MODAL INFRASTRUCTURE PUSH

INR 10 lakh crores[2]

budgetary Capex was outlined in FY2023-24 union budget for the first time in india's history, representing a 3x-growth since FY2019-20

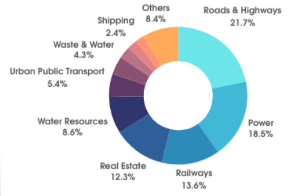


Annual Gross Budgetary Support (GBS) - INR trillion

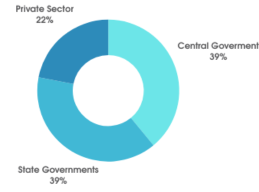
USD 1.8 trillion[1]

total investment outlays have been announced under the National Infrastructure Pipeline (NIP), with 9,947 projects declared and 2,028 projects under development across all crucial pillar of infrastructure. NIP stakeholdership is also spread widely across Center, State and private players

INDIA INVESTMENT GRID



NIP Allocation Mix by Sector



NIP Allocation Mix by Stakeholders

PM GatiShakti
National Master Plan for Multi-Modal Connectivity

Centralized Portal

to bring together infrastructural initiatives of 16 central ministries/departments.

- Gati Shakti targeting to achieve seamless multi-modal connectivity and enhance supply-chain efficiency in India
- To provide a centralized transportation and logistics grid and improving coordination between departments/ministries.

1. India Investment Grid: https://shorturl.at/bQCIi
2. CARE Ratings: Infrastructure – Key Driver of India's Amrit Kaal March: https://shorturl.at/I8I8B

Indian Banks Resilient to Global Market Conditions

Conservative RBI policies, prudent risk management and a move towards consolidation

The Indian banking industry has – throughout the past – shown a remarkable resilience towards global interest rate shifts[1]. This relative immunity (compared to US and European banks) is the result of a combination of concurrent factors, including India having a more granular/diffused deposit base, conservative policies and measures adopted by the Reserve Bank of India (RBI) to ensure financial health of banks, better asset-liability management and a higher percentage of floating rates for bank loans. Going forward, we expect Indian banks to continue showing similar resilience to global interest rate shifts.

The last 2-3 years have also witnessed Public Sector Banks (PSBs) showing a resurgence. After posting losses from 2016-20, PSBs posted aggregate operating profits for the period 2021-23. Aggregate return ratios (RoA and RoE) have also seen an uptick for PSBs compared to the 2016-20 period[1]. A large part of these efficiency improvements is the **consolidation of PSBs from 2017-22**[1], which has reduced the number of PSBs from 27 to 12 and driven efficiencies. This consolidation is in line with the government's objective to create four or five banks with comparable strength and quality as the State Bank of India.

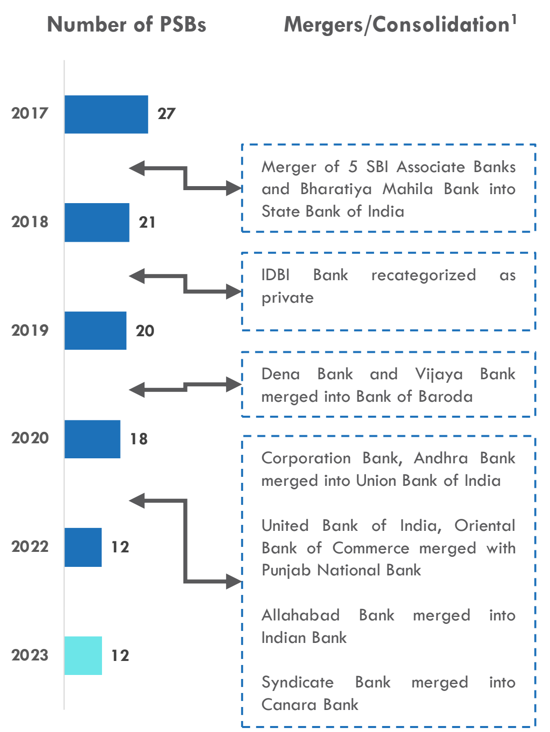


Figure 8: Historical & Expected CAPEX Growth in India
(Source: [Mckinsey: https://shorturl.at/Gk4AA](https://shorturl.at/Gk4AA))

INDIAN BANKS ARE MORE RESILIENT TO GLOBAL INTEREST RATE SHIFTS

DIFFUSED DEPOSIT BASE

About 60-70% of Indian bank deposits come from retail customers (compared to 55% for US), and they tend to be more stable than wholesale deposits. This helps to alleviate the interest rate risk, which provides banks a reliable source of capital for its lending operations.

