

LIC HOUSING FINANCE

Margins temper; individual growth improves

India Equity Research | Banking and Financial Services

LIC Housing Finance's (LICHF) Q1FY18 PAT, at INR4.7bn (>up 15% YoY), was lower than estimate on slower revenue traction. The key disappointment was the 47bps QoQ NIMs dip on lower lending yields, a reflection of: a) repricing pressure; and b) interest income reversal (2 corporate accounts of INR1.2bn slipped into NPLs), while funding cost was sticky. While individual disbursements gained traction, up 17% YoY, elevated repayment trend restricted loan growth to 14.4% YoY. Headline GNPLs rose to 0.72% (0.43% in FY17) with individual GNPLs rising to 0.42% (0.20% in FY17, a seasonal trend) and non-individual GNPLs jumping to 8.41% (6.33% in FY17; 2 accounts of INR1.2bn slipped). Though core growth momentum is moderating, we believe current model is likely to ensure steady earnings growth of 15% over FY17-19E, delivering 18% RoE. Maintain 'BUY'.

47bps QoQ NIMs decline a negative surprise

After a strong FY17 performance, NIMs fell 47bps QoQ to 2.5% with lower lending yields and sticky funding cost playing spoil sport. While a lower number for Q1FY18 was imminent due to seasonality, the dip was higher than estimated. Incrementally, we believe liability repricing and tilt towards higher yielding products (LAP/LRD/projects), which now form >16% of loan book, will support NIMs. However, repricing pressure is likely to persist (higher competition in operating segment), which will restrict NIMs. We are building in NIMs of 2.6-2.8% for FY18-19.

Retail disbursements improve; sustainability key

As anticipated, core individual disbursement growth improved (up 17% YoY), benefitting from government/regulatory push (~2600 cases sanctioned under credit linked subsidy scheme). However, elevated repayments restricted loan growth. Non-core loan grew >49% YoY, which supported overall loan growth of 15% YoY. We will closely monitor core loan growth and estimate overall growth to be within the 15-17% range over FY17-19.

Outlook and valuations: Opportunity play; maintain 'BUY'

Though individual segment's profitability is softer, superior profitability of non-individual segment is likely to cushion overall impact. Further, asset quality risks are limited in the mortgage segment, especially for LICHF, where LAP is also tilted in favour of salaried segment. Also, recovery from existing delinquent corporate loans is a key monitorable. The huge opportunity in mortgage segment will help LICHF sustain momentum. The stock trades at 2.5x FY19E P/ABV. Maintain 'BUY/SP' with TP of INR859 on 3x FY19E P/ABV.

	(INR mn)								
Financials	Year to March	Q1FY18	Q1FY17	% Growth	Q4FY17	% Growth	FY17	FY18E	FY19E
Net revenue		9,583	8,780	9.1	10,919	(12.2)	38,489	43,955	49,311
Net profit		4,701	4,078	15.3	5,292	(11.2)	19,311	22,483	25,548
Dil. EPS (INR)		9.3	8.1	15.2	10.5	(11.2)	35.6	41.0	45.7
Adj. BV (INR)							216.5	248.5	286.3
Price/Adj book (x)							3.3	2.9	2.5
Price/Earnings (x)							20.2	17.6	15.8

EDELWEISS 4D RATINGS

Absolute Rating	BUY
Rating Relative to Sector	Performer
Risk Rating Relative to Sector	Medium
Sector Relative to Market	Overweight

MARKET DATA (R: LICH.BO, B: LICHF IN)

CMP	: INR 721
Target Price	: INR 859
52-week range (INR)	: 794 / 468
Share in issue (mn)	: 504.7
M cap (INR bn/USD mn)	: 364 / 5,670
Avg. Daily Vol.BSE/NSE('000)	: 2,136.3

SHARE HOLDING PATTERN (%)

	Current	Q4FY17	Q3FY17
Promoters *	40.3	40.3	40.3
MF's, FI's & BK's	12.2	13.0	16.9
FII's	34.9	32.9	31.6
Others	12.6	13.8	11.2
* Promoters pledged shares (% of share in issue)	:		NIL

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Banks and Financial Services Index
1 month	(2.9)	5.5	6.6
3 months	7.8	7.6	10.6
12 months	40.2	15.6	28.4

