Stock Update

Axis Bank Ltd.

December 06, 2021

RETAILRESEARCH

Axis Bank Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Banks	Rs.673	Buy between Rs.676-670 & add more on dips of Rs.614-608	Rs.737	Rs.784	2 quarters

HDFC Scrip Code	AXIBAN
BSE Code	532215
NSE Code	AXISBANK
Bloomberg	AXSB
CMP Dec 03, 2021	673
Equity Capital (Rs mn)	6130
Face Value (Rs)	2
Equity Share O/S (mn)	3,065
Market Cap (Rs bn)	2064.1
ABook Value (Rs)	303
Avg. 52 Wk Volumes	28761294
52 Week High	866.6
52 Week Low	568.45

Share holding Pattern % (Sept, 2021)	
Promoters	11.6
Institutions	81.0
Non Institutions	7.4
Total	100.00

* Refer at the end for explanation on Risk Ratings

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Our Take:

Axis Bank is the third largest private sector bank in India. Over the years it has consistently focused on de-risking its loan book by reducing corporate portfolio and focusing on high margin less risky retail segment. We like Axis Bank because of its strong balance sheet with granular, sticky liability base, lower stress levels, higher PCR (Provision Coverage Ratio) and adequate CAR (Capital Adequacy Ratio). Improved underwriting practices and lower exposure to contextually vulnerable segments will help the Bank become even stronger. The loan book quality has improved significantly post the new top management. The bank is scaling up retail franchise, which is diversified across the segments and ~80% secured with significantly high proportion of ETB (Existing to Bank) and salaried customers. Moreover, it has also changed the strategy for the corporate book. Now the incremental sanctions are done to better rated originations and focus remains on short term loans. We are estimating lower credit cost as majority of the back-book clean-up seems to be over. The bank has also developed significant sources of fee based income which is granular by nature. Some structural changes could improve the margins in longer run. The bank is focused on tech investments and digital initiatives in order to ready itself for the next leg of growth in retail and SME segments.

We had issued Initiating Coverage report on Axis Bank on 5th October, 2020 and recommended Buy at LTP of Rs.443 and add further on dips to Rs.400-408 band, for base case target of Rs.480 and bull case target of Rs.516 over the next two quarters. The bull case target of Rs.516 was achieved on 28th October 2020.

Link for the Initiating Coverage:
https://www.hdfcsec.com/hsl.research.pdf/Axis%20Bank-%20Initiating%20Coverage-05102020.pdf

Valuation & Recommendation:

Axis Bank has posted Q2FY22 results where core operating profit declined due to higher opex and margin decline. Slippages were still high but asset quality was stable, supported by higher recoveries and upgrades. With PCR at 70% and non-NPA provisions at 2.1% of loans, credit costs are likely to remain subdued as the back-book clean-up is nearly complete with B & below portfolio at 1.9% of loans. There could be higher recoveries in the next two-three years than slippages. Going forward, its ability to improve sustainable margins will be key monitorable for any potential re-rating. Scale-up of its high yielding retail portfolio will be the top priority for Axis Bank. We have envisaged 15.8% CAGR in Net Interest Income and 47.6% CAGR in net profit over FY21-FY24E. Further, we have estimated that the loan book would grow at 14.9% CAGR over this period. We expect that asset quality and NIM to improve gradually over FY21-24E. After several false starts over the past few quarters, Axis now seems well on track to normalized credit costs on its road to deliver 1.5% ROA by FY23E. However, it continues to lag its peers on credit growth, which will be a key monitorable.

We feel that investors can buy Axis bank between Rs.676-670 and add more at Rs.614-608 band. We expect the Base case fair value of Rs.737 (~1.54xSA ABV Sep-22+SOTP) and the Bull case fair value of Rs.784 (~1.65xSA ABV Sep-22+SOTP) over the next 2 quarters.

Financial Summary (standalone)

Particulars (Rs bn)	Q2 FY22	Q2 FY21	YoY	Q1FY21	QoQ	FY20	FY21	FY22E	FY23E	FY24E
NII	79.0	73.3	*7.8%*	77.6	*1.8%*	252.1	292.4	329.7	382.7	454.9
PPOP	59.3	69.0	*-14.1%*	64.2	*-7.6%*	234.4	257.0	270.7	328.4	394.8
PAT	31.3	16.8	*86.2%*	21.6	*45.1%*	16.3	65.9	125.4	174.0	211.7
EPS (INR)	10.2	5.7	*79.1%*	7.0	*45.0%*	5.8	21.5	40.9	56.8	69.1
ROAE (%)						2.1	7.1	11.7	14.3	15.3
ROAA (%)						0.2	0.7	1.2	1.5	1.6
ABVPS (INR)						261.5	302.6	347.3	400.6	457.0
P/ABV (x)						2.6	2.2	1.9	1.7	1.5

(Source: Company, HDFC sec)

Recent Developments

Q2FY22 Result Update

Net Interest Income (NII) during the quarter was up by 7.8% YoY and 1.8% QoQ. Margins were down by 7 bps sequentially due to change in mix. Fee income grew 17% YoY and 21% QoQ. Retail fee grew 19% YoY and 23% QoQ; and constituted 63% of the overall fees. Going forward the management expects NIMs to improve which will be mainly driven by low cost deposits and lower slippages. Higher employee expenses (up 37% YoY) resulted in increase in cost to income ratio to 49% vs 39% YoY. Employee expenses for the quarter also comprised of Rs. 720 mn which was on account of policy change from the intrinsic value method to the fair value method for all share-linked instruments granted after 31st March, 2021 and consequently recognized the fair value of options computed using the Black-Scholes model. It has also hired 10,300 employees in last 1 year. Operating profit declined by 14% YoY. However, with lower provision requirements (down 47% QoQ), Axis Bank reported all time high quarterly profit of Rs.31.33 bn in Q2FY22, up 86% YoY.

