January 8, 2021

Litmus test on asset quality as restructuring in focus

With progress on unlocking of the economy, the trends in the business parameters for lenders are expected to show positivity on the growth front. Collection efficiencies have shown an upward trend over months while credit offtake has gradually picked up, especially in the retail and agri space. For most lenders, collections are expected to improve beyond 95% mark that was reported in previous quarter. On asset quality, headline NPA numbers will not paint a true picture given standstill classification norms. With end of restructuring window (for corporate, retail), quantum of restructuring is to be watched, which is expected to be at ~2-3% of advances better than earlier estimate.

For banks, NBFCs, following are key expected highlights:

- Business growth is expected to remain moderate with industry advances growth at ~6% YoY, led by sluggish demand from industry segment, cautious approach by lenders and a gradual pick-up in retail loans, especially unsecured products. MSME segment is expected to witness a marginal improvement in disbursement owing to continuance of credit guarantee schemes. Private banks, with healthy capitalisation may grow ~10%, gaining market share from PSU banks. Overall loan growth is expected to be largely driven by retail, MSME and agri loans
- On the deposit front, traction continued to remain healthy at the ~11% mark, with lower interest rates leading to continued traction in low cost deposit on a sequential basis. Reported CASA growth ranges from 5% to 20% on a QoQ basis for banks.
- With standstill asset classification norms persisting, headline NPA numbers should look steady shadowing the real picture on asset quality. However, many lenders had proactively declared NPA on proforma basis and made provisions towards the same in the previous quarter. This trend should continue in the current quarter as well while GNPAs on a proforma basis (without standstill consideration) could be higher by ~50 bps as on Q3FY21 (20-30bps high as on Q2FY21 and further 20-30 bps expected in Q3 at least). The restructuring window is closed so quantum of loans that come up for restructuring would be key to watch. Recent media, management commentary suggest demand for restructuring has been much lower than expected. We believe this could be in the range of 2-3%
- Margins for the quarter are expected to remain stable as impact of relatively lower yield due to lending towards better rated book would be largely negated by rise in CASA. However, continued excess liquidity and reversal on NPA could exert some pressure on margins
- In the previous quarters, lenders have made contingent provisions for Covid-19 related and/or on proforma basis NPA recognition. We expect provisions to remain elevated owing to continuance of proforma based recognition and prudent provisioning

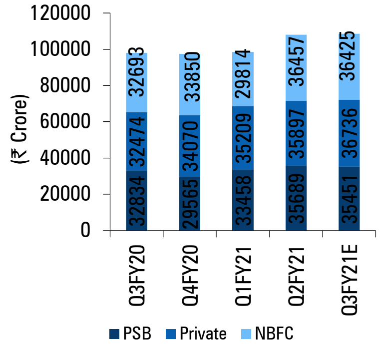
Outlook on credit growth holds key

Recent RBI data suggests that credit growth has shown a gradual improvement since unlocking of the economy. Large private banks, HDFC Bank (provisional loan book at ₹ 1082000 crore, up 16% YoY for Q3FY21) and Axis Bank, report relatively better credit growth. Disbursement to corporate sector would stay muted amid uncertainty on capex led by capacity utilisation still below pre-Covid level, though some green-shoots are visible. MSME segment may see marginal uptick in disbursement owing to continuation of ECLGS scheme. Retail advances are expected to witness a gradual pick-up while demand in this category may near pre-Covid level. **For our coverage, credit offtake is expected at ~7% YoY to ₹ 46 lakh crore**.

