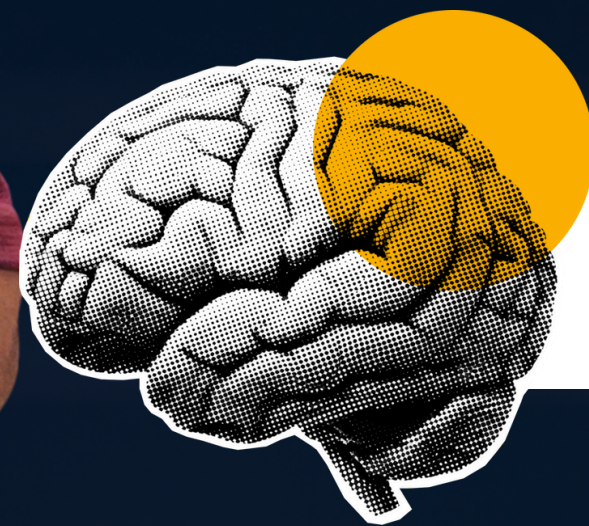




FINANCIAL SECTOR

ని ఎలా వాడుకోనీ Stock Market లో

MONEY EARN చెయ్యవచ్చు !

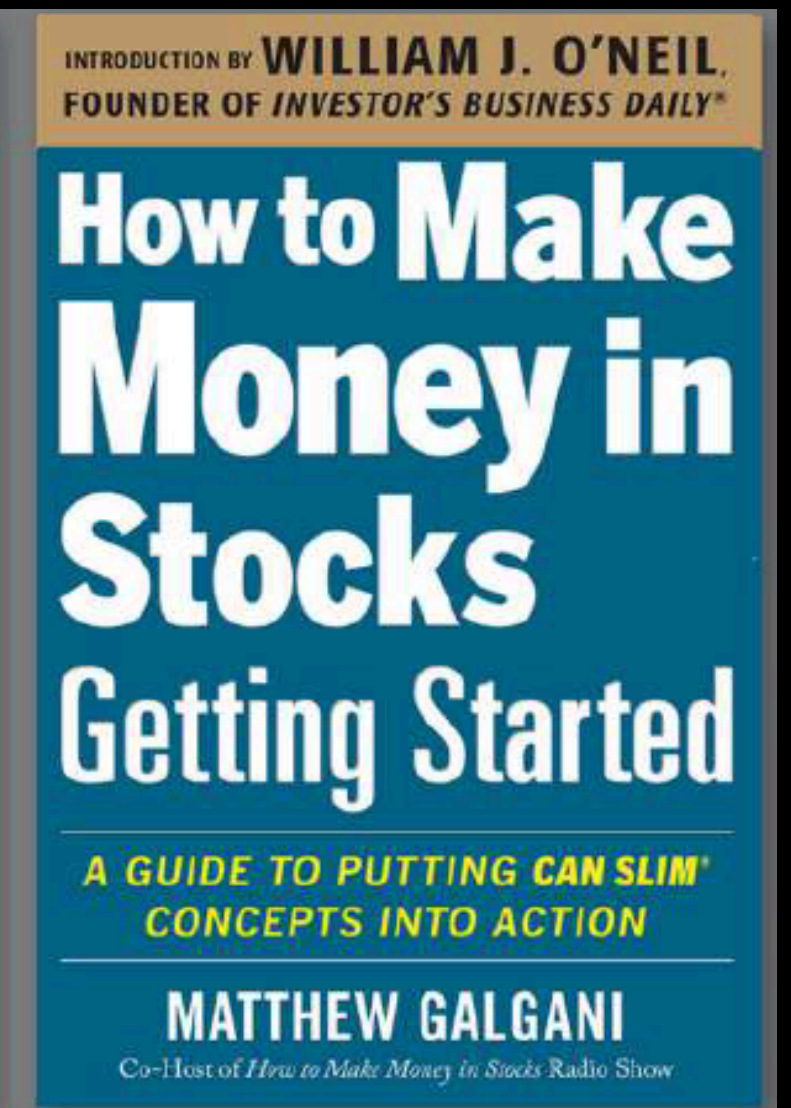
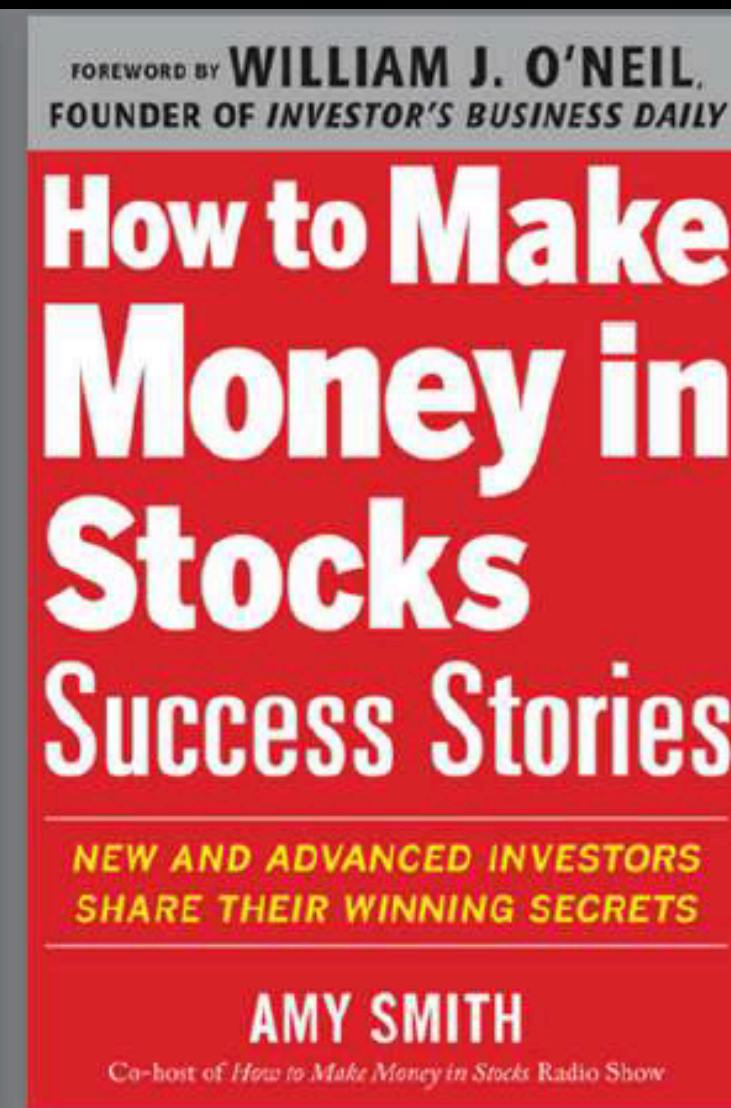
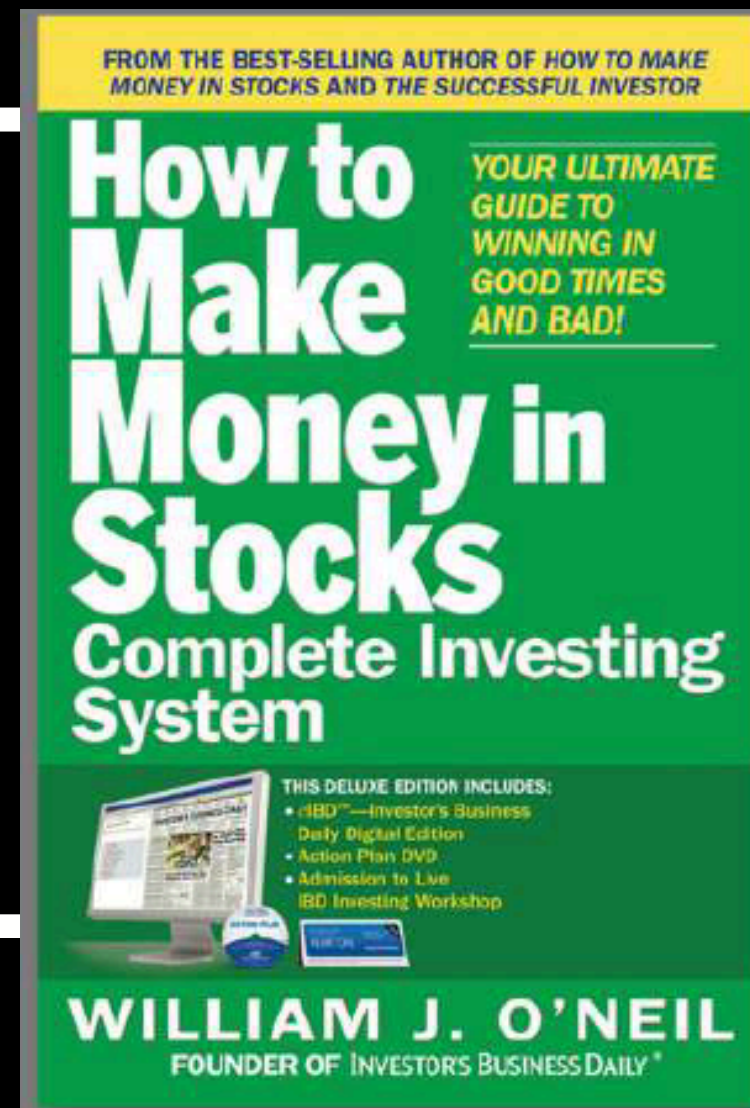