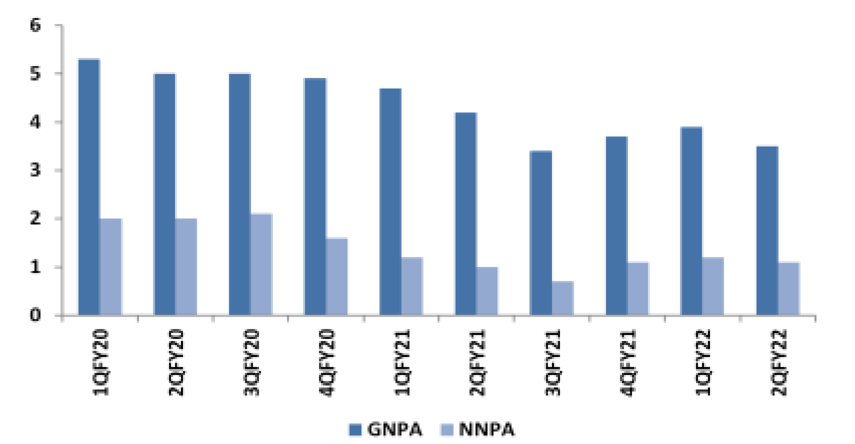
Loan book grew by 10% YoY to Rs. 6.2 trn which was mainly driven by focused business segments (Retail grew 16%, SME grew 18%, and Mid-corporate book grew by 32%). Retail disbursements were up 54% both YoY and QoQ. The number of loan accounts opened in Q2FY22 across most retail secured assets like LAP, Car loans, Small business banking, gold loans were the highest ever, while for home loans Q2 was the second-best quarter ever in disbursement. Home loan disbursements were up 86% YoY and 54% QoQ with small business banking disbursements up 103% and 72% YoY and QoQ respectively. The bank continued to strengthen its granular deposit franchise. In Q2FY22, highest quarterly new liability relationships were added (2.3 mn). Deposits stood at Rs. 7.3 trn which grew by 18% YoY and 4% QoQ. CASA ratio stood at 42%, up 201 bps YoY. More than half a million credit cards were issued in Q2FY22, highest in last 10 quarters.

Asset Quality

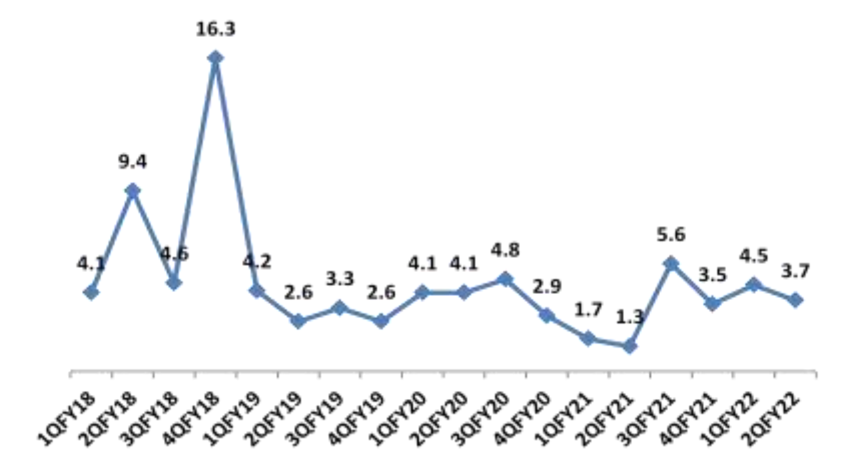
Gross NPA and Net NPA levels during the quarter were at 3.53% and 1.08% respectively as against 3.85% and 1.20% in Q1FY22. The annualized credit costs for Q2FY22 stood at 0.54% declining 116 basis points QoQ. After reporting elevated gross slippages of 4.5% in Q1FY22, Axis reported net slippages of 0.5%, given strong recoveries and upgrades in the retail and SME segments, indicating the transient nature of impairment during the second wave. The restructured book continues to remain well below peers (0.7% of loans). BB & below book decreased by 20bps sequentially to 1.9% of loans and ~79% of corporate slippages were from the BB & below pool. While gross slippages were elevated during the quarter (3.7%), we expect significant reversals in H2 as economic activity further normalises.

On the collections front, cheque bounces remain marginally elevated in Q2FY22 as compared to pre-COVID levels. The concerted collection efforts and investments in collections have resulted in demand resolution for the retail portfolio in the month of September being 98.8% which is better than levels pre-COVID. Recoveries from written off retail accounts in Q2FY22 was 64% higher than Q1 and has been the best quarter in the last few years. The management expects the second half of the year to have lower net NPA additions as compared to H1FY22 given the collection intensity and moderation of delinquency outcomes.