HIGH PERCENTAGE OF FLOATING RATES

75% of loans in India are floating rate loans. Banks able to reprice the loans frequently to promptly mitigate their interest rate risk.

CONSERVATIVE RBI POLICY

RBI policies designed to create a more conservative and stabilised environment, with new directives like Investment Fluctuation Reserve (IFR) to further improve preparedness of the banking sector.

LOWER INVESTMENT. BOOK PROPORTIONS

RBI Caps on Indian banks' HTM (Held-to-Maturity) investments helps ensuring prudent investment practices, maintaining liquidity and managing risk.

ASSET-LIABILITY MANAGEMENT

ALM risk is more mitigated (compared to global peers) in Indian banks due to granular deposit base of clients.

1. Indian Banks: Building Resilient Leadership (Mckinsey & Co.): https://shorturl.at/Gk4AA

Deposits have Grown in Line with Credit

India's banking industry Asset-Liability mix continues to be healthy

Indian banks ended 2023 on a high note, **with the aggregate deposits crossing the INR 200 lakh-crore milestone[1].** This is double of the INR 100-lakh crore aggregate deposits in 2016, amounting to a CAGR (Compounded Annual Growth Rate) of ~9.5%*. Historically, loan/advances growth has outpaced deposits growth, placing upwards pressure on the aggregate loan-to-deposit ratio (LDR) which as of end of 2023 stood at little over 80%[2] (the highest in 5 years). This trend is somewhat expected, as Indian households have expanded options today to shift their investments to non-banking deposit investments (Mutual funds being the primary example, along with Unit-Linked Insurance Products). This in turn, prompts banks to offer attractive deposit interest rates to attract consumers, shrinking their Net Interest Margins (NIM). While these concerns do persist today, we believe that **shrinkage of margins due to Credit-Deposit mismatch can be offset by productivity and digitization gains**, as more banks in India invest in digital transformation and incorporation of AI & Machine-Learning (ML) tools (discussed later).

The LDR for India's banks has remained in a conservative range historically, and even the existing LDR at ~80% is in the lower range of the comfort level of 80-90%. Additionally, the key metrics laid down by the RBI – Capital to Risk-Weighted Assets (CRAR) and Common Equity Tier 1 (CET1) – remain well within acceptable tolerances. As of September 2023, **the CRAR and CET1 ratios for SCBs stood at 16.8%* (RBI Cap: 9%) and 13.7%* (RBI Cap: 5.5%) respectively.** In addition, the cost-to-deposit ratio (i.e. the aggregate interest rate paid by banks relative to the deposit amount) **stands at a 9-year low[3]** for both Public Sector Banks (PSB) and Private Sector Banks (PVB) at around 3.7% for both. While deposit growth rate might be lagging credit growth rate in the near-term, the declining cost-to-deposits and a comfortable LDR ratio suggests that **Indian banks are still relatively underleveraged and have sufficient headroom in future to offer attractive returns on deposits** as competition builds further from non-banking deposits/investments such as Mutual Funds.

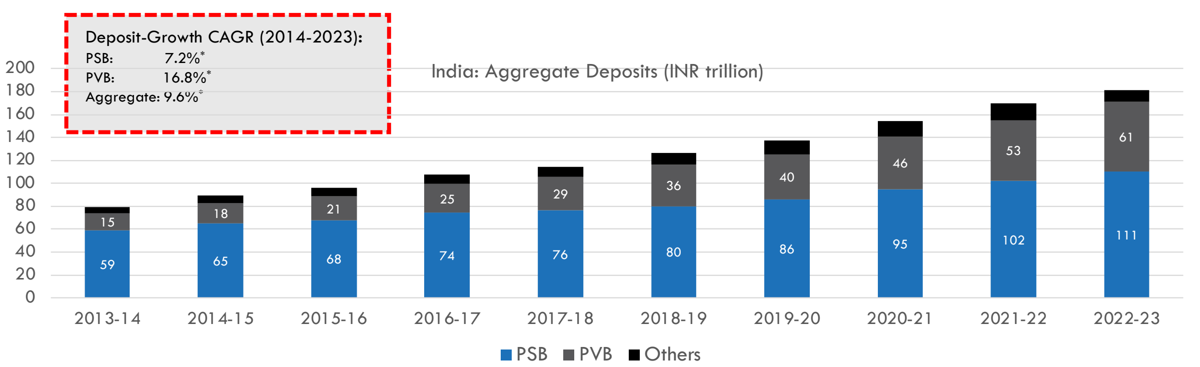


Figure 9: Deposit Growth for Indian Banks
(Source: [Mirrority: https://shorturl.at/HHPHb](https://shorturl.at/HHPHb))

