Stock Update

CSB Bank Ltd.

June 26, 2023

RETAILRESEARCH

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20 YEARS

CSB Bank Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Banks	Rs.270	Buy in the band of Rs.267-272 & add more on dips to Rs.237-242 band	Rs. 301	Rs. 327	2-3 quarters

HDFC Scrip Code	CSBBAN
BSE Code	542867
NSE Code	CSBBANK
Bloomberg	CSBBANK IN
CMP June 23 , 2023	270
Equity Capital (Rs Cr)	174
Face Value (Rs)	10
Equity Share O/S (Cr)	17.4
Market Cap (Rs Cr)	4,685
Adjusted Book Value (Rs)	181
Avg. 52 Wk Volumes	5,29,106
52 Week High	297
52 Week Low	186

Share holding Pattern % (March, 2023)	
Promoters	49.7
Institutions	17.4
Non Institutions	32.9
Total	100.00

* Refer at the end for explanation on Risk Ratings

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Our Take:

CSB Bank is a century old private sector bank in India having a strong base in Southern India. After being taken over by new promoters (Toronto-based Fairfax group) in October 2018, the real transformation had started. Changes like creating new brand image, funding the capital for growth, strengthening top management by bringing in new experienced people, product-based lending approach etc. were implemented. And now after achieving critical transformation, the bank has continued its focus on growth. Aggressive branch expansion, digitization & technology on boarding, improving CASA ratio to lower cost of funds, strengthening retail segment by launching new product suite are a few key focused areas. The new management has laid down a growth plan – Sustain, Build, Scale 2030 i.e., SBS 2030, according to which there will be healthy growth over 3 years and it will further accelerate thereafter. The bank is well capitalized to fund growth without having to raising capital at least in next one year. Over dependence on gold loans and South India being a key market place brings concentration risk. The Bank has opened 100 branches each in three consecutive financial years (FY21, FY22 and FY23).

Previously, we had issued a stock update report on CSB Bank (link) on 3rd April, 2023 with targets of Rs. 270 and Rs. 295. These were achieved on 27th April, 2023.

Valuation & Recommendation:

The Bank reported healthy growth numbers in the in Q4FY23 as well as overall FY23. Deposits grew 21% for the year (up 8% QoQ) out of which CASA deposits grew 16% (up 11% QoQ). Gross advances rose 31% YoY (up 12% QoQ) out of which advances against Gold and Gold Jewellery rose 48% YoY (up 10% QoQ). Non gold loans have started to grow healthily as well. The bank has strong provision coverage ratio of 92% including write offs (excluding write-offs, PCR stood at 72.7%). The asset quality of the bank has improved significantly over last one year and the trend of strong recoveries and upgrades are expected to continue. We have envisaged 18% CAGR in its advances over FY23-25E, while its NII and PAT increasing by 19% and 13% CAGR respectively over the same period.

We believe that investors can buy CSB Bank in the band of Rs. 267-272 (1.1xFY25E ABV) and add more on dips in the band of Rs. 237-242(0.95xFY25E ABV) for the base case fair value of Rs. 301 (1.2xFY25E ABV) and for the bull case fair value of Rs. 327 (1.3xFY25E ABV) over the next 2-3 quarters.

Financial Summary (Rs. in cr)

	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	FY21	FY22	FY23	FY24E	FY25E
NII	348.5	303.8	14.7	349.7	-0.4	941.4	1153.3	1333.9	1639.2	1894.8
PPP	201.9	142.1	42.1	193.4	4.4	613.2	613.8	707.4	873.0	1003.0
PAT	156.5	130.7	19.8	156.0	0.4	218.4	459.1	547.5	619.8	695.1
EPS (Rs)						12.6	26.5	31.6	35.7	40.1
P/E (x)						21.4	10.2	8.5	7.6	6.7
P/ABV (x)						2.3	1.8	1.5	1.3	1.1
RoAA (%)						1.0	1.9	2.0	2.0	1.9

(Source: Company, HDFC sec)

Revision in Estimates (Rs. in cr)

	FY24E			FY25E		
	Old	New	% Change	Old	New	% Change
Advances	23342	24368	4.4	28011	28632	2.2
NII	1602	1639	2.3	1905	1895	-0.5
PPOP	820	873	6.5	994	1003	0.9
PAT	580	620	6.9	688	695	1.0
EPS	33.4	35.7	6.9	39.7	40.1	0.9

(Source: Company, HDFC sec)