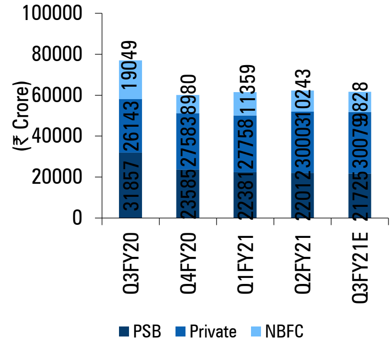
Result Preview

ICICI Securities – Retail Equity Research

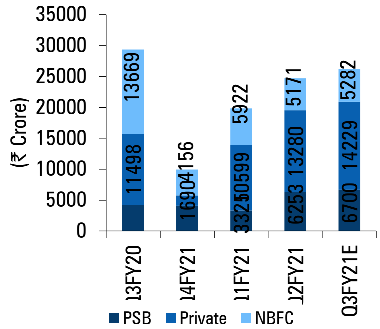
NII



PPP



PAT



Top Picks

HDFC Bank

Bandhan Bank

SBI Life

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Benefit of cuts in deposit rates along with better deployment of excess funds is expected to be negated by lower yields as the book migrates towards better rated entities. Hence, margins are expected to remain stable.

Revival in operational performance; provision to define earnings

For our coverage, NII is expected to increase 10.5% YoY to ₹ 72187 crore. Fee income is expected to increase sequentially; treasury is expected to remain moderate. Movement of field staff, normalisation of branch operation is expected to add to increase in opex though the same is expected to remain lower YoY. **In our coverage, PPP is seen remaining flat sequentially at ₹ 51804 crore. However, a rift may be seen in earnings trajectory among lenders based on provisioning. For our coverage, earning is seen at ₹ 20928 crore; up 33.5% YoY**. PSU banks are seen posting optically better growth at 26% YoY, owing to base effect.

NBFCs are expected to witness an improvement on disbursement especially those serving retail segment including home, auto and gold loans. Reduction in borrowing rates and reduction in liquidity buffer to act as respite for margins. Though NBFCs have maintained healthy ECL provisioning, collection efficiency and stress asset build up will remain as key differentiator.

Banks with higher contingent provision, adequate capital buffer and secured retail portfolio, including HDFC Bank and Axis Bank, are expected to report a steady performance. A sharp run up in equity markets is seen supporting the AUM trajectory, though marginal pressure on yields could be ruled out. Premium accretion is expected to continue for life and general insurance.