NPA Trend



Slippages Ratio(%)



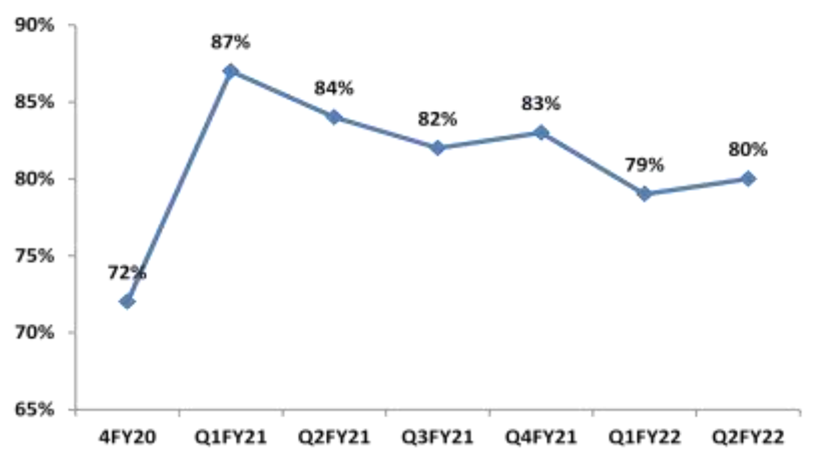
Improved quality of loan book

Axis Bank has consistently focused on de-risking its loan book by reducing corporate portfolio and focusing on high margin less risky retail segment. In the retail segment the Bank has concentrated on secured loans and high proportion customers are Existing to Bank (ETB). While in the corporate and wholesale segment the incremental sanctions are done to better rated originations and that too for short term loans.

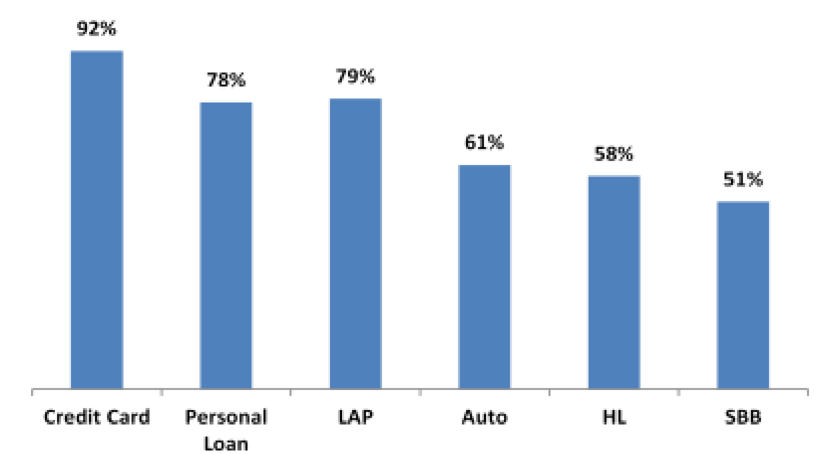
Strong and scaling up retail franchise

The Bank has built a strong Retail Banking franchise in the last decade and offers a wide spectrum of products across deposits, lending, payments, investment products and wealth management services. The Retail franchise has become a key growth as well as revenue driver for the Bank. This recent growth in the Retail Banking business unit's interest income and fee income reflects the strength and diversity of the Bank's core earning streams. Net retail advances to the Bank's total advances has risen to 56% as of Q2FY22 from 47% in FY18. This portfolio is largely made up of housing loans, loans against property, vehicle financing, personal loans and credit cards. Axis Bank's Rs.3.5 trn retail loan book is well diversified and ~80% secured with significantly high proportion of ETB and salaried customers.

Disbursement trends in secured loan



ETB mix in retail portfolio

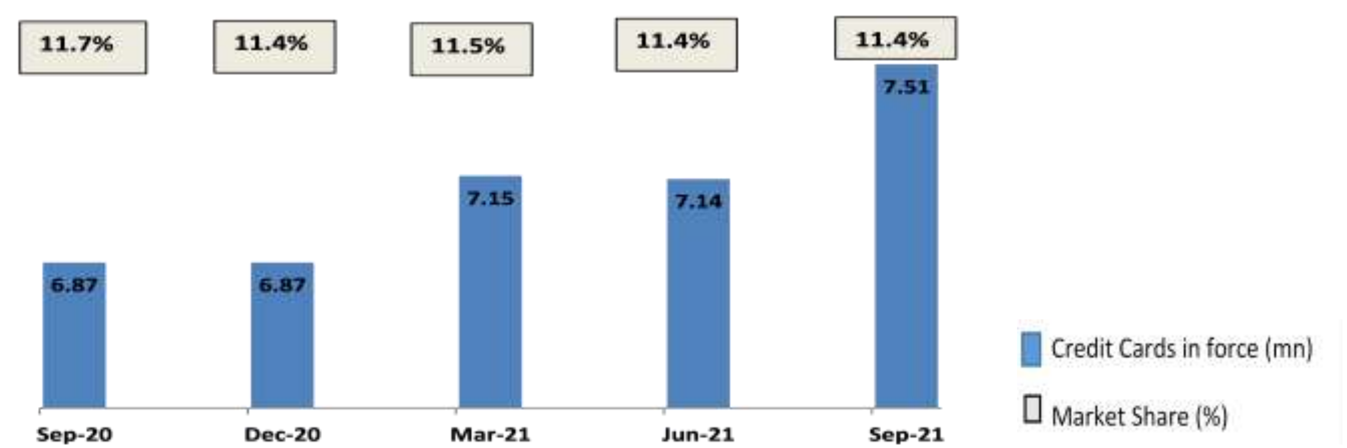


During the quarter also, in retail assets, the number of customer for LAP, car loans and small business loan were the highest ever for any quarter. Retail disbursements were up 54% on both YoY and QoQ basis. The Bank has added 5.5 lakh credit cards in this quarter, a growth of 132% QOQ. Further, the management has informed that as the festive season has begun well they expect further momentum.