Recent Developments

Q4FY23 Result Update

The bank has continued with its growth momentum in Q4FY23. Net Interest Income stood at Rs. 348 crores which is up 15% YoY but flat sequentially. This flat sequential growth in NII was on account of growth in interest expenses outpacing the growth in interest income. The bank's yield on advances stood at 11.17%, as against 11.02% in Q3FY23 and 11.19% in Q4FY22. On the other hand, the cost of deposit stood at 4.85%, rising by 64/55bps YoY/QoQ. The bank reported NIM of 5.38% as against 5.8% in Q3FY23 and 5.42% in Q4FY22. Other Income stands at Rs. 126 crores, up 99/40% YoY/QoQ. Almost half of the non-interest income was contributed by processing fees and commission income which is up 305/49% and 38/37% YoY/QoQ respectively. The Operating expenses of the bank stood at Rs. 273 crores which is up 21/11% YoY/QoQ. The major contributors to this increase in opex were new branch openings and high recruitment of human resource at the bank. Bank's Pre-Provision Operating Profit stood at Rs.202 crores, up 42/4% YoY/QoQ, while the net profit stood at Rs.156 crores, up 20% YoY but flat sequentially.

The bank has reported healthy growth in loan book, up 31% YoY and 12% sequentially. This was supported by impressive growth in the gold loan book of 48/10% YoY/QoQ. On the liability side, CASA balance stood at Rs. 7,886 crores which is up 16/11% YoY/QoQ. Overall deposit growth was 21/8% YoY/QoQ and stood at Rs. 24,506 crores. Further, the bank has a comfortable Liquidity Coverage Ratio of 123%. Its quarterly RoA stood at 2.23% as against 2.37% in Q3FY23 and 2.13% in Q4FY22.

	Distribution (%)			
	Branch	Deposits	Advances	CASA
Kerala	38%	55%	27%	57%
Tamil Nadu	17%	18%	29%	16%
Maharashtra	9%	13%	22%	15%
Andhra Pradesh	11%	1%	5%	1%
Karnataka	6%	4%	6%	3%
Others	19%	9%	11%	8%

(Source: Company, HDFC sec)

Concall Highlights

- The bank is investing in major technological initiatives for which capex are expected to be apportioned over next three to five years.
- It plans to open over 100 branches in FY24, of which 60% will be situated in North and West regions, thereby progressing towards its geographical diversification goals. It also wishes to tap CASA balances by expanding to these geographies.
- The credit costs are expected to be under 40bps for next three to four years.
- The bank expects growth in its opex on account of expanding its digital and physical reach which would lead to cost to income ratios within range of 55-60% in the short run and eventually at 40-45% by FY30.
- The bank is ready to witness a higher Credit-Deposit ratio in order to tap the demand for its loan products.
- In H2FY23, the bank hired almost 2,200 employees and going forward, the bank wishes to continue its recruitment drive in order to achieve its goal set under the SBS 2030 strategy.

