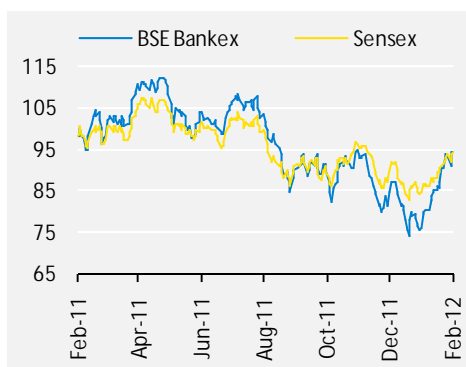


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Sensex v/s Bankex



Source: Bloomberg

Stock Performance

(%)	1M	6M	12M
Sensex	11.9	(5.5)	(4.0)
BSE Bankex	24.8	(8.5)	(3.9)

Axis Bank	34.6	(19.6)	(12.4)
Bank of Baroda	13.5	(14.0)	(11.7)
Bank of India	28.0	(10.9)	(22.2)
HDFC	5.7	(0.8)	8.8
HDFC Bank	16.5	1.9	21.9
ICICI Bank	30.0	(14.9)	(10.5)
IDFC	50.5	7.0	(3.7)
IndusInd Bank	29.9	7.7	34.2
Kotak Mahindra	18.7	12.5	35.6
PNB	22.4	(14.4)	(13.2)
SBI	28.3	(11.4)	(19.9)
YES Bank	40.8	6.3	27.0

Credit growth has moderated to ~16% YoY in December 2011. Though moderation was largely anticipated, with Infra, SME and retail credit growth slowing, there has been some positive trends in ex-Infra credit growth across most sectors and also from NBFCs as the busy credit season kicks in.

Negatives:

- Credit flow to the Agri space continues to remain muted with just 6% YoY growth despite some seasonal offtake in December 2011 (4% MoM growth)
- Power sector credit growth is moderating substantially, with YoY growth coming down to ~24% v/s 2x growth reported as recent as August 2011. Credit offtake from the Roads sector is holding up relatively better with ~29% YoY growth (similar growth rates seen in H1CY11).
- Credit demand from Micro and small enterprises has fallen off the cliff to just 7% YoY, with high rates continuing to impact sentiments. Even the offtake from the medium enterprises, which has been strong till date, are showing moderating trends with <1% MoM growth in December 2011.
- Retail credit growth has come down to 12% YoY (from 13.5% growth in November 2011), with the most notable moderation in mortgages (12% YoY growth). With HFCs reporting >20% growth in mortgages, they continue to gain market share.
- Credit flow to MFIs dipped ~17% MoM, highlighting both growth issues for MFIs and continuing tight liquidity condition for MFIs.

Positives:

- Excl. Infra, large corporate credit growth has seen some broad-based pick up, with ~6% growth between November 20-December 31. Apart from Petroleum, Metals, Food processing and Engineering have seen robust growth.
- Credit flow to NBFCs has also picked up in December 2011, with ~12% MoM growth. Though large part of the flow is seasonal and there has been lower offtake as compared to a similar period last year, credit flow to NBFCs is not as bad as anticipated. With base rate remaining high, we expect credit demand from NBFCs to keep moderating in the near term.

Exhibit 1: Sectoral Deployment of Bank Credit – December 2011 (Rs bn)

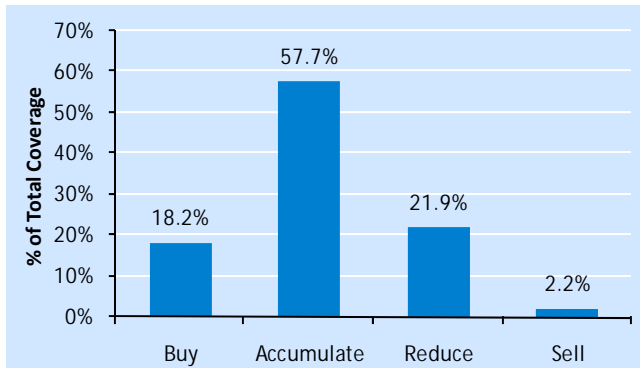
	Dec-11	Share of credit (%)	Share of incremental credit- m/m	Credit growth (%)		
				YoY	MoM	From Mar-11
Non-food Credit	40,458			15.4%	4.5%	10.3%
Agriculture	4,606	11.4%	10.8%	5.6%	4.3%	0.1%
Industry	18,585	45.9%	50.4%	19.8%	4.9%	14.7%
Services	9,847	24.3%	26.5%	14.9%	4.9%	9.3%
Retail credit	7,419	18.3%	12.3%	12.3%	3.0%	8.3%
Industry	18,585	45.9%	50.4%	19.8%	4.9%	14.7%
Infrastructure	5,968	14.8%	9.7%	20.5%	2.9%	13.3%
Power	3,154	7.8%	5.1%	24.0%	2.9%	17.2%
Telecom	910	2.2%	-0.6%	-3.8%	-1.2%	-9.4%
Roads	1,091	2.7%	1.6%	28.3%	2.7%	17.8%
Ex-Infra Industrial credit	12,617	31.2%	40.7%	19.5%	5.9%	15.3%
Basic Metal	2,477	6.1%	6.1%	24.1%	4.5%	18.0%
Textiles	1,522	3.8%	2.3%	12.5%	2.7%	5.1%
Chemicals	1,046	2.6%	2.9%	9.5%	5.1%	10.6%
Engineering	1,086	2.7%	3.2%	20.4%	5.4%	16.3%
Food Processing	923	2.3%	3.8%	16.9%	7.6%	8.6%
Petroleum	665	1.6%	4.2%	3.6%	12.5%	15.5%
Industry by Size	18,585	45.9%	50.4%	19.8%	4.9%	14.7%
Micro & Small	2,468	6.1%	1.1%	7.2%	0.8%	7.7%
Medium	1,986	4.9%	0.8%	25.5%	0.7%	7.6%
Large	14,132	34.9%	48.4%	21.6%	6.3%	17.1%
Services	9,847	24.3%	26.5%	14.9%	4.9%	9.3%
Trade	2,077	5.1%	3.4%	12.1%	2.9%	11.5%
NBFCs	2,104	5.2%	13.4%	36.2%	12.4%	19.9%
Commercial Real Estate	1,181	2.9%	0.8%	11.3%	1.2%	5.6%
Transport Operators	671	1.7%	1.2%	13.3%	3.1%	2.5%
Retail credit	7,419	18.3%	12.3%	12.3%	3.0%	8.3%
Mortgages	3,786	9.4%	3.5%	12.1%	1.6%	9.4%
Vehicle Loans	906	2.2%	2.1%	17.7%	4.3%	14.2%

Source: Company Data, PL Research



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Rating Distribution of Research Coverage



PL's Recommendation Nomenclature

BUY	: Over 15% Outperformance to Sensex over 12-months	Accumulate	: Outperformance to Sensex over 12-months
Reduce	: Underperformance to Sensex over 12-months	Sell	: Over 15% underperformance to Sensex over 12-months
Trading Buy	: Over 10% absolute upside in 1-month	Trading Sell	: Over 10% absolute decline in 1-month
Not Rated (NR)	: No specific call on the stock	Under Review (UR)	: Rating likely to change shortly

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