Exhibit 1: Estimate for Q3FY21E (₹ crore)

	NII	Change (%)		PPP	Change (%)		NP	Change (%)	
	Q3FY21E	YoY	QoQ	Q3FY21E	YoY	QoQ	Q3FY21E	YoY	QoQ
Public Sector Banks									
Bank of Baroda	7724.2	8.3%	2.9%	5404.0	9.0%	-2.7%	1958.7	NA	16.7%
SBI	27727.3	7.9%	-1.6%	16320.9	-39.3%	-0.8%	4741.0	-15.1%	3.6%
Total	**35451.4**	**8.0%**	**-0.7%**	**21725.0**	**-31.8%**	**-1.3%**	**6699.7**	**60.4%**	**7.1%**
Private Banks									
Axis Bank	7402.8	14.7%	1.0%	6361.8	10.8%	-7.8%	2448.3	39.3%	45.5%
DCB	349.7	8.2%	4.7%	228.8	20.4%	1.8%	80.0	-17.2%	-2.8%
Federal Bank	1349.1	16.8%	-2.2%	958.9	28.9%	-4.7%	306.0	-30.5%	-0.5%
HDFC Bank	16258.8	12.8%	2.2%	14289.5	15.4%	3.7%	8205.3	18.1%	11.6%
IDFC Bank	2044.0	-3.3%	11.8%	513.5	-24.7%	50.2%	135.6	NA	34.3%
Indusind Bank	3383.3	10.9%	3.2%	2772.4	1.9%	-2.1%	441.9	-71.8%	-31.7%
Kotak Bank	3964.9	15.6%	1.3%	3316.4	38.9%	0.6%	1856.5	16.4%	-15.0%
Bandhan Bank	1984.0	28.8%	3.2%	1637.9	26.4%	0.6%	755.1	3.3%	-17.9%
Total	36736.5	13.1%	2.3%	30079.3	15.1%	0.3%	14228.8	23.8%	7.1%
Total Banks	**72187.9**	**10.5%**	**0.8%**	**51804.2**	**-10.7%**	**-0.4%**	**20928.6**	**33.5%**	**7.1%**
NBFCs									
HDFC*	3694.8	30.6%	8.5%	3790.8	-69.3%	-4.0%	2435.2	-75.8%	4.5%
Bajaj Finance	4285.6	-2.5%	3.3%	2994.6	2.5%	4.7%	1106.0	-34.6%	10.1%
Bajaj Finserv	14665.2	6.8%	-9.1%	2065.2	-24.6%	-12.7%	1001.9	-14.7%	-8.4%
SBI Life Insurance	13194.0	18.2%	8.1%	506.2	-16.7%	-16.6%	390.0	0.1%	-4.0%
HDFC AMC	585.5	2.3%	2.7%	471.0	6.0%	1.7%	348.6	5.3%	3.1%
Total	**36425.0**	**11.4%**	**-0.1%**	**9827.9**	**-48.4%**	**-4.1%**	**5281.6**	**-61.4%**	**2.1%**