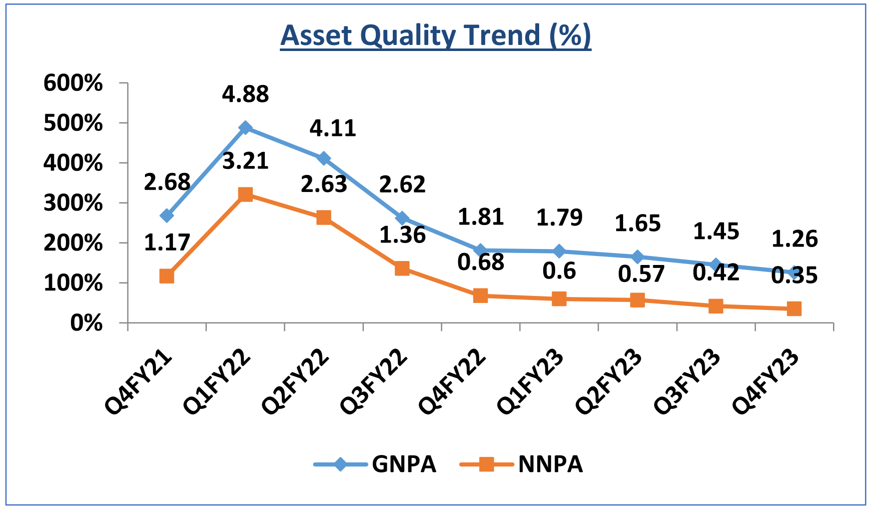
Robust capital base

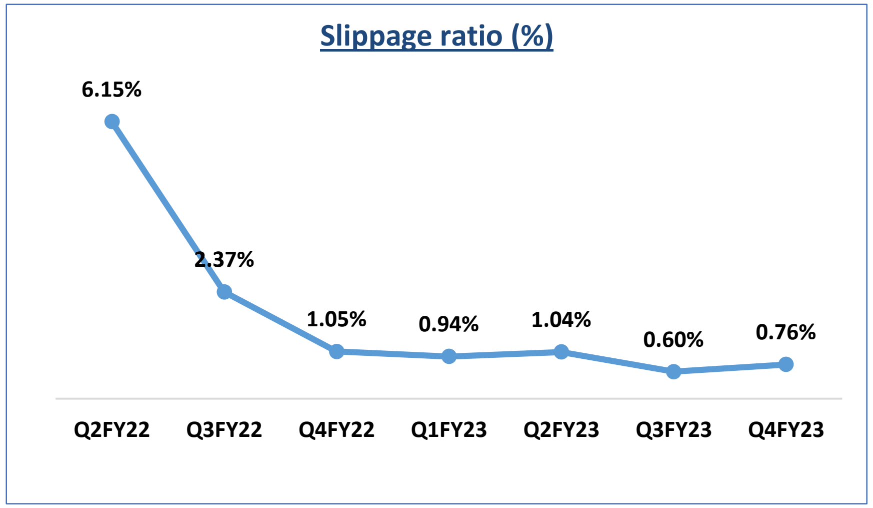
The bank has a very healthy capital adequacy level post fund infusion by promoters and subsequent IPO fund raise. Further, loan book is tilted towards gold loans which results lower risk weighted assets. As of Q4FY23, the Capital Adequacy Ratio (CAR) stood at 27.1%, which is well above the regulatory requirement of 12%. The bank’s Tier I capital stood at 25.9%. There are very few banks in India, which has CAR above 25% level.

Significant improvement in asset quality

The bank has reported Rs. 35 crores worth of slippages (~0.8%) in the quarter. The impact of slippages on the NPA levels was largely offset by strong recoveries, upgrades and write offs of Rs. 44 crores. As of Q4FY23, the GNPA stood at 1.26%, down 55/19 bps YoY/QoQ and NNPA stood at 0.35%, down 33/7 bps YoY/QoQ. Including Write offs, the bank has a Provision Coverage Ratio of 92.1%, as against 91.9% in Q3FY23 and 89.65% in Q4FY22. It reported negative credit costs for Q4FY23 as well as for the entire FY23. Contingency provisions accounted in the book are 1.5 times its NNPA. The bank has contingency provisions worth Rs. 106 crores as at the end of Q4FY23. Further, it aims to maintain gross and net NPA below 2% and below 1% over the long-term period. The bank has fully provided for it Security Receipts (SR) portfolio as of FY23. Hence any subsequent recovery from this portfolio will be credited to the P&L Account in the future. Its restructured book stood at 0.16% of its gross advances as of Q4FY23 as against 0.2% in Q3FY23 and 0.53% in Q4FY22.

Rating wise, 95% of corporate advances are externally rated of which only 9% are having BBB & below rating. The bank rates SME accounts internally and 92% of SME advances are rated as Low/Medium risk categories.

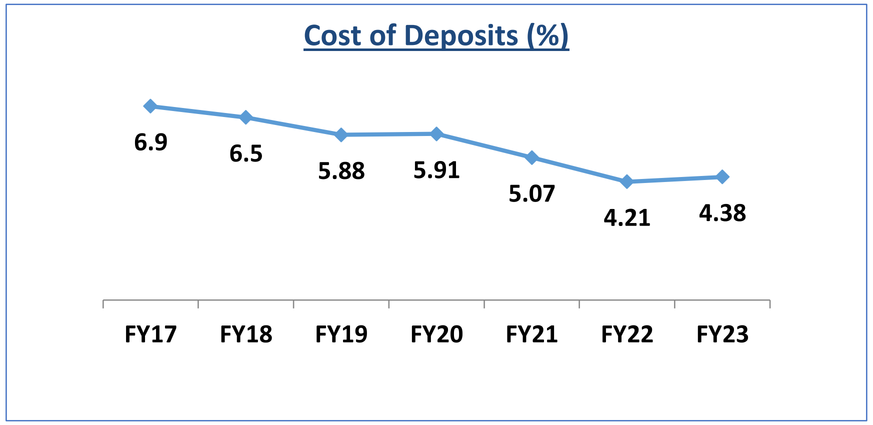


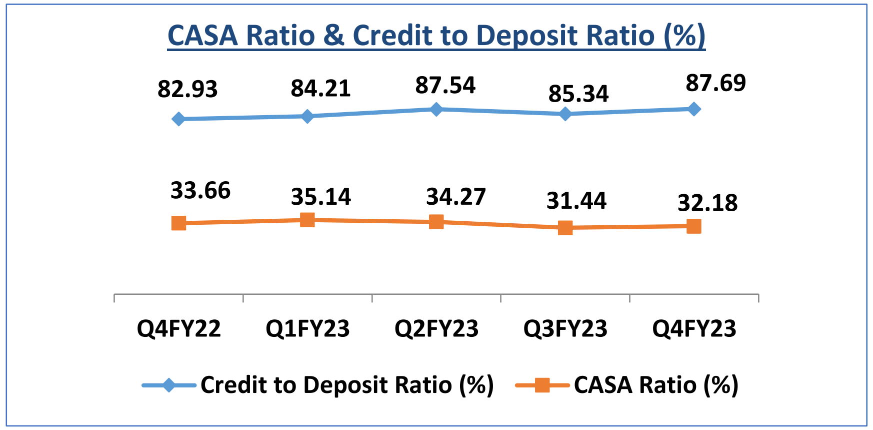


(Source: Company, HDFC sec)