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Table 1: Summary of Q1FY18 results

(INR mn)	Q1FY18	Q1FY17	YoY (%)	Q4FY17	QoQ (%)	Comments
Interest income	36,088	33,263	8.5	36,096	(0.0)	
Interest expense	26,962	25,018	7.8	25,699	4.9	
Net interest income	9,125	8,245	10.7	10,396	(12.2)	NIMs pressures weighs on NII. NIMs dip on lower lending yields, a reflection of: a) repricing pressure; & b) interest income reversal (2 corporate accounts of INR1.2bn slipped into NPLs), while funding cost was sticky.
Non-interest income	458	535	(14.4)	523	(12.4)	
Net revenues	9,583	8,780	9.1	10,919	(12.2)	
Operating expenses	1,354	1,382	(2.0)	1,965	(31.1)	Controlled opex supported profitability.
-Staff expense	541	683	(20.8)	568	(4.8)	
-Depreciation	25	22	10.0	25	(1.0)	
-Other opex	789	677	16.5	1,372	(42.5)	
Operating profit	8,229	7,399	11.2	8,954	(8.1)	
Provisions	1,045	1,165	(10.3)	893	17.0	
Profit before tax	7,185	6,234	15.2	8,061	(10.9)	
Tax expense	2,484	2,156	15.2	2,769	(10.3)	
Profit after tax	4,701	4,078	15.3	5,292	(11.2)	Though core growth momentum is moderating, we believe current model is likely to ensure steady earnings growth of 15% over FY17-19E.
EPS (INR)	9.3	8.1	15.2	10.5	(11.2)	
Key Metrics						
Loan book	14,70,510	12,74,370	15.4	14,45,340	1.7	
Individual	14,14,400	12,36,810	14.4	13,90,240	1.7	
Non-Individual	56,110	37,560	49.4	55,100	1.8	
Disbursements	86,990	75,420	15.3	1,51,920	(42.7)	
Individual	82,860	70,640	17.3	1,39,600	(40.6)	Core individual disbursement growth improved (up 17% YoY), benefitting from government/regulatory push and pre-emption of GST/RERA impact.
Non-Individual	4,130	4,780	(13.6)	12,320	(66.5)	
GNPAs (%)	0.7	0.6		0.4		
Individual	0.4	0.4		0.2		Individual GNPLs rise, a seasonal trend.
Non-Individual	8.4	8.6		6.3		2 accounts of INR1.2bn slipped into NPLs.
NNPAs (%)	0.4	0.3		0.1		
NIMs (%)	2.5	2.6		3.0		

Source: Company, Edelweiss research

Table 2: GNPLs rise following slippages of 2 non-individual accounts (INR1.2bn)

Gross NPLs	INR mn				(%)			
	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY17	Q3FY17	Q4FY17	Q1FY18
Individual	4,078	4,188	2,780	5,940	0.3	0.3	0.2	0.4
Project	3,422	3,402	3,490	4,720	9.3	7.6	6.3	8.4
Total	7,500	7,590	6,270	10,660	0.6	0.6	0.4	0.7