Management has also informed that they are witnessing strong demand for the housing loan segment even the Builders have reported reduction in inventory and a good demand for new projects. The Bank's Asha Loans portfolio (Affordable Home Loans) crossed Rs.100 bn in the quarter. The auto loans have been hit due to supply side disruptions. But it continues to on-board new dealers in its dealer financing portfolio. Due to this the passenger car sales industry de-grew by around 40% YoY while the bank's portfolio grew by 37% YoY in Sep-21.

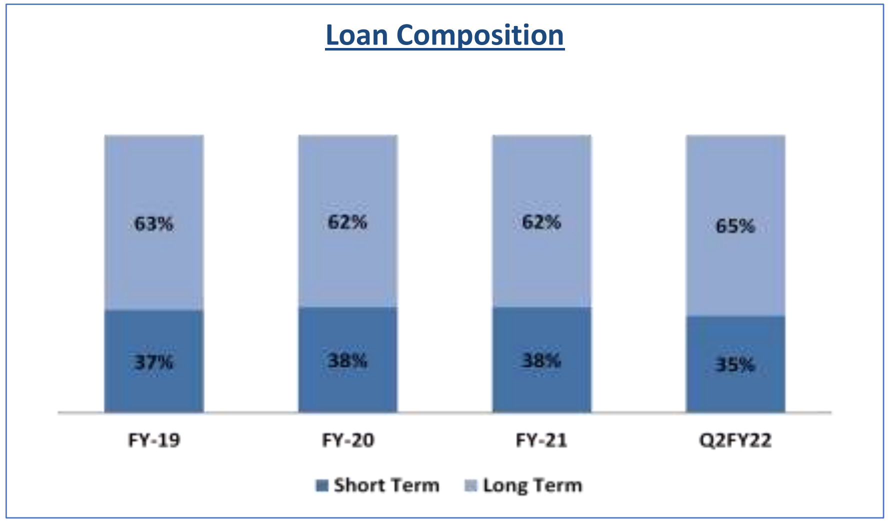
For the growth of credit card business, the Bank has done a few partnerships. The Axis - Flipkart cobranded Card saw highest ever monthly acquisitions through Flipkart platform in Sep-21. On the back of increased card spends, the cards book was up 11% QoQ. The Google Pay, Freecharge and other partnerships are also contributing to the growth in new cards acquisition. Over 25% of cards sourced in Q2FY22 were through Known-To-Bank channel as compared to 21% in FY21. There are also a few large partnerships in the pipeline that will add to the momentum.

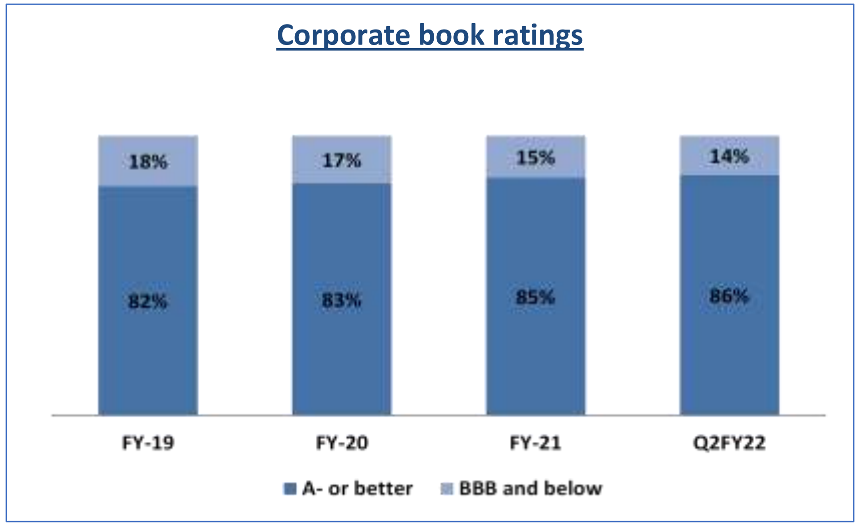
Credit card trend

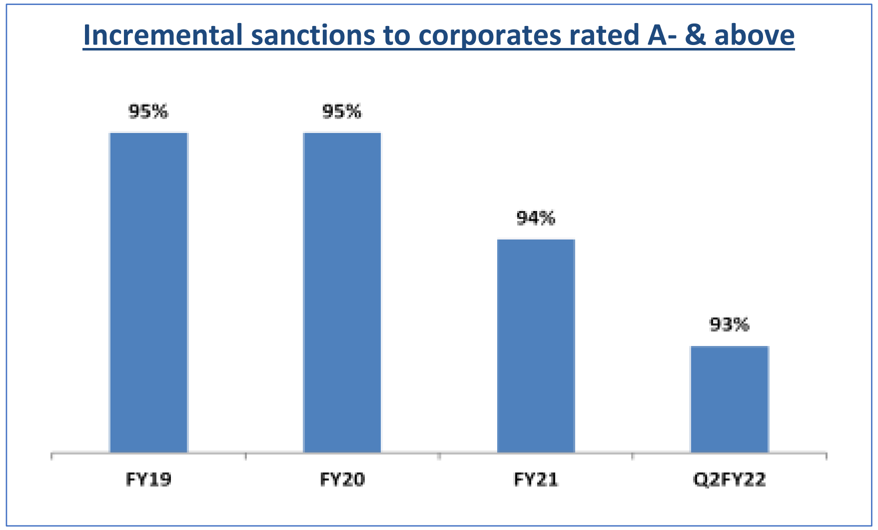


Incremental sanctions of corporate loans to better rated originations and high focus on short term loans.

