Equity Research

April 9, 2021
BSE Sensex: 49746

ICICI Securities Limited is the author and distributor of this report

Sector update

BFSI

Research Analysts:

Kunal Shah
kunal.shah@icicisecurities.com
+91 22 6637 7572

Renish Bhuva
renish.bhuva@icicisecurities.com
+91 22 6637 7465

Chintan Shah
chintan.shah@icicisecurities.com
+91 22 6637 7658

INDIA

BFSI

Va tutto bene #10

Exactly a year before, we wrote 'Andra tutto bene' (everything is going to be alright!) in which we analysed the likely changes to customer behavior, business model etc. We revisit the thoughts, we looked beyond the noise, and present potential changes in operating environment and likely beneficiaries – Va tutto bene (everything's fine!). A root-cause-analysis of every trend indicates that it is a consumer / customer behaviour change. "Andra tutto bene #14 & #15" is here – link 1 and link 2.

Top long-term trends in the financial sector are: 1) digitisation has been fast-tracked and is enabling business transformation in the form of next-level personalisation and customer journey mapping, efficiency to value creation, collaborative digital ecosystem in niche segments, partnering with fintechs and shift towards data aggregation; 2) expansionary counter-cyclical fiscal policy with focus on reviving growth suggests India Inc. is on cusp of releveraging (post deleveraging phase) and we are at an inflection point of credit growth; 3) preference is skewed towards secured and better rated business segments, and judiciously and prudently leveraged unsecured products; 4) entire cost structure is being reimagined and a few overheads would be shaved off permanently (e.g. real estate requirement) as online processing reduces cost of customer acquisition / service, etc. and 5) consolidation in the space (strong becomes or will become stronger, and weaker players getting further marginalised.

Beneficiaries: HDFC Bank, Kotak Mahindra Bank, Axis Bank, SBI, Federal Bank

Potentially negatively impacted segments: PSU banks

See our previous reports in the series – Consumer, Agriculture, Pharma, Real Estate, Telecom, Power, Dairy, Capital Goods, Cement

Medium-to-long-term trends anticipated post Covid: Indian financial system responded to the crisis with a new rhythm redefining, refocusing and reorienting its approach and thinking. Evolution and transformation of the sector has gathered pace. Many players have undertaken distinct and differentiated initiatives to remain in action, be ahead of the curve, and make their businesses bigger, leaner and better.

- **Digitisation: Fast-tracked and enabling business transformation.** Financiers are utilising the pandemic period to fast-track the digitisation drive and undergo business transformation at every stage of customer lifecycle by reimagining businesses, processes, functions and customer proposition. In our view, they have realised that core principles need to be centred around being fully customer-centric, ensuring 360° omni-channel engagement with clients, provide intelligent data-driven orchestration, and adopt open platform architecture.
  - Leaders are shifting from a product-centric to platform-centric approach and taking personalisation to the next level by offering highly-tailored services. Global study shows that retail banks that digitise their customer journey see a 520% boost in revenues, 15-35% cost reduction, and 10-15% rise in customer satisfaction.
  - The strategy now is directed towards value creation through automation, AI, analytics, APIs, etc. Players are establishing platforms and marketplaces to offer comprehensive solutions.
  - Banks are intending to create a collaborative ecosystem of stakeholders partnering with incumbents to leverage each other's strengths and create a better long-term sustainable marketplace. In this emerging ecosystem, their role will shift considerably towards that of data aggregator or smart orchestrator.

- **Progressive growth push, stress resolution bode well for financiers:** Expansionary counter-cyclical fiscal policy with focus on reviving growth and progressive steps towards addressing stressed assets bode well for corporate financiers. Government's growth push approach should kick-start the capex cycle sooner than later. Our optimism comes especially against the backdrop of: 1) structural policy initiatives, 2) competitive corporate tax rates, etc, 3) conducive investment climate, 4) ample balance sheet resources (to absorb capex spend), and 5) corporate asset quality cycle nearing its end. Indian financiers too have saddled themselves with ample liquidity / capital buffer to tap the emerging opportunity. We believe India Inc. is on the cusp of releveraging (post deleveraging phase) and we are at the inflection point with respect to credit growth outlook.