Source: Company

Chart 1: GNPLs rise, coverage dips

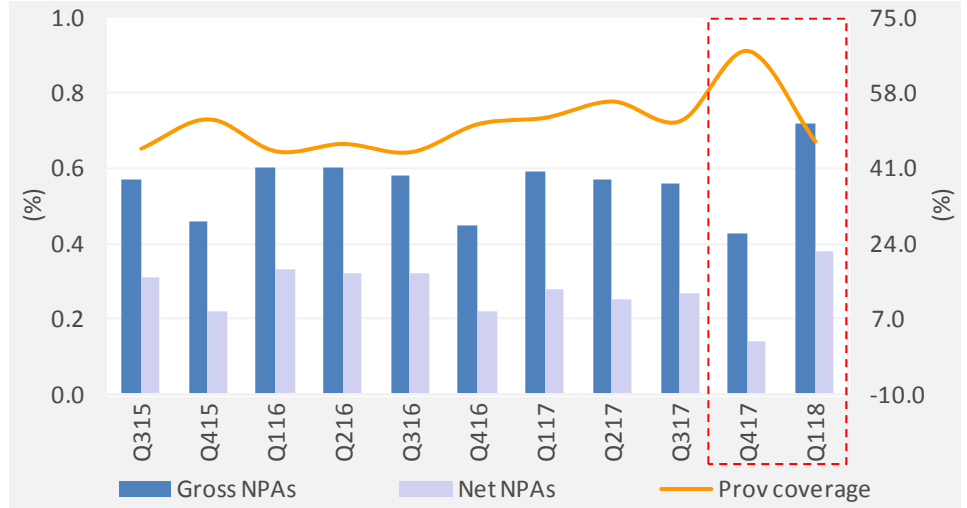


Chart 2: NIMs disappoint

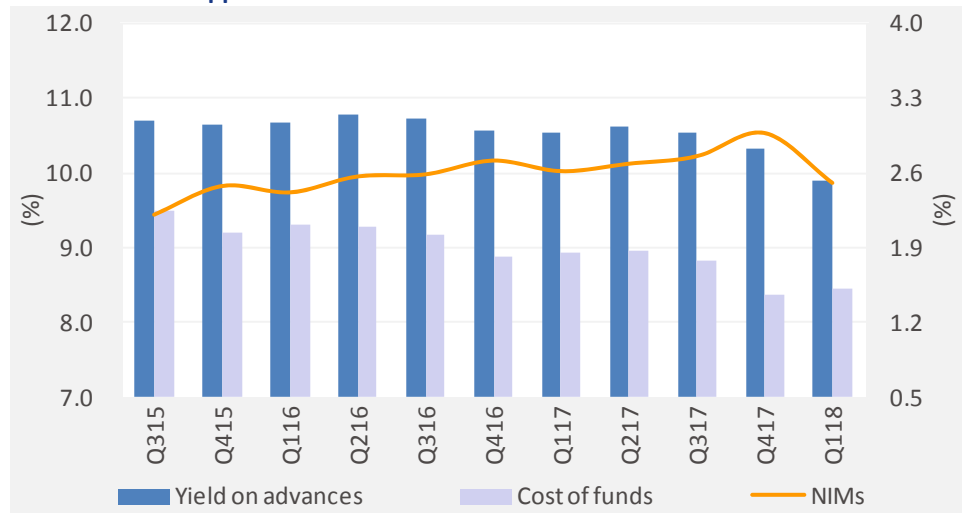
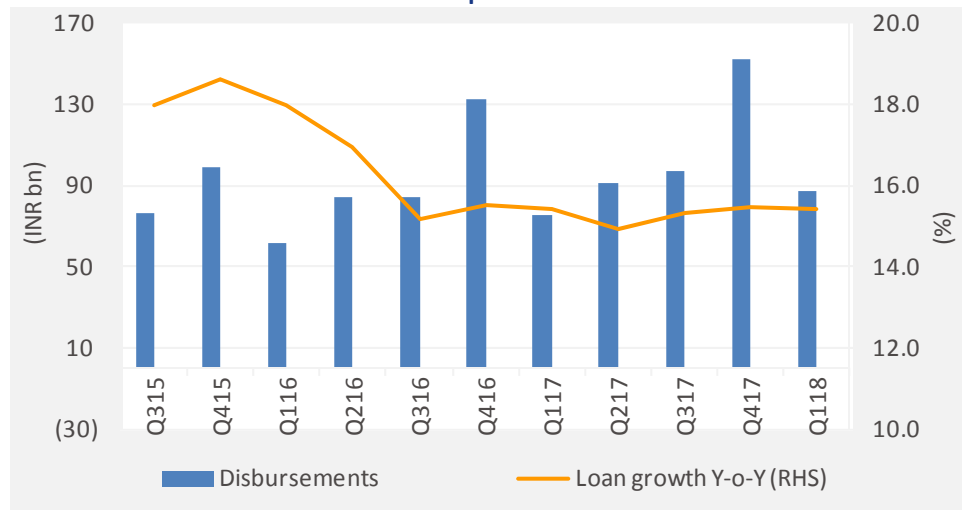


Chart 3: Core individual disbursements improves



Source: Company

Financial snapshot

(INR mn)