** For HDFC Ltd, YoY numbers are not comparable due to one off gain in Q3FY20*

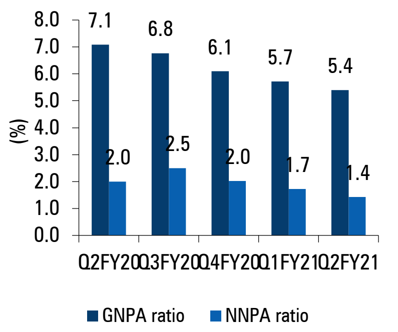
Source: Company, ICICI Direct Research

Exhibit 2: Bank Specific Views

Banks	Remarks
Bank of Baroda	Bank of Baroda is expected to post loan growth in-line with the industry at 6% YoY to ₹ 693732 crore while deposits growth may be ~10% for the quarter. Loan growth should be largely driven by home and auto segment. CASA deposit as percentage of total is estimated to increase around 40-60 bps QoQ to 40.4%. Net interest margin should be sustained at 3.15% while cost-to-income is expected to show some spike. On the asset quality front, we believe quantum of restructuring would be key to be monitored while GNPA may remain flat due to standstill asset classification norms. Credit cost for the quarter is expected to decline sequentially but remain elevated ~30 to 40 bps. Hence, net profit for the quarter is expected to come in at ₹ 1757 crore for Q3FY21E
State Bank of India	Expected loan growth of 5.2% YoY to ₹ 23160 billion and 10% YoY for deposits is expected to keep NII flat at ₹ 277 billion. Non interest income is seen at ₹ 77 billion. With cost of deposits stabilising and loan yields also seen moderating, NIMs is seen to be stable. We factor in moderate slippages due to standstill status and loan loss provisions of ₹ 7557 crore, with overall provisions at ₹ 9900 crore vs. ₹ 10118 crore QoQ. Hence, PAT is likely to grow to ₹ 4741 crore, rising 3.6% QoQ. Management guidance on overall stress of ₹ 60000 crore, remained positive while final restructuring is likely to remain under guided range
Axis Bank	Axis Bank is expected to post loan book growth of more than ~500 bps than the industry during the quarter. Advances for Q3FY21 are expected to be ₹ 610652 crore (up 11% YoY) while deposits are expected to rise 15% YoY with stable CASA at 44%. We expect NII to post a decent 15% YoY growth to ₹ 7402 crore on the back of stable NIMs at 3.6% and 11% loan growth. Costs for the quarter are likely to inch up with increased business activity but prudent cost management and closure of international subsidiaries would limit cost uptick. Credit cost for the quarter is expected to be at 50 bps for the quarter. Restructuring may be at ~1.5-2% mark while overall asset quality is expected to remain steady sequentially, partly helped by standstill asset classification norms. Net profit for the quarter is estimated at ₹ 2556 crore
DCB Bank	Unlocking of the economy should help the bank to gain some loan traction as compared to previous quarter. We expect its loans to grow at 6% YoY to ₹ 26964 crore. Deposits should also follow a similar traction during the quarter. Net interest margin is likely to remain stable and above the 4% mark for the bank. The net interest income is projected to grow at 8.2% YoY to ₹ 349 crore, which is again in line with loan growth. Credit cost is expected to remain elevated as a result of slight increase in NPA. GNPA for the quarter could inch up to 3% levels. Restructuring is expected to be in range of 3-5%
HDFC Bank	Credit growth of 15.6% YoY to ₹ 1082000 crore is expected to be maintained QoQ even though system growth is at 6% YoY. Deposit growth came at 19 %. NII growth is seen at 15% YoY to ₹ 16258 crore. We expect margins to be stable at 4.3%. Other income may see improvement QoQ with PAT growth expected to be 10 % YoY to ₹ 8205 crore. Asset quality may be stable due to lower slippage led by standstill but restructuring numbers to be watched (guidance remains under 2%). GNPA ratio is seen at 1.07% and NNPA at 0.17%. We expect provision to moderate to ₹ 3246 crore