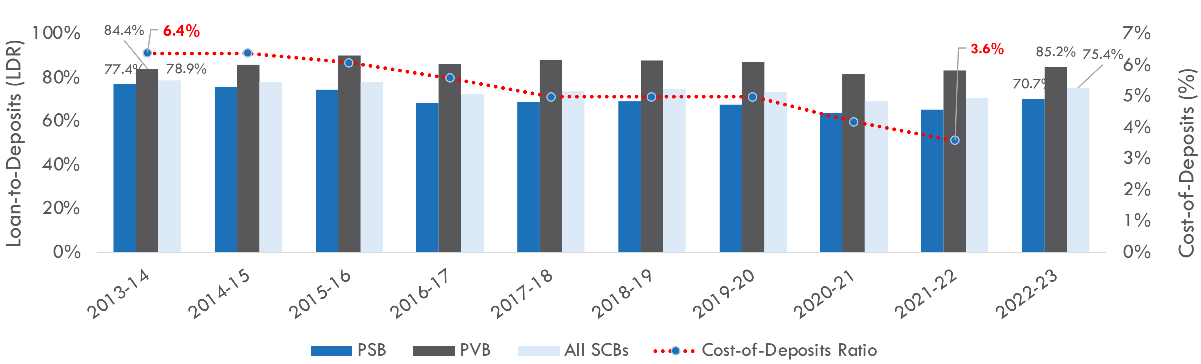


Figure 10: Loan-to-Deposit Ratio Trends for Indian Banks
(Source: [Mirrority: https://shorturl.at/HHPHb](https://shorturl.at/HHPHb))

1. *Bank deposits touch record Rs 200 lakh crore: https://shorturl.at/NNDmH*
2. *Hindu BusinessLine: https://rb.gy/piyabg*
3. *Mirrority: https://shorturl.at/HHPHb*

**All estimated growth figures are for Illustrative Purposes Only*

Gen-AI Driving the Next Transformation in Banking

Gen-AI has the potential to radically improve & transform efficiencies across diverse banking domains

Artificial Intelligence (AI) and its new paradigm – Generative AI (Gen-AI) – are the technologies that will drive the next digital transformation across industries on a global scale. The banking sector is no exception. In fact, **being an extremely data-intensive industry that relies on objective analysis, banking has numerous use cases for Gen-AI across its ecosystem**. Some such important domains are Gen-AI based custom virtual investment/professional advisors, software/coding assistance for developers, core bank operations such as underwriting, fraud detection and claims management, and providing virtual assistants for customized content and higher customer engagement rates.

The simplest AI/Gen-AI use-case for a bank is a Chatbot – a virtual assistant that simulates a conversation with a customer service representative.

Chatbot quality and efficacy is improving steadily as natural language processing (NLP) becomes more advanced and powerful with time. Indian banks have seen widespread Chatbot adoption and will continue to do so, rising from just 5 active Chatbots in 2016-17 to 26 today[1].

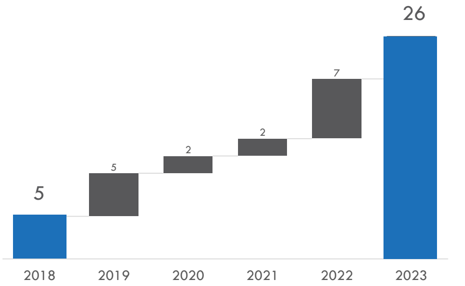


Figure 11: Chatbot Adoption in Indian Banks
(Source: RBI: https://shorturl.at/Vkqx0)