- **Secured lending more resilient; tie-ups on the anvil.** Change in customer behaviour was the biggest fear when regulator announced moratorium on loans in Apr'20. However, 9MFY21 collections trends suggest that customer behaviour is largely intact, and secured businesses are more resilient. Financiers are also incrementally focused on scaling up secured lending – be it in home loans, car loans or gold loans, top rated corporates or SMEs. Risk appetite is low and balance sheet will continue to be judiciously and prudently leveraged for unsecured lending.

  Also, in general, across product categories, financiers are smoothening processes, tightening standards, recalibrating scorecards, and enhancing screening and monitoring risks. With comprehensive customer assessment, they are deepening their presence, especially in the middle and bottom of the pyramid.

- **Entire cost structure reimagined.** Covid pandemic forced Indian financiers to reimagine the 'traditional – physical' customer acquisition route and also deep-dive into current cost structure. During past nine months, they have not only built robust ;digital customer acquisition platform', but also reinvented the entire end-to-end financial transaction journey by digitisation. Similarly, on the other hand, the shift in customer preference towards transacting via digital mode than the traditional brick & mortar route provided an excellent opportunity for financiers to deep-dive into existing cost structure. Our interaction with industry players suggest that greater adoption of 'work from home' concept by employees and increased customer acquisition via digital route (incremental branch size could be lower) would permanently save some cost on real estate. Further, by improving efficiency and productivity, man hours can be saved and costs reduced.

- **Consolidation in the space.** While the 'new normal' throws equal opportunities to all incumbents, we believe industry-leaders having experienced several business cycles are responding with a new rhythm redefining, refocusing and reorienting their approach and thinking. Many are not letting the crisis time go waste and are undertaking distinct and differentiated initiatives and building capabilities to remain in action, be ahead of the curve and make their businesses bigger, leaner and better. The market share movement across participants during past 12 months exhibits how strong players are getting stronger and the weak getting marginalised.

Likely short-term trends to emerge:

- **Lower collection in coming months amidst rising disruption:** Acceleration in Covid cases, if prolonged for some more time with broad-based disruption risk, can lead to moderation in activity levels and dent business/consumer confidence. While secured products showed strong resiliency during the first lockdown (with collections reaching pre-Covid levels quicker than earlier expectations), it has deferred the revival of some vulnerable segments, e.g. hospitality, tourism, MSME, MFI, etc. Further, credit behaviour of customers from restructured and ECLGS pool would be key thing to monitor if lockdown is extended for >1 month. .
- **Chasing better quality lending segments will weigh on margins.** *A combination of preference to maintain highly liquid balance sheet and low risk appetite in the system could result in lower credit offtake and lower NIMs.* Lenders are chasing better quality assets and the space is getting increasingly competitive. We are also towards the bottom of rate cycle and the benefit of lower funding cost will support NIMs now.
- **Rising collection intensity comes at a cost:** Given the present circumstances, focus, priority and bandwidth is channelised more towards collection. In fact, banks are employing collection agencies, collection staff and setting up collection infrastructure. The cost of collections has risen manifold with the intention to contain credit risk.

Table 1: Valuations: Long-term value/growth drivers offsetting intermediate disruptions

Banks

Particulars	CMP	Rating	P/E (x)			P/BV (x)			P/ABV (x)		
			FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
HDFC Bank	1,440	**BUY**	24.6	21.0	17.8	3.9	3.4	2.9	3.9	3.4	3.0
Axis Bank	678	**BUY**	28.6	12.4	10.4	1.9	1.7	1.5	2.0	1.8	1.5
SBI	351	**BUY**	9.7	6.1	4.2	0.8	0.7	0.6	1.0	0.8	0.7
Bandhan Bank	338	**BUY**	21.0	12.2	9.5	3.0	2.5	2.0	3.2	2.6	2.1
Federal Bank	77	**BUY**	11.4	7.9	6.3	0.9	0.8	0.7	1.0	0.9	0.8
City Union Bank	156	**BUY**	19.6	15.6	11.5	1.9	1.7	1.5	2.2	1.9	1.5
DCB Bank	99	**BUY**	9.8	8.0	5.8	0.9	0.8	0.7	1.0	0.9	0.8
Karur Vysya Bank	55	**BUY**	10.3	5.7	4.7	0.6	0.6	0.5	0.7	0.7	0.6
IIB Bank	927	**ADD**	25.3	11.7	9.3	1.8	1.6	1.4	1.9	1.7	1.5
Kotak Mahindra Bank	1,768	**ADD**	37.2	32.3	26.7	4.2	3.8	3.3	4.4	3.9	3.4
AU SFB	1,223	**ADD**	31.5	37.6	29.7	6.1	5.3	4.5	6.5	5.6	4.8
RBL Bank	212	**HOLD**	26.5	10.4	6.9	1.0	0.9	0.8	1.1	1.0	0.9
Yes Bank	16	**HOLD**	N/A	42.2	17.8	1.1	1.0	1.0	1.5	1.4	1.2