Source: Company, ICICI Direct Research

Asset Quality (Coverage Universe)



NPA trend (Coverage Universe)

Q3FY21E (₹ crore)	GNPA	QoQ Growth(%)	NNPA	QoQ Growth(%)
PSB				
Bank of Baroda	64384	-2.0	16291	-3.0
SBI	104402	-17.1	36651	0.5
Private Banks				
Axis Bank	26027	-3.0	5802	-5.0
Bandhan Bank	1047	0.0	389	0.0
DCB	585	2.0	216	5.0
Federal Bank	3548	4.0	1615	4.0
HDFC Bank	11605	2.7	1856	5.7
Indusind Bank	4442	-2.0	1087	3.0
Kotak Mahindra B	5603	3.0	1356	2.0
IDFC First Bank	1635	2.0	418	2.0

Exhibit 3: Bank Specific views continued…

Banks	Remarks
Federal Bank	Federal Bank's loan book growth for Q3FY21 is seen in line with the industry at ~6%, total loan portfolio at ₹ 128174 crore. While deposits to outpace advances traction were up 12% YoY to ₹ 161670 crore. CASA may improve sequentially by ~80 bps to 34.5%. NII is expected to post decent growth of 17% to ₹1349 crore. Margins should remain range bound to ~3%. Cost to income can slightly inch up with increase in branch level activity to ~49%. Though the company had taken provisions on proforma basis we believe credit cost for the quarter would remain elevated. Hence, provisions are expected to be at ₹ 5508 crore during the quarter. Overall asset quality is expected to remain steady with 2.5-3% of loans can go for restructuring. This number will be key to watch. Net profit for the bank is projected at ₹ 306 crore, flat sequentially
Kotak Mahindra Bank	Revival in economic activity is seen leading to a sequential uptick in business. However, with four months post end of moratorium, proforma NPA numbers remain key to be watched. Standstill on asset classification is expected to keep GNPA ratio steady at 2.5-2.6%, though proforma NPA numbers are expected to lead to ~40 bps increase in GNPA. Steady advances at ₹ 2.1 lakh crore coupled with stable margin at 4.5-4.6% are seen leading to 15.6% YoY growth in NII at ₹ 3965 crore. With operations returning to normalcy, other income and opex is expected to increase sequentially. Consequently, PPP is seen at ₹ 3316 crore. Anticipation of creation of contingent provision in lieu of clarity on stress accretion is seen keeping provision elevated at ~40 bps of advances. Overall, steady traction in operational performance may keep earnings momentum healthy at 18% YoY to ₹ 1856 crore
IndusInd Bank	For Q3FY21, the loan growth may be flattish on yearly basis with a 3% uptick on sequential basis seen at ₹ 207691 crore. We expect incremental loan book to be aided by revival in MFI and auto loans. Deposit for the quarter are seen at ₹ 239600 crore, up 10% YoY, with stable CASA QoQ. Overall asset quality is expected to remain steady with lower quantum (~5 to 10 bps) of restructuring and also standstill asset classification norms continuing. GNPA ratio should remain nearby current levels of 2.2% with slight improvement. Net interest income is expected to increase 10% YoY to ₹ 3383 crore with non-interest income reaching ₹ 1593 crore during the quarter. Credit cost is expected to show some rise marginally and may stay at 1% of advances. Consequently, net profit for the bank is projected at ₹ 441 crore for Q3FY21
Bandhan Bank	With a focus on expanding housing loans and addition of new branches to the kitty, the bank has seen healthy 23% YoY and 5% QoQ traction in loan book at ₹ 80255 crore. Deposit base witnessed even better traction and increased 30% YoY at ₹ 71188 crore (provisional figures) with a strong 62% YoY CASA growth. Increased pace of low cost deposit to aid margins which can show 8-12 bps expansion. Increased level of activity and addition of new branches may warrant some rise in opex leading to ~120 bps sequential rise in cost to income. Asset quality is expected to show some improvement sequentially owing to standstill norms as well as increased activity of field staff to improve recoveries and collections. The bank has 2.8% provision buffer already, which is comforting. Hence, overall credit cost should be slightly below the previous quarter but can remain elevated. Net profit for the quarter is expected at ₹
IDFC First Bank	Advances growth remained moderate at 0.7% YoY to ₹ 1.1 lakh crore though balance sheet restructuring continued with robust growth in retail asset. On the liabilities side, accretion of low cost deposit remained robust with improvement in CASA ratio at ~48.4%. With a pick-up in activity, other income is expected to improve sequentially with opex returning to normal trajectory. While headline NPA numbers are expected to remain stable due to standstill asset classification, substantial increase in proforma NPA cannot be ruled out. Credit cost, however, is seen remaining at ~1-1.2% (annualised) of advances as the bank has Covid contingent provision of ~200 bps of advances. Earnings is expected to pick up gradually at ₹ 135 crore compared to loss in Q3FY20. Commentary on balance sheet growth and quantum of restructuring remains to be watched

