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Axis Bank better placed than ICICI and other PSU banks: Nomura

By [Saloni Shukla](#), ET Bureau | Mar 08, 2016, 02:42 AM IST

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MUMBAI: Global financial services firm [Nomura](#) has said that India's third largest private sector lender - [Axis Bank](#) is better placed than private sector behemoth [ICICI Bank](#) and other PSU bank peers in terms of corporate book profitability.

"We estimate that 20-25 per cent of Axis Bank's corporate book is stressed," Nomura said in its report. "While the stressed book remains high, it is lower than ICICI Bank's."

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Banks with heavy corporate books have seen significant stock correction in the recent times, a reflection of the stress build-up across their portfolios.

As per Nomura's estimate, Axis Bank's valuations are a tad better than ICICI's. Unlike ICICI Bank where the bad bank was available at 0.5x times the book value, implied valuations for Axis Bank's bad book is 0.75-1.0x book.

"Past profitability of Axis Bank's corporate book has been high versus ICICI corporate book ROEs of just 12-13 per cent," Nomura added. "Our good + bad bank valuations imply a fair value range of Rs 475-540 per share for Axis Bank."

Despite valuing Axis higher over ICICI, Nomura has flagged off [NPA](#) concerns in the private lenders corporate book adding that the stress in Axis' corporate book is just marginally lower than that of PSU banks.

Nomura expects NPA levels in the corporate book to inch up to 14-15 per cent of corporate loans. It also expects rise in near-term delinquency and credit costs as stressed metal names have not been recognised.

Terming Axis Banks' retail good as "good bank", Nomura indicates that the private lenders retail and SME book will continue to deliver ROEs of 18-20 per cent.

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