Particulars	EPS (Rs)			BV (Rs)			ABV (Rs)			RoAA (%)			RoAE (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
HDFC Bank	56	66	77	355	406	467	348	399	458	1.9	2.0	2.0	16.8	17.2	17.7
Axis Bank	22	50	60	328	369	419	310	353	406	0.7	1.5	1.6	7.2	14.4	15.2
SBI	19	31	44	247	278	322	195	233	283	0.4	0.6	0.8	8.2	11.8	14.8
Bandhan Bank	16	28	36	111	136	170	105	130	164	2.6	3.7	4.0	15.7	22.5	23.3
Federal Bank	6	9	12	79	88	99	72	79	90	0.7	0.9	1.0	8.5	11.3	12.6
City Union Bank	8	10	14	80	89	102	69	80	102	1.2	1.3	1.6	10.5	11.8	14.1
DCB Bank	10	12	17	111	122	138	102	115	131	0.8	0.9	1.1	9.4	10.5	13.2
KVB	5	10	12	89	97	107	73	80	95	0.6	1.0	1.1	6.2	10.4	11.3
IIB Bank	37	79	99	511	579	663	485	550	636	0.9	1.7	1.9	7.6	14.5	16.0
KMB	37	42	51	321	361	411	310	350	399	1.9	2.0	2.1	12.9	12.3	13.2
AU SFB	39	33	41	200	231	269	188	218	254	2.6	1.9	2.0	22.6	15.1	16.5
RBL Bank	8	20	31	210	228	257	191	209	240	0.5	1.2	1.6	4.1	9.3	12.7
Yes Bank	(0)	0	1	15	15	16	11	11	13	(0.1)	0.3	0.8	(0.5)	2.5	5.7

NBFCs

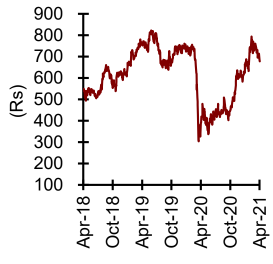
Particulars	CMP	Rating	P/E (x)			P/BV (x)			P/ABV (x)		
			FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
HDFC	2,472	**BUY**	30.7	27.1	18.0	2.4	2.2	1.8	3.0	2.8	2.3
Aavas	2,376	**BUY**	70.4	56.8	48.2	8.0	7.0	6.1	8.1	7.1	6.2
Piramal Enterprises	1,750	**BUY**	23.5	14.4	13.2	2.2	2.1	2.0	N/A	N/A	N/A
Repco	322	**BUY**	6.6	6.4	5.9	1.0	0.9	0.8	1.1	0.9	0.8
Shriram City	1,450	**BUY**	9.7	7.9	6.6	1.2	1.0	0.9	1.4	1.2	1.0
Magma Fincorp	117	**BUY**	29.6	18.6	12.5	1.1	1.0	1.0	1.4	1.3	1.2
PFC	114	**BUY**	3.7	3.9	2.7	0.6	0.6	0.5	0.7	0.7	0.6
JM Financial	85	**BUY**	14.4	11.8	9.7	1.2	1.1	1.0	N/A	N/A	N/A
IIFL Wealth	1,304	**BUY**	31.7	27.1	23.7	3.7	3.6	3.5	N/A	N/A	N/A
Credit Access	617	**BUY**	39.2	16.1	11.6	2.6	2.3	1.9	2.6	2.3	1.9
Spandana	611	**BUY**	19.4	7.7	6.7	1.4	1.2	1.1	1.4	1.2	1.1
MMFS	199	**ADD**	40.0	14.4	12.6	1.6	1.5	1.5	1.9	1.8	1.8
LIC Housing	420	**ADD**	9.1	8.9	7.1	1.0	0.9	0.8	1.3	1.1	1.0
L&T Financial	96	**ADD**	15.2	8.6	8.0	1.3	1.1	1.0	1.4	1.2	1.1
Cholamandalam	540	**HOLD**	25.7	19.9	16.2	4.7	3.7	3.1	5.2	4.2	3.4
PNB Housing	384	**HOLD**	7.6	7.4	4.9	0.7	0.7	0.6	0.9	0.8	0.7