Year to March	Q1FY18	Q1FY17	% change	Q4FY17	% change	FY17	FY18E	FY19E
Interest income	36,088	33,263	8.5	36,096	0.0	138,767	157,028	178,955
Interest exp	26,962	25,018	7.8	25,699	4.9	102,315	115,759	133,326
Net int. inc. (INR mn)	9,125	8,245	10.7	10,396	(12.2)	36,452	41,269	45,630
Non interest income	458	535	(14.4)	523	(12.4)	2,037	2,686	3,681
Net revenues	9,583	8,780	9.1	10,919	(12.2)	38,489	43,955	49,311
Operating expenses	1,354	1,382	(2.0)	1,965	(31.1)	6,118	6,429	7,177
Operating profit	8,229	7,399	11.2	8,954	(8.1)	32,371	37,526	42,134
Provisions	1,045	1,165	(10.3)	893	17.0	2,813	3,717	3,716
Profit before tax	7,185	6,234	15.2	8,061	(10.9)	29,558	33,808	38,418
Provision for taxes	2,484	2,156	15.2	2,769	(10.3)	10,247	11,326	12,870
PAT	4,701	4,078	15.3	5,292	(11.2)	19,311	22,483	25,548
Diluted EPS (INR)	9.3	8.1	15.2	10.5	(11.2)	35.6	41.0	45.7

Ratios

NII/GII (%)	25.3	24.8		28.8		26.3	26.3	25.5
Cost/income (%)	14.1	15.7		18.0		15.9	14.6	14.6
Tax rate (%)	34.6	34.6		34.4		34.7	33.5	33.5

Bal. sheet data

Loan book	1,470,510	1,274,370	15.4	1,445,340	1.7	1,445,340	1,673,740	1,954,102
Disbursements	86,990	75,420	15.3	151,920	(42.7)	415,410	477,722	573,266

Ratios (%)

Gross NPA	0.7	0.6		0.4		0.4	0.7	0.8
Net NPA	0.4	0.3		0.1		0.1	0.3	0.3

Valuation metrics

B/V per share (INR)						219.4	254.5	294.4
Adj book value / share						216.5	248.5	286.3
Price/ Book (x)						3.3	2.8	2.4
Price/ Adj. book (x)						3.3	2.9	2.5
Price/ Earnings						20.2	17.6	15.8

Q4FY17 earnings conference call - key takeaways

With respect to book

- **Management expects growth next year to be in the range of ~15-17%**
 - **Focus would be on home loans, with specific thrust on affordable housing (conforms with LICHF's avg. TS of INR2-2.2mn)**
 - Would look to maintain proportion of LAP and developer loans at current levels (~16%)
- Disbursements - Retail: ~INR95bn (vs. ~INR85bn during Q4FY16), LAP: ~INR45bn (vs. ~INR38bn during Q4FY16)
- Growth during the year was driven by southern, western and eastern regions of the country
- LAP business is mainly towards salaried segment, with avg. LTV of 30-35%
- Share of business from non-metro locations has increased to 55%

With respect to margins

- **Going forward, margins should remain stable/witness slight improvement**
 - NIMs during Q4FY17 stood at 2.97%, taking full-year NIMs to 2.70% (vs. 2.52% in FY16)
 - Incremental yields during Q4FY17 - Overall: 10.3% (on ann. basis - 10.7-10.8%)
 - Retail: ~9%, LAP: ~11%, Developer: ~14%
 - Increment costs during Q4FY17 - 7.68%
- ~INR120bn of bonds (>9% rate) would mature during the year
- ~INR50-60bn of assets will come for re-pricing during the year

Other highlights

- **Higher provisioning during the quarter was due to one-time provisions of ~INR0.5bn on a large developer account**
 - The company now has 100% provisioning on all large developer accounts (~3 accounts)
 - **Management is hopeful of recovery in at least 1 of these accounts shortly**
- Opex costs include one-time impact of ~INR0.5bn, which is non-recurring in nature
- Pre-payment rate has declined to 10.9% (vs. ~11.9% last year) and is likely to dip further
- LICHFLFSL's (subsidiary) contribution to originations has increased to ~9% (vs. 4% last year)
 - This trend should continue going ahead on back of expansion to new locations, etc.
- Total debt - INR1,260bn, with net worth of ~INR110bn

Company Description

LICHF is the one of the largest mortgage finance companies in India. It provides loans for homes, construction activities and corporate housing schemes. Individual loans constitute ~83% of overall loan portfolio. The company has loan outstanding of ~INR1.47tn as at June 2017. It has 9 regional offices, 22 back offices and 249 marketing offices covering over 450 locations. LIC India is its majority shareholder with ~40% equity holding.