Sector Analysis Part -3

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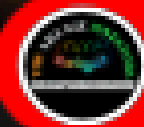
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FINANCIAL SECTOR

ALL BUSINESSES THAT DEAL WITH MONEY

How They Work

- **Take money**
- **Lend money**
- **Insure money**
- **Invest money**
- **Move money**

MAIN DIVISIONS OF THE FINANCIAL SECTOR

1.BANKS (CORE OF THE SYSTEM)

2.NBFCs (SPECIALIZED LENDERS)

3.INSURANCE COMPANIES (RISK MANAGERS)

4.ASSET MANAGEMENT COMPANIES (AMCs)

5.BROKING & MARKET INFRASTRUCTURE

6.FINTECH & PAYMENT COMPANIES

BANKING SYSTEM

What they do

- Take deposits
- Give loans

Who controls them

- RBI

When they perform best

- Strong credit growth
- Stable interest rates

Types of banks

- **Private Banks**

Examples: HDFC Bank, ICICI Bank, Axis Bank

- **PSU Banks**

Examples: SBI, Bank of Baroda, Canara Bank

- **Small Finance Banks**

Examples: AU SFB, Equitas SFB

- **Payment Banks**

Examples: Paytm Payments Bank

NBFCs (SPECIALIZED LENDERS)

What they do

- Lend money without taking normal deposits

Types of NBFCs

- **Retail NBFCs**

Examples: Bajaj Finance

- **Housing Finance**

Examples: LIC Housing, HDFC Ltd (earlier)

- **Vehicle finance**

Examples: Shriram Finance

- **Gold loan companies**

Examples: Muthoot Finance, Manappuram

- **Microfinance**

Examples: CreditAccess Grameen

Who controls them

- RBI

When they perform best

- Easy liquidity
- Stable funding cost

INSURANCE COMPANIES (RISK MANAGERS)

What they do

- Protect against risk
- Invest long-term money

Types

- **Life Insurance**

Examples: LIC, SBI Life, HDFC Life

- **General Insurance**

Examples: ICICI Lombard

Who controls them

- IRDAI

When they perform best

- Long-term savings growth
- Rising insurance penetration

ASSET MANAGEMENT COMPANIES (AMCs)

What they do

- Manage mutual funds
- Invest public money

Examples

- HDFC AMC
- Nippon India AMC

Who controls them

- SEBI

When they perform best

- Rising SIP flows
- Bull markets

BROKING & MARKET INFRASTRUCTURE

What they do

- Enable trading and investing

Types

- **Stock brokers**

Examples: Angel One, Motilal Oswal

- **Exchanges**

Examples: BSE, NSE

- **Depositories**

Examples: CDSL

Who controls them

- SEBI

When they perform best

- High market activity
- New investor participation

FINTECH & PAYMENT COMPANIES

What they do

- Digital payments
- Lending tech
- Financial apps

Examples

- Paytm
- Policybazaar

Who controls them

- RBI, SEBI (mixed)

When they perform best

- Digital adoption
- Young population usage

FINANCIAL SECTOR INDICES IN INDIA

Key indices

- Nifty Bank
- Nifty Financial Services
- Nifty PSU Bank

These indices help us to track which part of finance is leading.