Source: Company, ICICI Direct Research

Exhibit 4: NBFC Specific views

NBFC	Remarks
HDFC Ltd	As per quarterly disclosures, individual disbursements growth at 26% YoY has been strong. Accordingly, loan growth is expected to surge to ~12% YoY to ₹ 483392 crore. Hence, growth in NII seen at 24% YoY to ₹ 3695 crore. We expect flat NIM at ~3.2%. Dividend income of ₹ 2 crore and profit from sale of investments at ₹ 157 crore is expected to keep overall other income muted at ₹ 454 crore. Accordingly, standalone profit is seen at ~₹ 2435 crore. Asset quality is expected to remain largely stable with GNPA ratio at 1.81% led by standstill. Restructuring in wholesale loan portfolio may be keenly watched. Subsidiaries are expected to continue their strong performance
HDFC AMC	The recent rally in equities is seen leading to increase in proportion of high yield equity AUM and thereby topline. Redemption and moderation in SIP is seen partially offsetting the growth run rate. Consequently, AUM is expected to grow 5.8% YoY to ₹ 3.9 lakh crore with proportion of equity seen increasing by ~300 bps to 44%. Led by AUM growth, revenue from operation is expected at ₹ 517 crore (yield at ~53 bps of closing AUM). Steady other income, without any one off as seen in Q2FY20, and controlled expense trajectory is seen leading PBT at ₹ 471 crore, i.e. 48 bps of AUM. PAT is seen healthy at ₹ 349 crore, ~36 bps of closing AUM
Bajaj Finance	Post the initial impact, growth moderation is abating with credit growth reported at -1% YoY and up 4.8% QoQ to ₹ 143700 crore. New loan addition came in at 60 lakh from 36 lakh QoQ. NII is seen declining 6% YoY to ₹ 4285 crore. Lower cost of funds and gradually utilising liquidity buffer may enable NIM stability. Provisions are expected to remain elevated at ₹ 1520 crore as H2 is expected to report high credit cost. Asset quality is expected to report some surge though standstill status would help. PAT is estimated to decline 31% YoY but may improve sequentially to ₹ 1106 crore
Bajaj Finserv	Healthy traction in group single premium coupled with improvement in conservation ratio or renewal is seen keeping premium traction in life insurance in positive at ₹ 2807 crore. Revival in auto segment and continued traction in health insurance is expected to lead to ~4% YoY increase in premium of general insurance business to ₹ 3177 crore. Pick up in AUM growth at 5% QoQ is expected to lead to increase in topline sequentially, though flat YoY. Flattish revenue from lending business is to keep consolidated topline at 1% YoY to ₹ 14665 crore. Consolidated earnings is expected to moderate at ₹ 1002 crore, due to lower profitability in lending business amid elevated provision. Better profitability in life (PBT - ₹ 252 crore) and general insurance (PBT - ₹ 381 crore) business is seen to partially support consolidated earnings
SBI Life Insurance	Continued revival in business and focus on non participating products is seen keeping new business premium (NBP) in positive trajectory of ~3% YoY to ₹ 5087 crore. Accretion of single premium is seen keeping APE premium flat at ₹ 3189 crore. Healthy persistency is seen keeping overall premium growth at 12.8% YoY to ₹ 13194 crore. G-sec is trending in a narrow range while rise in equities is seen keeping investment income buoyant. Opex continued to remain a focus area, though claims are seen to remain higher, resulting in surplus at ₹ 506 crore. Earnings is expected at ₹ 390 crore, flat YoY and 30% QoQ. Strategy on product mix is key to be watched
MCX	In Q3FY21E, gold price remained in a narrow range, while silver and crude oil witnessed an increase in price. Revival in economic activity led to increase in commodity price, though volume witnessed marginal reduction. Consequently, turnover witnessed an increase of 4% YoY to ₹ 21.4 lakh crore. Index products are gaining traction though improvement is gradual. Operating revenue is expected to increase 14% YoY to ₹ 101 crore. Rise in topline and control on opex is seen to lead to EBITDA at ₹ 49 crore, up 24% YoY. Healthy operational performance is expected to be offset by higher tax rate leading to earnings at ₹ 52 crore, down 6% YoY

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Source: Company, ICICI Direct Research

Exhibit 5: ICICI Direct Research coverage universe (BFSI)