Particulars	EPS (Rs)			BV (Rs)			ABV (Rs)			RoAA (%)			RoAE (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
HDFC	44	49	74	564	609	731	444	475	583	2.0	2.1	2.3	11.5	11.8	13.4
Aavas	34	42	49	299	342	392	293	335	384	3.1	3.2	3.0	11.9	13.0	13.5
PEL	67	109	119	702	750	780	N/A	N/A	N/A	3.0	3.7	3.9	6.5	7.4	7.9
Repco	48	50	55	329	376	428	291	341	395	2.5	2.4	2.5	15.8	14.2	13.7
Shriram City	149	184	221	1,245	1,410	1,612	1,066	1,239	1,447	3.1	3.5	3.6	12.7	13.9	14.6
Magma Fincorp	4	6	9	106	112	121	86	91	101	0.7	1.1	1.5	3.8	5.7	8.0
PFC	31	30	43	189	206	234	160	175	208	2.2	1.9	2.4	16.6	14.8	19.2
JM Financial	6	7	9	72	79	87	N/A	N/A	N/A	3.8	4.6	5.0	9.0	9.5	10.5
IIFL Wealth	41	48	55	352	361	372	N/A	N/A	N/A	0.2	0.2	0.2	11.9	13.5	15.0
Credit Access	16	39	54	237	275	329	237	275	329	1.8	3.7	4.3	7.7	15.0	17.8
Spandana	31	79	91	434	497	570	434	497	570	2.7	5.7	5.6	7.4	17.0	17.1
MMFS	5	13	15	122	131	131	100	107	107	0.8	2.0	2.0	4.5	10.6	11.2
LIC Housing	46	47	59	404	443	494	324	367	420	1.1	0.9	1.1	13.3	11.1	12.7
L&T Financial	6	11	14	76	84	88	70	77	80	1.3	2.1	2.2	8.5	13.9	14.3
Cholamandalam	21	27	33	116	146	177	105	128	159	2.5	2.8	2.9	19.1	20.4	20.7
PNB Housing	51	52	78	525	576	652	442	475	558	1.1	1.2	1.7	10.1	9.5	12.7

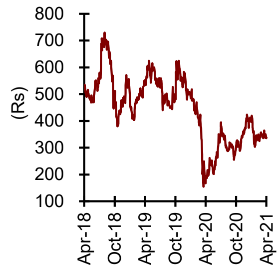
Source: Company, I-Sec research (SBI, Axis, HDFC Bank are standalone)
Note: Prices as on March 7, 2021.