Improving liability side of the balance sheet

Being a community linked south focused bank, the deposit base of CSB bank has remained sticky. It has created a brand name among NRIs (non-resident Indians) in the Southern region which has provided steady inflow and stability to its deposit base. The bank also benefits substantially from a sticky and large NRI deposit base which too has remained stable. The Deposit renewal rate over the past five years has remained at above 90%. However, the CASA ratio at 32.18% (down 148 bps YoY) remains lower compared to its peers. However, in Q4FY23, the bank saw its CASA deposits rise by 11%. The bank is in the process of setting up technology and products to garner more CASA deposits. As per the management, it may take at least 12 months to see growth in the CASA ratios. We will remain watchful on this parameter as the liquidity in the system is drying out; the Credit-Deposit ratio of the bank stands at 87.69% vs 85.34% in Q3FY23. Further, the cost of deposits for Q4FY23 stood at 4.85% as against 4.3% in Q3FY23. In the concall, the management specified its will to target advances growth even at the cost of sacrificing margins to some extent. Due to this reason, the bank is maintaining a healthy liquidity and capital adequacy levels. Further, the bank has bought down its Certificate of Deposits from Rs. 520 crores in March 2022 to Rs. 96 crores in March 2023, as the bank does not want to commit to long term liabilities and expose itself to fixed rates of interest. The bank is also actively expanding into the newer geographies. In order to achieve its goals, it will be more than necessary for the bank to increase deposits so as to meet the growth potential in advances.





(Source: Company, HDFC sec)

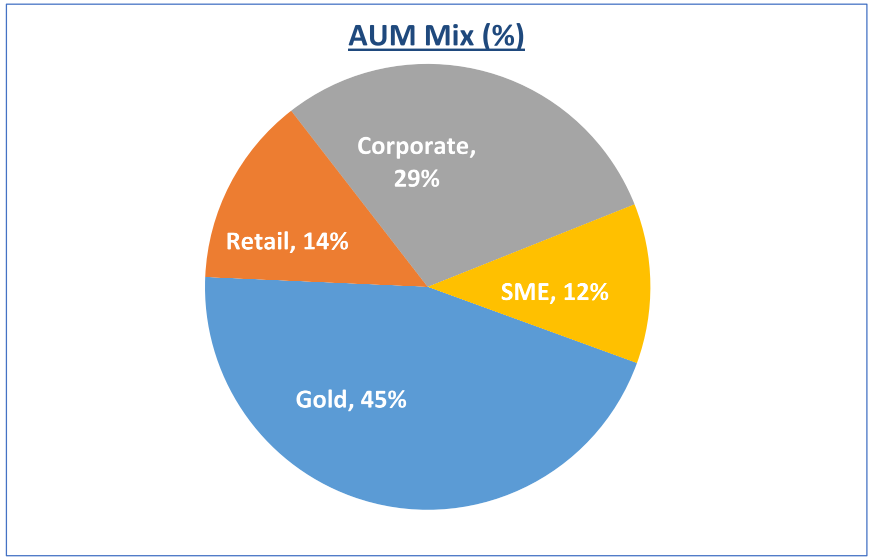
Gold loans driven loan book growth

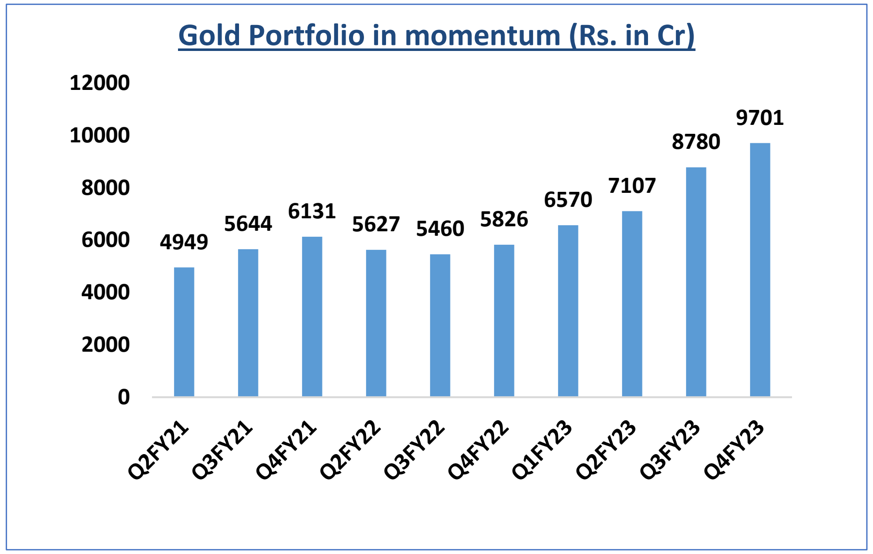
Total Gross Advances of the bank grew by 28/11% YoY/QoQ, and stood at Rs. 21,489 Cr as at the end of Q4FY23. The growth was supported by gold loans, which grew by 48/10% YoY/QoQ, accounting for 45% of the bank's loan book. Further, the gold loan book contributed 66% of incremental YoY credit growth. Gold loan growth was on the back of tonnage growth coming from existing as well as new customers. The bank has an LTV (Loan to Value) ratio of 73% and 24.41 tonnes of gold in collateral, up 30% YoY. The book has yielded 11.44% to the bank with 0.19% NPAs. The gold loans extended by the bank primarily carry a fixed rate of interest.