Sector / Company	CMP			M Cap	EPS (₹)			P/E (x)			P/ABV (x)			RoA (%)			RoE (%)		
	(₹)	TP(₹)	Rating	(₹ Bn)	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E
BoB (BANBAR)	66	70	Hold	307	1.2	4.3	7.1	56.1	15.4	9.3	0.6	0.6	0.5	0.1	0.2	0.3	0.9	2.7	4.4
SBI (STABAN)	288	290	Hold	2,571	16.3	19.1	28.9	17.7	15.1	10.0	1.4	1.3	1.2	0.4	0.4	0.6	6.4	7.1	9.9
Indian Bank (INDIBA)	88	88	Hold	99	22.6	33.7	33.2	3.9	2.6	2.6	0.4	0.3	0.3	0.4	0.5	0.4	5.5	7.8	7.3
Axis Bank (AXIBAN)	672	710	Buy	2,058	5.8	10.6	25.6	116.4	63.3	26.3	2.5	2.5	2.3	0.2	0.3	0.7	2.1	3.5	8.0
City Union (CITUNI)	184	200	Buy	136	8.4	10.0	10.0	21.9	18.4	18.4	3.2	2.7	2.4	1.0	1.2	1.3	9.4	11.2	11.9
DCB Bank (DCB)	123	135	Buy	38	10.9	10.1	14.0	11.3	12.1	8.8	1.3	1.2	1.1	0.9	0.8	1.1	11.3	9.6	11.9
Federal Bank (FEDBAN)	76	80	Buy	152	7.7	6.8	9.5	9.8	11.1	8.0	1.2	1.1	1.0	0.9	0.7	0.9	11.1	9.1	11.6
HDFC Bank (HDFBAN)	1,436	1,450	Buy	7,907	47.9	52.3	63.3	30.0	27.4	22.7	4.7	4.2	3.8	1.9	1.8	1.9	16.4	15.7	17.0
IndusInd Bank (INDBA)	962	1,050	Hold	728	63.7	32.5	50.9	15.1	29.6	18.9	2.0	1.9	1.8	1.5	0.8	1.1	14.4	6.6	9.3
J&K (JAMKAS)	27	25	Hold	19	-16.0	7.5	10.4	-1.7	3.5	2.6	0.5	0.4	0.3	-1.1	0.5	0.6	-17.5	8.1	10.6
Kotak Bank (KOTMAH)	1,963	1,950	Hold	3,887	20.4	21.1	26.4	96.1	93.0	74.2	12.0	9.6	8.6	1.8	1.7	1.8	12.9	11.2	11.8
Bandhan (BANBAN)	422	460	Buy	679	18.1	20.3	29.9	23.3	20.8	14.1	4.6	4.0	3.2	3.9	3.3	4.1	22.1	20.1	24.6
IDFC First (IDFBAN)	45	45	Buy	254	-6.0	0.8	1.5	-7.5	57.2	29.6	1.5	1.5	1.4	-1.9	0.3	0.5	-18.7	2.7	4.7
LIC Housing Finance (LICHF)	444	345	Buy	22,405	46.5	44.2	58.6	9.5	10.0	7.6	1.5	1.4	1.3	1.1	0.9	1.1	13.8	11.9	14.5
HDFC (HDFC)	2,637	2,200	Hold	4,74,703	102.6	53.5	71.1	25.7	49.3	37.1	5.3	4.5	4.3	3.6	1.7	2.1	3.6	1.7	2.1
Bajaj Finserv (BAFINS)	9,229	10,500	Buy	1,46,862	269.7	249.2	305.1	34.2	37.0	30.2	4.6	4.1	3.6	1.4	1.4	1.6	11.6	12.6	14.5
Bajaj Finance (BAJFI)	5,113	5,900	Buy	3,08,100	89.5	68.7	96.9	57.1	74.4	52.8	9.6	8.5	7.4	2.8	1.8	2.2	20.2	12.1	15.1
M&M Finance	190	140	Hold	23,580	14.7	7.9	10.9	12.9	24.0	17.4	1.6	2.0	1.6	1.3	1.3	1.7	8.1	7.3	8.2
HDFC AMC (HDFAMC)	3,112	2,500	Hold	66,276	59.2	59.3	66.5	52.5	52.5	46.8	16.5	14.2	12.3	0.4	0.3	0.3	31.3	27.1	26.4
Nippon AMC (RELNIP)	311	300	Hold	19,044	6.8	9.6	11.1	45.8	32.5	28.0	7.3	6.9	6.5	0.1	0.3	0.3	14.1	16.6	16.1
SBI Life Insurance	945	1,000	Buy	94,536	14.2	15.8	19.5	66.4	60.0	48.5	3.6	3.1	2.8	0.8	0.8	0.9	17.5	15.2	14.6
HDFC Life Insurance	709	820	Buy	1,44,765	6.4	7.1	7.9	110.8	99.9	89.7	20.9	17.3	15.4	1.0	1.0	0.9	20.8	19.1	18.1

Source: Bloomberg, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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