AI/Gen-AI Implementations across leading PSBs and PVBs

	SBI	HDFC BANK	ICICI BANK	AXIS BANK
CUSTOMER EXPERIENCE Drive higher engagement rates with customers through customized and personalized content/advertising. **Impact: Reduces Customer Acquisition Costs, Quicker Query Turnaround Time**	Launched SIA, an AI-powered Chatbot that can handle nearly 10,000 queries per second (864 million per day)	Launched EVA (Electronic Virtual Assistant) in 2017 (India's first AI-driven bank Chatbot	Introduced AI-led engine in its international remittance operations, reducing query resolution time from 12 hours to real-time	Launched AXAA, an AI-powered Chatbot that can converse in Hindi, English and Hinglish; utilizes automated speech recognition and natural language understanding
BANK OPS Gen-AI assistance in a variety of bank operations, including underwriting, claim management, fraud detection, and risk management. **Impact: Productivity Improvements, Lower OPEX, Lower NPAs**	Launched national hackathon "Code for Bank" for aspiring developers and students to conceptualize innovative solutions in banking, including predictive analytics, digital payments, fintech/blockchain etc.	One of the early adopters of the FICO® Platform - a US-based firm offering advanced analytics and AI-capabilities to banks for customer onboarding, origination and loan automation	• Using Gen-AI algorithms to personalize marketing campaigns and automate loan document workflows, improving customer experience and operational efficiency • Deployed "Software Robotics" in over 200 business processes within the company; reduced customer response time by upto 60%	• Launched "Thought Factory", an innovation lab aiming to accelerate development of innovative AI technology solutions for the banking sector • Implemented AI across 125+ processes and cognitive automation across 90 processes which needed repetitive manual labor, thereby reducing Turnaround Time (TAT)
RELATIONSHIP MANAGEMENT Utilization of Large Language Models (LLMs) to create Gen-AI based "Virtual Advisors" which provide customized product and investment recommendations. **Impact: Reduces Customer Acquisition Costs**	Using AI-based solution to capture facial expressions of customers to gauge effectiveness of sales/customer representatives			

1. RBI: Trend and Progress of Banking in India: https://shorturl.at/Vkqx0

Indian Banking is Poised for Re-rating in the Markets

Current P/E Levels are Significantly Undervalued in Contrast to Expected Credit and RoE Growth

With robust credit growth expected on account of India's growing GDP growth and consumption, coupled with significant asset-quality improvements and reduced NPAs, we believe that the Indian banking industry is poised for a re-rating from current valuation levels existing in the market. In addition, incremental efficiency improvements in SCBs through increasing digitization can provide an additional improvement in margins through reduced operating expenses (OPEX), further improving the potential returns from this sector.

To demonstrate the same, we provide a scenario analysis for the next 5-years (CY2023 to CY2028) for expected credit growth[1*]:

- **Scenario 1:** Lower-than-expected Credit Growth (12% annually)
- **Scenario 2:** Baseline Credit Growth (14% annually)
- **Scenario 3:** Higher-than-expected Credit Growth (16% annually)

For the purpose of this analysis, we assume Net Interest Margin (NIM), Non-Interest Revenue as % of Total Revenue, Average Applicable Tax Rate, and Average Dividend Payout Ratio to be constant from CY2023 to CY2028. We also assume a conservative estimate for operating margin improvement by 25 bps every year from CY2023 to CY2028 owing to increased digitization in Indian banking.

The following are the baseline values for Indian SCBs in Calendar Year (CY) 2023[1]:

Metric*	Value (as of Dec 31, 2023)
Total Assets (INR trillion)	268.1
Total Revenue (INR trillion)	13.2
Non-Interest Revenue as % of Total Revenue	37.4%
Net Interest Margin (%)	3.1%
Average Operating Margin (%)	30.4%
Average Applicable Tax Rate (%)	20.5%
Average Dividend Payout Ratio (%)	14.5%
Average P/E Ratio	14.5
Average P/B Ratio	2.0

Figure 11: Current Fundamental Metrics of Listed SCBs*
(Source: Omniscience Research, Company financial statements)

The charts below show the estimates for revenue, book value, net income and RoE till CY2028 for the three scenarios.