With the new top management coming on board, there has been a tremendous change in the underwriting standards especially in the corporate and wholesale book. The bank has focused on small and mid-corporate, government and MNC businesses for the segment. Initiated in April, the Bank has also started to invest in Project 'Neo' to build a world class digital corporate bank. 86% of the corporate book of Axis Bank is now rated A- and above. 93% of incremental sanctions in corporate segment are done to A-and above. Further, the bank has opted for short term loan (less than 1 years tenure loans contributes 35%) customers in the segment, which provides high margin and limits the asset quality risk. During the quarter, ~79% of corporate slippages were from the BB & below pool. The average ticket size of BB & below pool is Rs.600 mn.







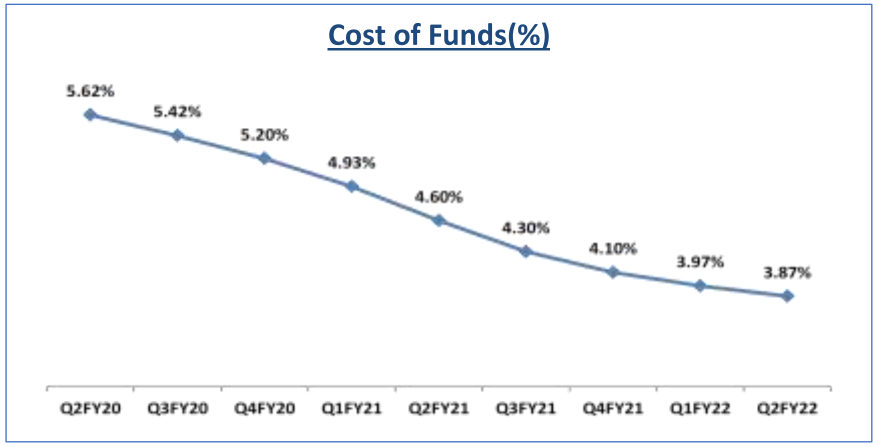
Granular fee income

Axis Bank has developed significant sources of fee based income which accounted for 21% of its FY21 of total income. In addition to loans and other interest-generating products, the bank also generates fee based income from retail as well as corporate segments. Retail fees formed ~63% of the bank's fees, indicating granularity in fee income. The Retail Banking business unit generates fee income from services such as credit cards, foreign exchange cards, mobile payments and point-of-sale payments, among others. These retail businesses also drive cross selling income of various Bank products, such as deposit, wealth management and other services. In FY20, the Bank has created a dedicated team focused on third party products to enhance the Bank's fee income from distribution while offering the product choices for the customers.

In Q2FY22, Fee income grew 17% YOY and 21% QOQ, granular fee constituted 90% of overall fees while retail asset fees (excl cards) grew by 57% YoY. While fee on cards grew 19% YoY, fee from digital channels grew 42% YoY and Third Party products (TPP) distribution fees grew by 25% YoY. Commercial banking fees grew by 6% on a YoY basis and 34% QoQ. There was a 31% YoY and 6% QoQ growth in Trade related and Financial Institutions payments fees. However, despite rise in fee income, non-interest income declined by 0.2% on a YoY basis due to a steep decline of 38.5% YoY in Net treasury income.

Margin should improve

NIM for Q2FY22 stood at 3.39%, representing a decline of 19 basis points YoY and 7 basis points QOQ. It was impacted by product mix. Decline in NIM despite favorable cost of funds is owing to decline in credit to deposit ratio and high growth in overseas book during the quarter. Management has informed that they are expecting a structural improvement in NIM going forward on the back of following reasons; i) improvement in its product mix on the assets side, ii) higher share of low cost deposits and iii) reduction in Rural Infrastructure Development Fund (RIDF) bonds which have a negative spread.



Healthy Capitalization level

In FY21, the Bank successfully raised Rs.100 bn of capital via Qualified Institutional Placement (QIP) issue. The bank had issued 23,80,38,560 equity share of Rs.2 face value each at Rs.420.1 per share. During the quarter, the Bank had successfully raised USD 600 mn in India's first ESG compliant Sustainable AT1 Bond in the overseas market. The Capital Adequacy Ratio (CAR) and CET1 ratio as on 30th September 2021 including H1FY22 profits stood at 20.04% and 15.81% respectively. Additionally, the Bank held Rs.50.12 bn of COVID provisions, not considered for CAR calculation providing cushion of 67 bps over the reported CAR. The Bank's strong balance sheet and healthy capital position could act as a cushion against any probable uncertain eventuality of further asset quality shocks or lower CASA and ensures that the bank is well positioned to capture high market share.

Focused on tech investments and digital initiatives

The bank is focused on tech investments and digital initiatives in order to ready itself for the next leg of growth in retail and SME segments. The Bank also intends to invest in digital solutions for corporate customers in an effort to obtain a greater share of those customers' businesses and increase penetration in under-penetrated sectors.