The bank's retail book has also shown good traction, growing by 30/18% YoY/QoQ and stood at Rs. 2,966 crores. The bank has changed its strategy and is now focusing on expanding its retail book which now accounts for 14% of the overall loan book, as against 13% at the end of Q3FY23. The retail book of the bank consists of both fixed as well as variable rate loans. On the other hand, its corporate book grew by 16/10% YoY/QoQ and stood at Rs. 6,332 crores, accounting for 29% of the overall mix, as against 30% in the previous quarter. The corporate book of the bank is MCLR linked.

The bank's SME book stood at Rs. 2,491 crores, and is up 2/9% YoY/QoQ. In Q3FY23, this book displayed YoY de-growth and the management in the con-call had mentioned that the risk adjusted returns in this segment were not attractive and hence the de-growth. However, in Q4FY23, this book grew by 9% QoQ and the management feels that going forward, this book could be the growth engine of the loan book, backed by the current account and team transaction banking vertical, while expanding pan-India branches. Further, these SME loans are repo linked and hence are reset faster.

The yield on bank's advances stood at 11.17% for Q4FY23 as against 11.02% in Q3FY23 and 11.19% in Q4FY22. The split between fixed rate loans/MCLR linked/repo linked/others as of Q4FY23 stood at 58/27/11/4%.





(Source: Company, HDFC sec)

Senior management team has been strengthened

FIHM (Fairfax India Holdings Mauritius) acquired 51% stake in CSB bank in Oct 2018. Since then the transformation journey of the bank started. As a part of which a lot of senior level managers were hired in last 2-3 years. New team at the helm has introduced a new long term growth strategy SBS 2030. Mr. Pralay Mondal joined in Sep, 2020 as President - Retail, SME, Operations, IT and was later promoted as MD & CEO in March 2022. He has 33 years of experience having worked with banks like Axis Bank, Yes Bank, HDFC Bank and Standard Chartered. He is a graduate from IIT, Kharagpur and a management graduate from IIM, Calcutta. Mr. Shyam Mani joined in Nov 2020 as Head – SME & NRI Banking. Prior to which he was Global Indian Banking (NRI Banking) at Yes Bank. Mr. Narendra Dixit joined in Nov 2020 as Head – Retail Banking and Mr. Runa Das was joined in Mar 2021 as Head – Wholesale.

Long term strategy- "SBS 2030"

CSB Bank has embarked on a journey of Sustain - Build – Scale 2030 i.e., SBS 2030. The bank aims to Sustain its strong foundation and critical strengths, Build the future highway through investments in technology, digital infrastructure, partnerships, leadership, products, processes etc. and Scale the bank to the next level of Growth and Excellence.

The vision for the Bank is to create a Strong and Scalable Retail & SME franchise, while continuing to grow gold loan business. The bank is in process of setting up a retail asset franchise with all the products, systems and processes in place; these efforts will expand its presence. In parallel it is also building a strong CASA franchise through quality customer acquisition. The focus on the liability side will be on creating a granular retail book through seamless customer acquisition and onboarding process with a consistent user experience. SBS 2030 encompasses the expansion of branch networks across India, driving growth through existing and new verticals, enhancing business per branch and optimizing fixed costs through digitization and technology. The bank has opened around 55 branches in Q3FY23 and from next year onwards it is planning to open at least 100 branches every year.

In next three years, the bank aims to grow at a CAGR of 25%; post that, the rate of growth could be higher as the leverage will kick start from the investment in technology, credit, collection and payment ecosystem. By 2030, the retail book (more than 30%) will be major contributor followed by Gold, SME and Wholesale (largely shared equally). Cost to Income ratio is expected to go below 45% by 2030 which for Q4FY23 stood at 57%. Further, on the asset quality front, the target is to maintain GNPA below 2% and NNPA below 1% over a period.