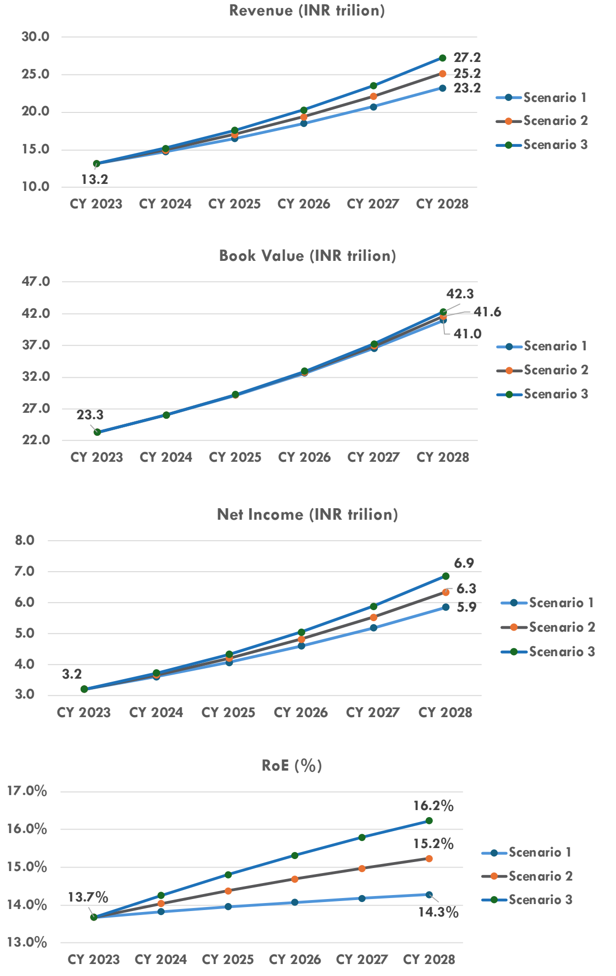


Figure 12: Scenario Analysis of Indian Banks*
(Source: Omniscience Research)

Our analysis suggests that even in the pessimistic scenario of muted credit growth (12% annually), there is significant book value and revenue growth, and return-on-equity enhancement that can be expected in the Indian banking sector in the next five years.

We believe that at current P/E and P/B levels the Indian Banking sector is significantly undervalued, and it is likely that Mr. Market will realize this mispricing and re-rate the sector in the near to medium-term.

1. Source: Omniscience Research

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FACTSHEET: Omni Bank on Bharat/Banking on Growth

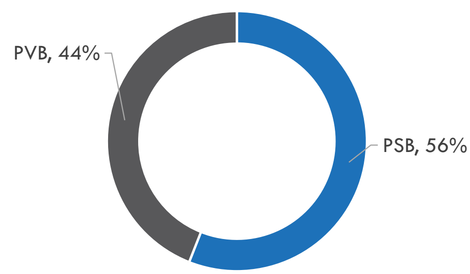
Strategy Name	Omni Bank on Bharat / Omni Banking on Growth
Portfolio Inception Date	22-May-2023
# of Holdings	16
Investments	Thematic
Benchmark	Nifty 100
Avg. Market Cap (INR Cr.)*	2,89,475

Omni Bank on Bharat/Banking on Growth is a curated portfolio of Public Sector Banks (PSB) and Private Sector Banks (PVB) that are extremely well-positioned to capitalize on India's growing credit demand.

The Indian banking industry is in the midst of a major upheaval in the last 5-6 years, with a Twin-Balance Sheet Opportunity of improved asset quality for both lenders (banks) and borrowers (corporations), Net NPAs steadily reducing to <1% of total loans/advances, and profitability at a decadal high. At the same time, credit demand is set to expand significantly from all facets, including **individuals, corporations, and pan-India infrastructure initiatives like the National Infrastructure Pipeline (NIP) and PM Gati Shakti.** These greenfield investments are conservatively expected to bring **+$1.5 trillion of investments** in the coming decade[1].

While India takes on this large investment drive of more than INR 200 lakh-crores in a mix of greenfield and brownfield initiatives[1], **India's banking industry remains significantly undervalued on both a P/E and P/B basis, and it is likely that Mr. Market will realize this mispricing and re-rate the sector in the near to medium-term.**

PORTFOLIO COMPOSITION



PORTFOLIO vs. BENCHMARK
Valuation and Performance Ratios*[2]

Valuation Ratios	Portfolio	Benchmark
P/E (TTM)	12.4	24.6
P/BV (TTM)	1.4	4.2
P/E (Fwd 1 Yr)	9.7	22.6
Div. Yield	1.4%	1.3%

Performance Ratios	Portfolio	Benchmark
ROE	11.4%	17.1%
Operating Margin	30.7%	15.7%

1 India Investment Grid: https://shorturl.at/bQCIi
2 Omniscience Research, company financials

**As of 30-Jun-2024*

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