Axis Bank is well-positioned to build its digital capabilities, and it has made significant investments in technology and digital analytics to underwrite and manage risks and optimize costs. By establishing an IT system that effectively integrates customer service channels, Internet banking, customer service systems and telephone banking including personalized mobile banking and information platforms, the Bank is able to provide its management team with relevant financial and operational data on a real-time basis and serve its customers in an efficient and effective manner.

In FY20, the Bank created a digital banking team and has made reasonable progress with employees working across the Bank's digital and financial technology platforms. Multiple cross-functional garages have been created to deliver end to end digital experience and value propositions in the near future. In FY21, the Bank has started a multi-year technology transformation programme that will accelerate its journey towards the goal of being a sustainable future-ready Bank. They have made significant investment in the 'Business Solutions Group' to drive innovative technology solutions and build greater collaboration between business and technology. They have adopted agile methodology with multiple cross-functional squads working on over 220 high-priority, organisation-wide transformation projects. The execution of these projects have largely remained on track with 50% of them fully completed with promising outcomes in the form of reduction in turnaround times, improved productivity and better customer experience i.e. the implementation of tech-driven transformation project 'Sankalp' in the CBG segment has helped the bank in reducing the loan approval time by nearly 75% while pushing the productivity of RMs up by 2 to 3 times.

Risks & Concerns

- A higher-than-expected deterioration in the asset quality could result in the erosion of the Tier I capital. Fresh formation of bad loans could keep provisioning high and return ratios compressed for a longer time. Further, any delay in the recovery, higher than expected haircuts or sharp rise in the slippages could impact the profitability and business growth prospects.
- The asset quality challenges still persist as observed by higher slippages in both Q1FY22 and Q2FY22. The bank has sizeable exposure to SME and unsecured retail credit that might be at risk due to ongoing disruption. However, prudent provisions provide comfort; management has guided that slippages in H2FY22 will be lower than that of H1.
- Return ratios for Axis Bank remained low due to higher credit cost, high operating cost and lower yield on advances. Management has taken several steps like focusing on high yield products, building up digital infrastructure, giving incremental loans to higher-rated corporate and secured retail loan etc. which could improve the return ratios going ahead.
- Since past many quarters the NIMs of the bank lags behind the other large private sector banks like HDFC Bank, Kotak Mah. Bank, IndusInd Bank etc. which is impacting the profitability. However, the management has informed that many steps have been taken to improve margins structurally. The change in loan book mix (higher focus on retail book) will help the bank lift the margins up. To improve the liability profile, the bank is working on a “premierisation” strategy which will improve the cost of deposit. Further, reliance on RIDF bonds is also reducing. Axis Bank’s hold in corporate salary segment is weaker than ICICI Bank and HDFC Bank. Axis Bank is also working on improving its relatively weak retail term-deposit franchise over the past few years.
- The cost to deposit ratios also remains high for the bank. Axis has reported C/I ratio at 49% compared to ~ 40% by peers. This is due to high technology cost, which ultimately could help the bank fetch higher profitability. Also the bank is hiring talent that can help in the long run.
- The rise in interest rates may impact the loan growth; the bank has high retail facing loan book and high interest rates negatively impacts the demand.
- Softer growth in CASA could increase the cost of funds and impact margins.
- Slower than expected growth of subsidiaries can impact consolidated profitability of the bank.
- There’s lack of clarity over the proposed Axis Spandhana Spoorty deal which has further triggered resignation of Spandana’s MD Padmaja Gangireddy over deal valuation concerns.

Company Background:

Axis Bank is the third largest private sector bank in India. The Bank offers the entire spectrum of financial services to customer segments covering Large and Mid-Corporates, MSME, Agriculture and Retail Businesses. The Bank has a large footprint of 4,679 domestic branches (including extension counters) with 10,970 ATMs & 5,893 cash recyclers spread across the country as of Q2FY22. The Overseas operations of the Bank are spread over eight international offices with branches at Singapore, Dubai (at DIFC) and Gift City-IBU; representative offices at Dhaka, Dubai, Abu Dhabi, Sharjah and an Overseas subsidiary at London, UK. The international offices focus on corporate lending, trade finance, syndication, investment banking and liability businesses.

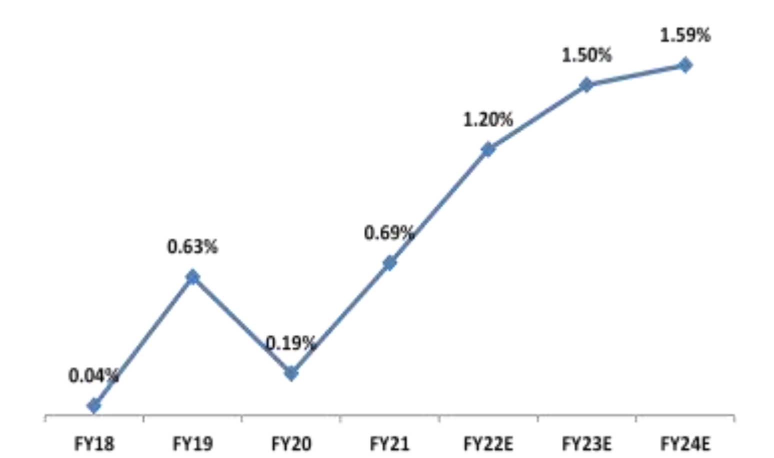
With a balance sheet size of Rs. 9962 bn as on 31st March 2021, Axis Bank has achieved consistent growth with a 5 year CAGR (FY16 to FY21) of 13% each in Total Assets & Advances and 15% in Deposits.