Key enablers for SBS 2030	Key objectives
Good Governance Structure	Focus on Customer Acquisition
Clear Executable Strategy	Growth in granular liability franchise with ever improving CASA Ratio
Board Support and Guidance	Focus on strong operating performance with consistency
Growth Oriented Policy	Initial investments with defined payback period

Building Infrastructure – Physical, Hybrid or Digital	Well capitalized bank with adequate liquidity buffer to manage Economic & Credit Cycles
Robust and Efficient Customer Centric Process	Prudent treasury investment strategy viz. a viz. wholesale funded book growth with the right balance of Risk Vs. Return
Leadership with experience to build and scale franchise with long term vision and commitment	Well diversified retail book to manage cycles
Innovation – Agile / Digital	Relentless focus on Fee business & Non Interest Income earnings
	Enhance coverage, Create segmentation and Whitelist opportunities in Wholesale Business
	Focus on Asset quality, Risk management and strong Collection framework

(Source: Company, HDFC sec)

Digital Milestones:

(Source: Company, HDFC sec)

Risks & Concerns

- Any unfavorable change in rules and regulatory policies can have a negative impact on earnings outlook of the Bank.
- A big risk for the stock is future execution of the management strategy. Failure to abide by it or delay therein could impact financial performance which in turn could erode value for shareholders.
- The Fairfax Group had acquired a total of 50.09% stake at a cost of Rs.140 per share in the bank after which the bank came out with its IPO. Post IPO, the promoter group's stake was reduced to 49.7% in the bank which it continues to hold till date. This holding has to be gradually brought down as mandated by RBI over a period of 15 years from the completion of their investment in the Bank in 2018. Further, the RBI had mandated the promoter group to not sell any holding in the first five years of investment. This period is supposed to end in 2023. However, we do not expect the promoters to sell their stake in near future. Instead based on their advances growth the Bank could go for FPO bringing the stake of Fairfax down. We do not rule out possibility of partial exit for Fairfax in the secondary market over the medium term.
- The bank has CASA Ratio at ~32.18% as of March 2023, which is lower compared to industry peers. Situation is improving on a steady basis off late; however, we will remain watchful on this front especially in the time when liquidity is tight in the system.
- The bank is investing heavily in manpower and technology to be able to garner CASA deposits, retail & wholesale loans. It also has an ambitious plan of opening 100 new branches each year going forward. As a result, its opex and capex are rising. These along with the rising interest rates, will have an impact on the costs of the bank. In such situation, the yield on advances becomes very important for the bank to manage; else profit margins would be detrimentally impacted.
- Rise in G-sec yields could lead to MTM losses for the Bank. Further, it may also impact the loan growth as high interest rates negatively impacts the demand.
- 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.
- Kerala, Tamil Nadu, Maharashtra, Andhra Pradesh and Karnataka together contribute 89% of Advances. Gold loan is 45% of the total loan book as of Q4FY23. This shows that the bank has high concentration both product offering wise as well as geographical presence wise. Emergence of any adverse developments in these geographies/segment could cast a significant negative impact on the bank's performance. The management has however expressed its intention to expand to West and Northern India in the coming years and focus on reducing its reliance on gold loans.
- A sudden decline in the market price of gold may adversely affect the company's financial condition, cash flows and earnings as it may be unable to realize the full value of its pledged gold, which exposes it to a potential loss.
- If we exclude the gold loans, the loan book has grown only 16% YoY. The growth in SME loans has been flat (as the management feels that the risk adjusted returns in this sector are not attractive). On the retail and wholesale side, the bank is investing heavily in

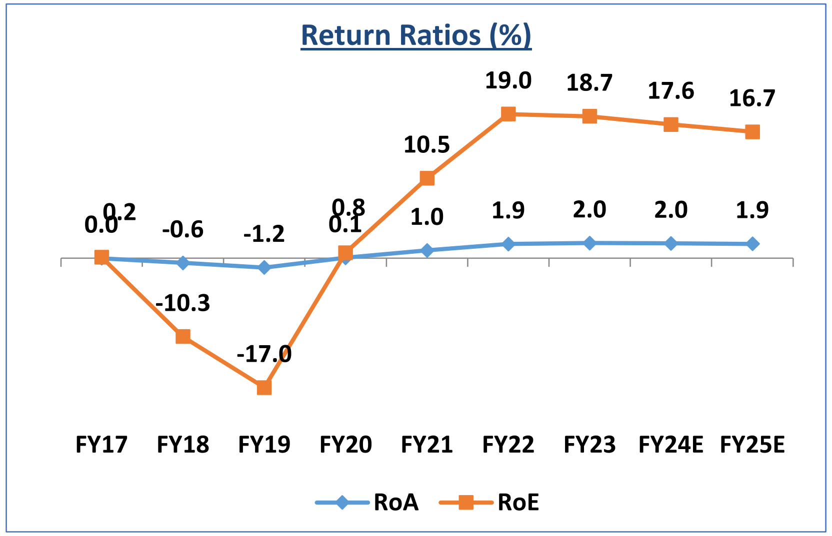
developing technology, products and processes. Based on this, it targets to achieve 15% growth in these sectors in the coming quarters. If this ambitious target isn't met, it can directly impact the NIMs and hence the valuation.