Investment Theme

LICHF, being a leading housing financier, is envisaged to be key beneficiary of our optimistic stance on the mortgage finance sector given the emerging opportunities and government's thrust on 'affordable housing' and 'Housing For All' initiatives. Though core mortgage segment's profitability is soft, better profitability of non-core segments is expected to cushion overall profitability. Further, asset quality risks are limited in the mortgage segment, especially for LICHF, where LAP is also tilted in favour of the salaried segment. Despite near-term revenue headwinds, LICHF continues to remain an 18% plus RoE model with limited asset quality risk.

Key Risks

Disbursements losing traction in individual loans.

NIMs may come under pressure if unable to pass on the pressure of increased funding cost.

Further stress in corporate developer segment in tough macro environment.

Financial Statements

Key Assumptions

Year to March	FY16	FY17	FY18E	FY19E
Macro				
GDP(Y-o-Y %)	7.2	6.5	7.1	7.7
Inflation (Avg)	4.9	4.5	4.0	4.5
Repo rate (exit rate)	6.8	6.3	5.8	5.8
USD/INR (Avg)	65.0	67.5	66.0	66.0
Sector				
Credit growth	9.3	9.0	12.0	14.0
Bank's base rate (%)	9.5	9.0	9.0	9.0
Wholesale borr. cost (%)	8.5	8.5	8.5	8.5
G-sec yield	7.5	6.5	6.5	6.5
Company				
Op. metric assump. (%)				
Yield on advances	9.9	9.9	9.6	9.5
Yield on investments	8.0	8.0	8.0	8.0
Cost of funds	9.0	8.6	8.4	8.2
Net interest margins	2.6	2.8	2.8	2.6
Employee cost growth	15.0	21.0	13.0	10.0
Other opex growth	25.0	18.0	14.0	12.0
Tax rate (%)	35.2	34.7	33.5	33.5
Balance sheet assumption (%)				
Disbursement growth	19.2	14.9	15.0	20.0
Disb. to sanction ratio	90.0	85.0	85.0	85.0
Repayment/prepay. rate	17.7	17.0	17.3	17.5
Ind. loans/total loans	96.5	95.5	95.0	95.3
Incremental slippage	1.3	1.3	1.3	1.3
Gross NPLs	0.5	0.4	0.7	0.8
Net NPLs	0.2	0.1	0.3	0.3
Provision coverage	52.5	67.3	62.0	62.0

Income statement

(INR mn)

Year to March	FY16	FY17	FY18E	FY19E
Interest income	122,556	138,767	157,028	178,955
Interest expended	93,068	102,315	115,759	133,326
Net interest income	29,488	36,452	41,269	45,630
Non interest income	2,195	1,887	2,536	3,531
- Fee & forex income	1,453	1,102	1,672	2,580
- Misc. income	743	785	864	952
Income from operations	31,683	38,339	43,805	49,161
Other income	104.00	150.3	150.00	150.00
Net revenues	31,787	38,489	43,955	49,311
Operating expense	4,687	6,118	6,429	7,177
- Employee exp	1,503	2,458	2,229	2,483
- Depn /amortisation	97	94	136	142
- Other opex	3,086	3,565	4,064	4,552
Preprovision profit	27,101	32,371	37,526	42,134
Provisions	1,465	2,813	3,717	3,716
Profit Before Tax	25,636	29,558	33,808	38,418
Less: Provision for Tax	9,028	10,247	11,326	12,870
Profit After Tax	16,608	19,311	22,483	25,548
Reported Profit	16,608	19,311	22,483	25,548
Shares o /s (mn)	505	505	505	505
Basic EPS (INR)	29.9	35.6	41.0	45.7
Diluted shares o/s (mn)	505	505	505	505
Adj. Diluted EPS (INR)	29.9	35.6	41.0	45.7
Dividend per share (DPS)	5.5	6.2	8.0	9.1
Dividend Payout Ratio(%)	19.5	19.0	21.1	21.1

Growth ratios (%)