The bank has four key subsidiaries named Axis AMC, Axis Finance, Axis Capital and Axis Securities. On April 6, 2021, Axis Bank, together with its subsidiaries Axis Capital and Axis Securities (collectively referred to as “Axis Entities”) became the co-promoters of Max Life. This was after completion of the acquisition of 12.99% stake collectively by the Axis Entities in Max Life. Under the deal, the Axis Entities have a right to acquire an additional stake of up to 7% in Max Life, in one or more tranches, subject to regulatory approvals.

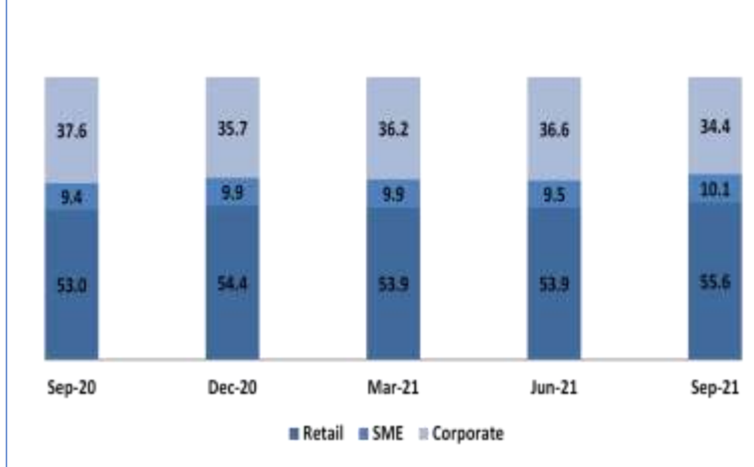
Peer Comparison:

	CMP	P/ABV			P/E			FY21						
		FY21	FY22E	FY23E	FY21	FY22E	FY23E	ROAE (%)	ROAA (%)	NIM %	GNPA %	NNPA %	CASA %	Loan Book (Rs. Bn)
ICICI Bank	716	3.8	3.3	2.9	31.1	23.1	18.3	12.3	1.4	3.75	5.3	1.2	46.3	7337.29
Axis Bank	673	2.2	1.9	1.7	31.3	16.5	11.8	7.1	0.7	3.7	3.7	1.1	44.9	6237.20
Kotak Bank	1914	6.5	5.8	5.1	54.6	47.9	42.5	12.4	1.9	4.7	3.3	1.2	58	2236.89

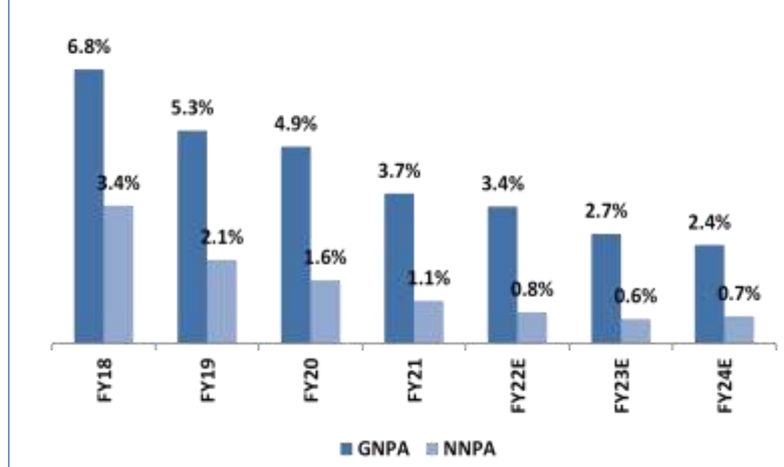
RoAA (%)



Loan Book Mix (%)



NPA Trend



SoTP Valuation Table:

	% Stake	Per Share Value		Valuation Methodology
		Base Case	Bull Case	
Axis Bank (standalone)	100%	661	708	1.54/1.65x Sep-23 ABV of Rs.429
Axis Finance	100%	11	11	1.5x Sep-23 BVPS
Axis AMC	75%	58	58	7% of Sep'23 avg AUM
Axis Capital	100%	13	13	15x Sep-23 EPS
Axis Securities	100%	13	13	15x Sep-23 EPS
Total value of subsidiaries		96	96	
Less: Holding company discount (20%)		19	19	
Total SoTP valuation		**737**	**784**	

Financials (standalone)

Income Statement

(Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Interest earned	6,26,352	6,36,453	6,90,849	7,89,646	9,18,835
Interest expended	3,74,290	3,44,062	3,61,164	4,06,906	4,63,924
Net interest income	**2,52,062**	**2,92,391**	**3,29,685**	**3,82,741**	**4,54,911**
Other income	1,55,366	1,48,382	1,55,169	1,71,195	1,96,662
Treasury income	21,723	23,023	14,031	15,433	17,501
Total income	4,07,428	4,40,773	4,84,854	5,53,936	6,51,573
Operating expenditure	1,73,046	1,83,751	2,14,124	2,25,493	2,56,746
Pre-provisioning operating profit	**2,34,381**	**2,57,022**	**2,70,730**	**3,28,443**	**3,94,828**
Non-tax provisions	1,85,339	1,68,963	1,03,090	95,820	1,11,824
NPA provisions	1,27,555	1,22,048	1,02,471	97,378	98,471
Profit before tax	49,042	88,058	1,67,640	2,32,622	2,83,004
Tax expenditure	32770.1	22173.5	42245.28	58620.77	71316.94
Profit after tax	**16272.1**	**65884.96**	**125394.7**	**174001.3**	**211686.8**