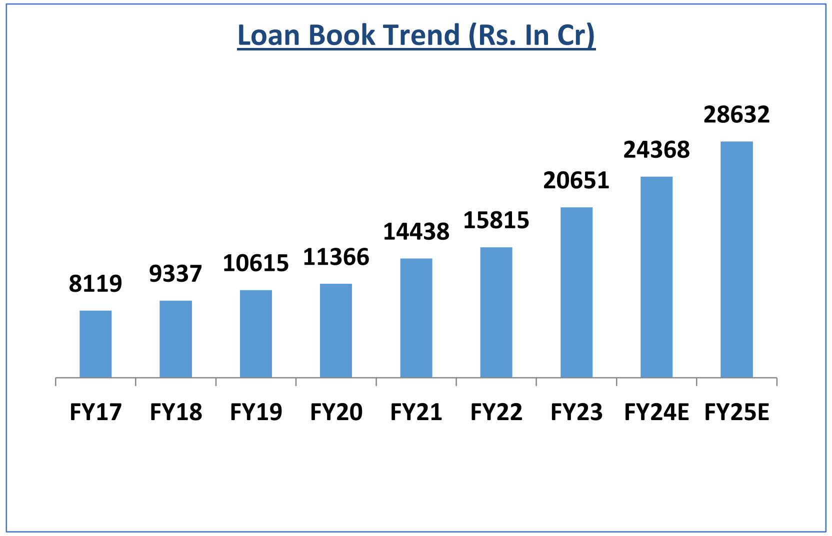
- There was a news report suggesting that Fairfax (promoter) is interested in buying majority stake in IDBI Bank. If that is the case, Fairfax must either sell stake in CSB Bank or going forward may merge both the entities. The bids for the disinvestment in IDBI would open shortly. This could be an overhang on the stock price.
- The Bank has not paid dividend for several years despite healthy profits. This may dissuade some investors.

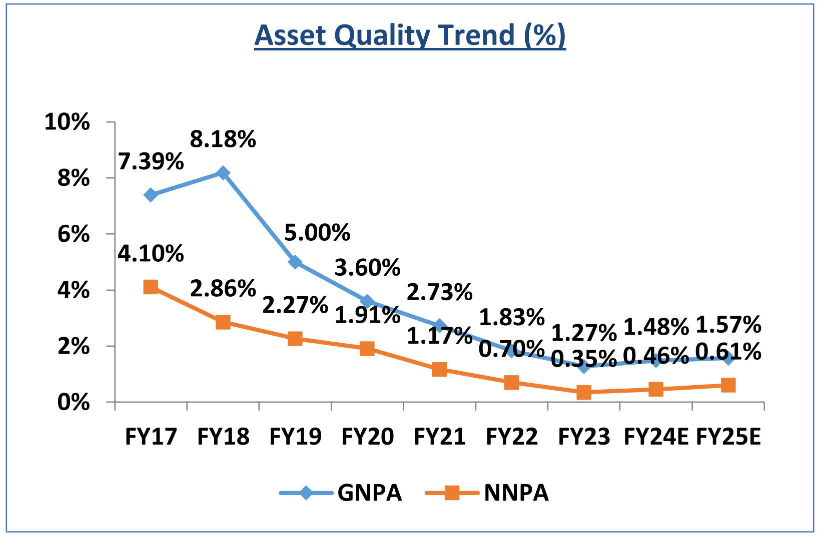
Company Background:

Established in 1920, CSB Bank Ltd (Formerly The Catholic Syrian Bank Limited) is one of the fastest growing private sector banks in India with a significant branch presence in South and steadily increasing network across India with a special thrust on Northern and Western part of the country. The Bank has four segment verticals, namely, SME Banking, Retail banking, Wholesale Banking and Treasury operations. In recent years, the Bank accelerated its transformation process to become a new-age, profit making Bank with innovative leadership, product development, digital banking technology and risk management capabilities.

It delivers the products and services through multiple channels, including 703 branches (excluding three service branches and three asset recovery branches) and 528 ATMs/CRMs spread across the country and various alternate channels such as micro ATMs, debit cards, internet banking, mobile banking, point of sale services, and UPI.