Price charts

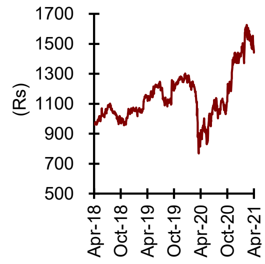
Axis Bank



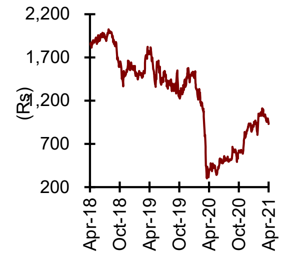
Bandhan Bank



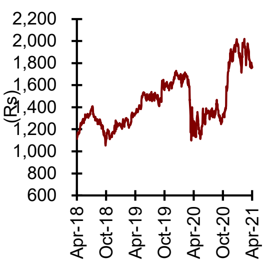
HDFC Bank



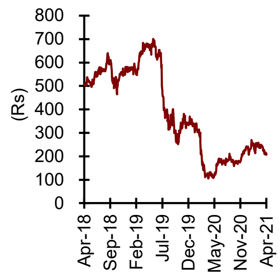
IndusInd Bank



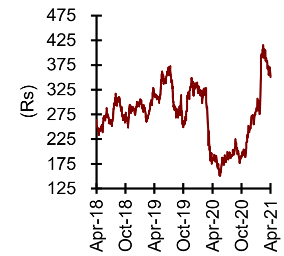
Kotak Mahindra Bank



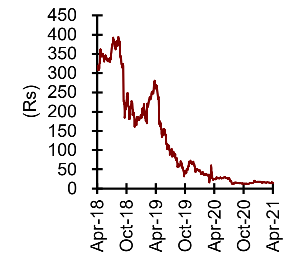
RBL Bank



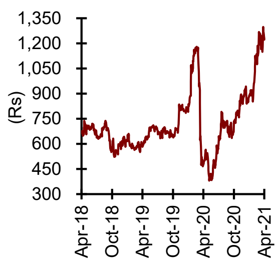
State Bank of India



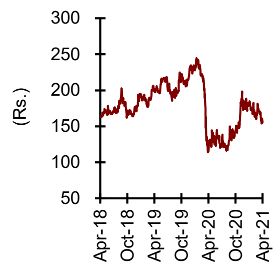
Yes Bank



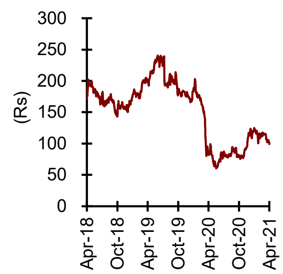
AU SFB



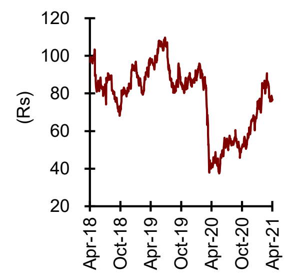
City Union Bank



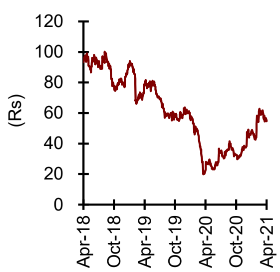
DCB Bank



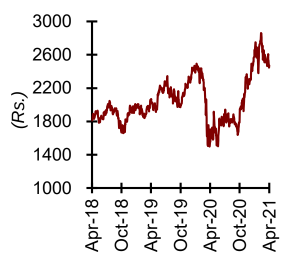
Federal Bank



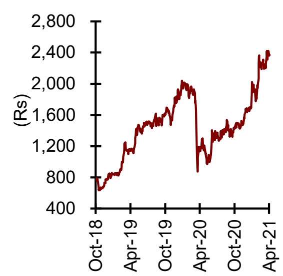
Karur Vysya Bank



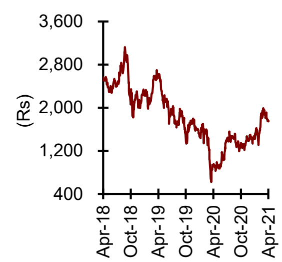
HDFC



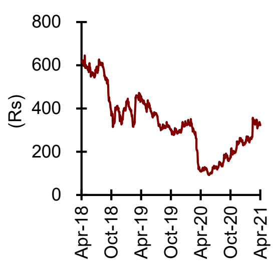
Aavas



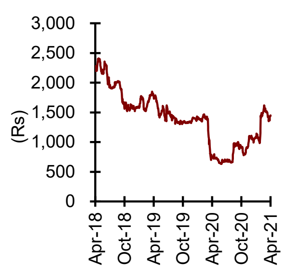
Piramal Enterprises



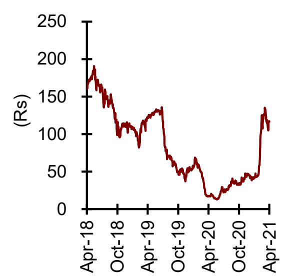
Repco Home Finnace



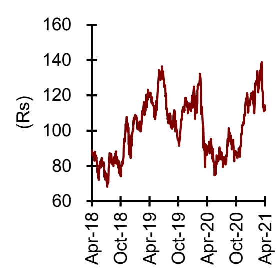
Shriram City Union Bank



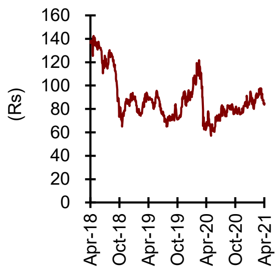
Magma Fincorp



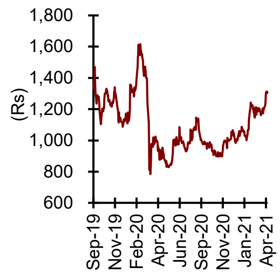
PFC



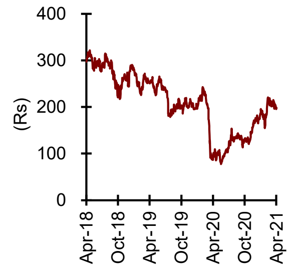
JM Financial



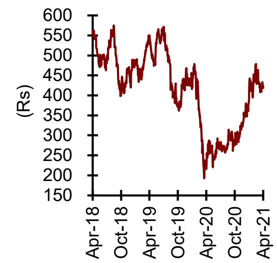
IIFL Wealth



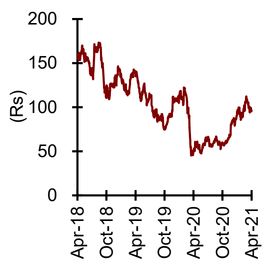
M&M Financial



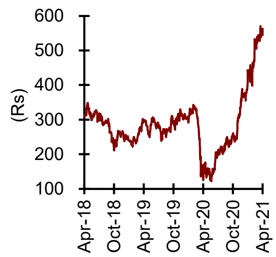
LIC Housing



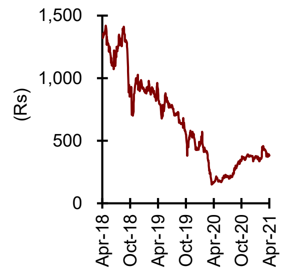
L&T Financial



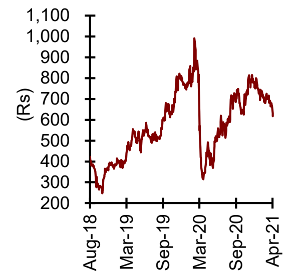
Cholamandalam



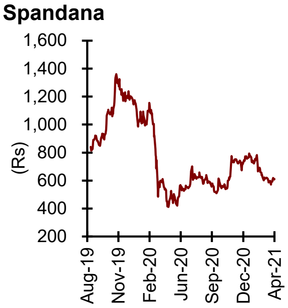
PNB Housing



CreditAccess Gramin



Spandana



Source: Bloomberg

In case of industry/sector reports or a report containing multiple stocks, the rating/recommendation for a particular stock may be based on the last released stock specific report for that company.