HOW MONEY ROTATES INSIDE FINANCIAL SECTOR

Cycle example

- Early recovery → PSU Banks, NBFCs
- Growth phase → Private Banks
- Bull market → AMCs, Brokers
- Uncertainty → Insurance companies

Money rotates inside finance, not outside.

**“Banks create money.
NBFCs distribute money.
Insurance protects money.
AMCs grow money.
Brokers move money.”**

BANKING SECTOR

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1.GROWTH MIX

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Term	Meaning
Domestic Loans	Money lent within India (home loans, business loans, etc.)
Retail Loans	Loans to individuals (home, auto, personal, credit card)
Business Banking Loans	Loans to small & mid-businesses
Corporate Loans	Loans to big companies
Overseas Loan Book	Loans via foreign branches
NTB (New-to-Bank)	Newly acquired customers/accounts.
ETB (Existing-to-Bank) Deepening	Getting current customers to use more products/higher balances.
Premiumisation / Wealth (AUM)	Shift toward affluent customers; wealth AUM (e.g., Burgundy).

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







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Term	Why It Matters	How to Use
Domestic Loans	Shows bank's main engine of growth	YoY > system loan growth  ; slow growth  / 
Retail Loans	High margin, low risk if diversified	Rising share \Rightarrow stable earnings
Business Banking Loans	Higher yield, moderate risk	Fast growth + low NPAs 
Corporate Loans	Lower yield, can add risk in downturn	Flat/moderate growth fine; spikes \Rightarrow check NPAs
Overseas Loan Book	Adds FX risk	Keep share < 5 %; high share \Rightarrow  currency risk
NTB (New-to-Bank)	Shows acquisition engine & future cross-sell potential.	Rising NTB with good balances  growth runway. If NTB high but balances tiny  quality check.
ETB (Existing-to-Bank) Deepening	Cheaper growth, stickier deposits/fees.	ETB balances & product-per-customer up  durable earnings.
Premiumisation / Wealth (AUM)	Higher balances, fee income, lower churn.	Premium AUM & premium account share rising \Rightarrow valuation support.

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2. DEPOSITS, CASA & LIQUIDITY

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Average Deposits	Total money customers park in bank
CASA (Current + Savings Accounts)	Cheap deposits
Cost of Deposits (CoD)	Avg. interest bank pays depositors
LCR (Liquidity Coverage Ratio)	% of liquid assets held to survive 30 days stress
Deposit Outflow Ratio / Stability	Share of deposits likely to leave quickly.
Granularisation of Deposits	Many small, sticky accounts vs few lumpy ones.
Cost of Funds Transmission	How fast deposit/borrowing costs move after rate cuts/hikes.

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Average Deposits	Source of funds to lend	Steady growth shows trust
CASA (Current + Savings Accounts)	Lowers funding cost \Rightarrow boosts NIM	CASA % rising 
	Determines profit margin	Falling CoD \Rightarrow margins improve
Cost of Deposits (CoD)	Measures liquidity strength	$\geq 120\%$ safe; too high = under-lending
LCR (Liquidity Coverage Ratio)	Lower outflow = safer funding, better NIM.	Outflow ratio falling & "granular" retail deposits rising  . High outflow \Rightarrow NIM risk. 
	Reduces rate & liquidity shocks.	More retail SA/CA and small TDs \Rightarrow stronger franchise.
Deposit Outflow Ratio / Stability	Drives margin path through the cycle.	CoF falling faster than asset yields \Rightarrow NIM protection; the reverse \Rightarrow margin squeeze.
	Core profitability	$\geq 4\%$ = very healthy; falling trend = margin pressure
Cost of Funds Transmission	Drives margin path through the cycle.	CoF falling faster than asset yields \Rightarrow NIM protection; the reverse \Rightarrow margin squeeze.

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