Peer Comparison (with banks having sizeable gold loans in its AUM):

	CMP	P/BV			P/E			FY23						
		FY23P	FY24E	FY25E	FY23P	FY24E	FY25E	ROAE (%)	ROAA (%)	NIM %	GNPA %	NNPA %	CAR	Loan Book (Rs. Cr)
CSB	270	1.5	1.2	1.0	8.5	7.6	6.7	18.7	2.0	5.5	1.3	0.3	27.1	20,651
Federal Bank	122	1.3	1.1	0.9	8.2	7.5	6.5	15.0	1.3	3.0	3.4	0.7	14.8	1,74,447

(Source: Bloomberg, Company, HDFC sec)

Financials

Income Statement

Particulars	FY21	FY22	FY23	FY24E	FY25E
Interest Income	1872	2038	2320	2836	3299
Interest Expenses	931	885	986	1197	1404
Net Interest Income	**941**	**1153**	**1334**	**1639**	**1895**
Non-Interest income	401	247	316	338	371
Operating Income	**1342**	**1400**	**1650**	**1977**	**2266**
Operating Expenses	729	786	942	1104	1263
PPP	613	614	707	873	1003
Provisions & Contingencies	321	-1	-26	45	75
Profit Before Tax	293	615	734	828	928
Tax	74	156	186	208	233
PAT	**218**	**459**	**548**	**620**	**695**

Balance Sheet

Particulars	FY21	FY22	FY23	FY24E	FY25E
Share Capital	174	174	174	174	174
Reserves & Surplus	2007	2478	3030	3650	4345
Shareholder funds	**2180**	**2651**	**3204**	**3823**	**4518**
Deposits	19140	20188	24506	26756	29860
Borrowings	1426	2007	783	2437	3579
Other Liab & Prov.	599	519	670	770	924
SOURCES OF FUNDS	**23345**	**25366**	**29162**	**33787**	**38882**
Cash & Bank Balance	1714	1574	1837	1422	1369
Investment	6126	7012	5849	6434	7077
Advances	14438	15815	20651	24368	28632
Fixed Assets	269	288	319	345	373
Other Assets	798	678	507	1218	1432
TOTAL ASSETS	**23345**	**25366**	**29162**	**33787**	**38882**

(Source: Company, HDFC sec)

CSB Bank Ltd.

Key Ratio

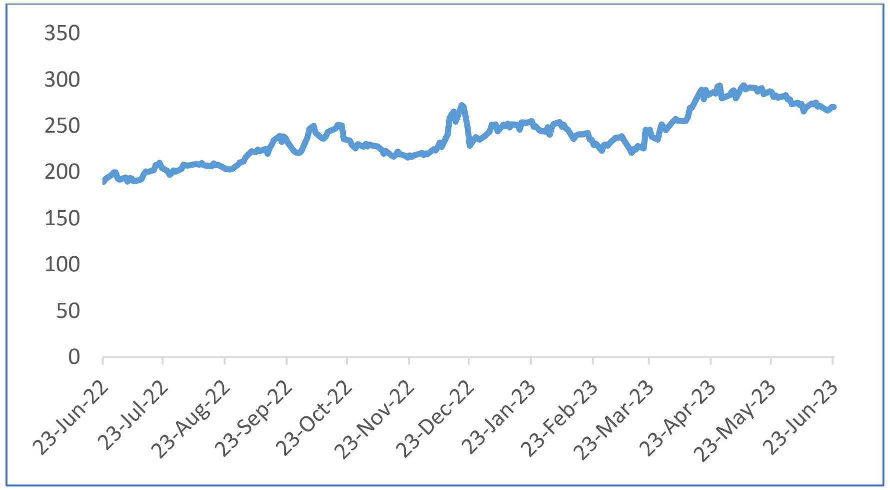
	FY21	FY22	FY23	FY24E	FY25E
Return Ratios					
Calc. Yield on adv	14.5%	13.5%	12.7%	12.6%	12.5%
Calc. Cost of funds	5.0%	4.1%	4.2%	4.1%	4.2%
NIM	4.9%	5.1%	5.3%	5.7%	5.7%
RoAE	10.5%	19.0%	18.7%	17.6%	16.7%
RoAA	1.0%	1.9%	2.0%	2.0%	1.9%
Asset Quality Ratios					
GNPA	2.7%	1.8%	1.3%	1.5%	1.6%
NNPA	1.2%	0.7%	0.3%	0.5%	0.6%
PCR	57.1%	61.6%	72.7%	69.1%	61.2%
Growth Ratios					
Advances	27.0%	9.5%	30.6%	18.0%	17.5%
NII	58.9%	22.5%	15.7%	22.9%	15.6%
PAT	1615.3%	110.2%	19.3%	13.2%	12.2%

(Source: Company, HDFC sec)

Key Ratio

	FY21	FY22	FY23	FY24E	FY25E
Valuation Ratios					
EPS	12.6	26.5	31.6	35.7	40.1
P/E	21.4	10.2	8.5	7.6	6.7
Adj. BVPS	115.9	146.4	180.5	213.9	250.3
P/ABV	2.3	1.8	1.5	1.3	1.1
Dividend per share	0	0	0	0	0
Other Ratios					
Cost-Income	54.3	56.2	57.1	55.8	55.7
CASA	32.2	33.7	32.2	31.5	30.8
CAR	21.4	25.9	27.1	24.9	25.6
Tier 1	20.0	24.3	25.9	24.0	24.8

One Year Price Chart



Varun Nitin Manek

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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.

Disclosure:

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