This report may be distributed in Singapore by ICICI Securities, Inc. (Singapore branch). Any recipients of this report in Singapore should contact ICICI Securities, Inc. (Singapore branch) in respect of any matters arising from, or in connection with, this report. The contact details of ICICI Securities, Inc. (Singapore branch) are as follows: Address: 10 Collyer Quay, #40-92 Ocean Financial Tower, Singapore - 049315, Tel: +65 6232 2451 and email: navneet_babbar@icicisecuritiesinc.com, Rishi_agrawal@icicisecuritiesinc.com.

"In case of eligible investors based in Japan, charges for brokerage services on execution of transactions do not in substance constitute charge for research reports and no charges are levied for providing research reports to such investors."

New I-Sec investment ratings (all ratings based on absolute return; All ratings and target price refers to 12-month performance horizon, unless mentioned otherwise)
BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return

ANALYST CERTIFICATION
I/We, *Kunal Shah, CA; Renish Bhuva, CFA (ICFAI); Chintan Shah, CA;* 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. Analysts are not registered as research analysts by FINRA and are not associated persons of the ICICI Securities Inc. 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 Institutional 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 Retail 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 an entity are engaged in various financial service businesses, they might have financial interests or beneficial ownership in 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.
This report has not been prepared by ICICI Securities, Inc. However, ICICI Securities, Inc. has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.