Balance Sheet

(Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Share capital	5,643	6,124	6,124	6,124	6,124
Reserves and surplus	8,43,835	10,09,903	11,28,989	12,87,465	14,74,347
Net worth	**8,49,478**	**10,16,027**	**11,35,114**	**12,93,589**	**14,80,472**
Deposits	64,01,049	70,73,061	79,21,828	91,20,316	106,61,623
CASA	26,37,061	31,77,487	35,58,785	41,02,817	48,41,324
Borrowings	14,79,541	14,28,732	12,97,164	14,18,638	14,89,884
Other liabilities and provisions	4,21,579	4,43,362	5,14,863	5,70,388	6,66,788
Total equity and liabilities	**91,51,648**	**99,61,181**	**108,68,969**	**124,02,932**	**142,98,767**
Cash and cash equivalents	9,72,683	6,17,298	5,11,981	5,37,846	5,00,695
Investments	15,67,343	22,61,196	24,15,939	27,28,477	31,05,346
Government securities	12,19,181	18,07,028	19,35,988	22,13,180	25,51,816
Advances	57,14,242	62,37,202	69,45,510	80,57,392	94,48,950
Fixed assets	43,129	42,450	44,573	46,801	49,141
Other assets	8,54,252	8,03,038	9,50,966	10,32,415	11,94,634
Total assets	**91,51,648**	**99,61,181**	**108,68,969**	**124,02,932**	**142,98,767**

(Source: Company, HDFC sec)

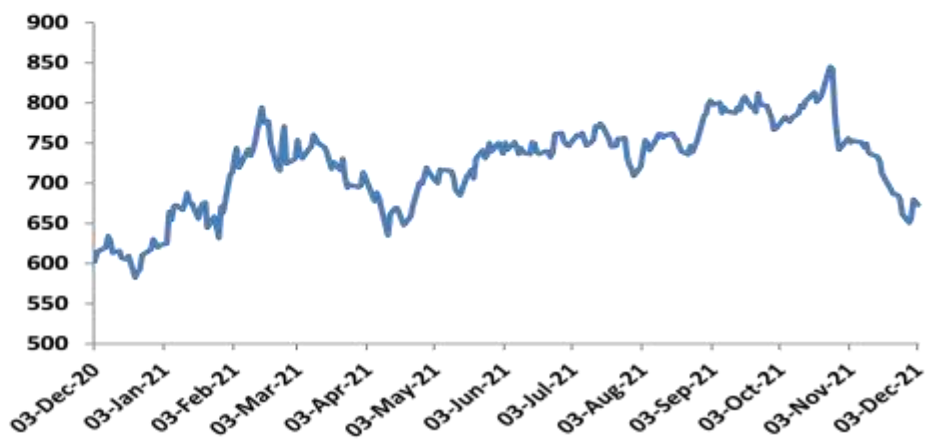
Key Ratio

	FY20	FY21	FY22E	FY23E	FY24E
Valuation metrics					
EPS(Rs.)	6	22	41	57	69
BVPS(Rs.)	301	332	371	422	483
ABVPS(Rs.)	261	303	347	401	457
RoAA	0.2%	0.7%	1.2%	1.5%	1.6%
RoAE	2.1%	7.1%	11.7%	14.3%	15.3%
P/E(x)	116.0	31.3	16.5	11.8	9.7
P/ABV (x)	2.6	2.2	1.9	1.7	1.5
Profitability ratios					
Yield on advances	9.1%	8.0%	7.9%	8.1%	8.1%
Cost of funds	5.0%	4.2%	4.1%	4.1%	4.1%
Cost of deposits	4.9%	4.0%	3.8%	3.8%	3.8%
Core spread	4.1%	4.0%	4.1%	4.2%	4.3%
Net interest margin	3.5%	3.7%	3.6%	3.8%	3.9%
Operating efficiency ratios					
Cost-average assets	2.0%	1.9%	2.1%	1.9%	1.9%
Cost-income	42.5%	41.7%	44.2%	40.7%	39.4%

Key Ratio

	FY20	FY21	FY22E	FY23E	FY24E
Balance sheet structure ratios					
Loan growth	15.5%	9.2%	11.4%	16.0%	17.3%
Deposit growth	16.7%	10.5%	12.0%	15.1%	16.9%
C/D ratio	89.3%	88.2%	87.7%	88.3%	88.6%
CASA	41.2%	44.9%	44.9%	45.0%	45.4%
CRAR	17.5%	19.1%	18.9%	18.5%	18.1%
Tier 1	14.5%	16.5%	16.5%	16.4%	16.3%
Asset quality metrics					
Gross NPAs (Rs. mn)	3,02,347	2,53,148	2,34,810	2,18,110	2,29,483
Net NPAs(Rs. mn)	93,604	71,259	53,480	48,589	62,913
PCR	69.0%	71.9%	77.2%	77.7%	72.6%
GNPA	4.9%	3.7%	3.4%	2.7%	2.4%
NNPA	1.6%	1.1%	0.8%	0.6%	0.7%
Slippages	3.7%	2.9%	2.6%	2.0%	1.9%
Credit costs	2.4%	2.0%	1.6%	1.3%	1.1%

One Year Price Chart



HDFC Sec Retail Research Rating description

Green Rating stocks
This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks
This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks
This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicality of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

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