Year to March	FY16	FY17	FY18E	FY19E
Revenues	27.7	21.1	14.2	12.2
NII growth	30.1	23.6	13.2	10.6
Opex growth	23.6	30.5	5.1	11.6
PPP growth	28.5	19.4	15.9	12.3
Provisions growth	NA	92.1	32.1	0.0
Adjusted Profit	19.8	16.3	16.4	13.6

Operating ratios

Year to March	FY16	FY17	FY18E	FY19E
Yield on advances	9.9	9.9	9.6	9.5
Yield on assets	10.9	10.7	10.5	10.1
Cost of funds	9.0	8.6	8.4	8.2
Net interest margins	2.6	2.8	2.8	2.6
Spread	2.6	2.8	2.8	2.6
Cost-income	14.7	15.9	14.6	14.6
Tax rate	35.2	34.7	33.5	33.5

Balance sheet		(INR mn)			
As on 31st March	FY16	FY17	FY18E	FY19E	
Share capital	1,010	1,010	1,010	1,010	
Reserves & Surplus	90,450	109,760	127,508	147,676	
Shareholders' funds	91,460	110,770	128,518	148,686	
Short term borrowings	221,872	252,670	296,529	350,455	
Long term borrowings	887,488	1,010,680	1,186,114	1,401,821	
Total Borrowings	1,109,360	1,263,350	1,482,643	1,752,277	
Long Term Liabilities	19,210	25,144	25,400	25,906	
Def. Tax Liability (net)	8,109	9,173	8,493	7,721	
Sources of funds	1,228,138	1,408,437	1,645,054	1,934,590	
Gross Block	1,583	1,658	1,733	1,808	
Net Block	852	893	883	822	
Intangible Assets	69	72	71	66	
Total Fixed Assets	920	965	955	888	
Non current investments	415	790	898	1,022	
Cash and Equivalents	41,621	49,112	56,777	66,136	
Loans & Advances	1,251,732	1,445,340	1,673,740	1,954,102	
Current assets (ex cash)	8,761	11,116	12,480	14,128	
Other assets	1,528	1,691	1,802	1,937	
Trade payable	324	424	429	437	
Other Current Liab	76,515	100,153	101,170	103,186	
Total Current Liab	76,839	100,577	101,599	103,623	
Net Curr Assets-ex cash	(68,078)	(89,462)	(89,118)	(89,495)	
Uses of funds	1,228,138	1,408,437	1,645,054	1,934,590	
BVPS (INR)	181.1	219.4	254.5	294.4	

Sanctions and disbursements					
Year to March	FY16	FY17	FY18E	FY19E	
Sanctions (INR mn)	401,676	488,718	562,025	674,430	
Disbursements (INR mn)	361,509	415,410	477,722	573,266	
Disb. to sanction ratio	90.0	85.0	85.0	85.0	
Disbursements growth (%)	19.2	14.9	15.0	20.0	
Sanctions growth (%)	19.2	21.7	15.0	20.0	

RoE decomposition (%)					
Year to March	FY16	FY17	FY18E	FY19E	
Net int. income/assets	2.6	2.8	2.8	2.6	
Non int. income/assets	0.2	0.2	0.2	0.2	
Net revenues/assets	2.8	3.0	2.9	2.8	
Operating expense/assets	0.4	0.5	0.4	0.4	
Provisions/assets	0.1	0.2	0.2	0.2	
Taxes/assets	0.8	0.8	0.8	0.7	
Total costs/assets	1.3	1.5	1.4	1.3	
ROA	1.5	1.5	1.5	1.4	
Equity/assets	7.5	7.8	8.0	7.9	
ROAE (%)	19.6	19.1	18.8	18.4	

Valuation parameters					
Year to March	FY16	FY17	FY18E	FY19E	
Adj. Diluted EPS (INR)	29.9	35.6	41.0	45.7	
Y-o-Y growth (%)	22.0	18.9	15.1	11.6	
BV per share (INR)	181.1	219.4	254.5	294.4	
Adj. BV per share (INR)	177.4	216.5	248.5	286.3	
Diluted P/E (x)	24.1	20.2	17.6	15.8	
P/B (x)	4.0	3.3	2.8	2.4	
Price/ Adj. BV (x)	4.1	3.3	2.9	2.5	
Dividend Yield (%)	0.8	0.9	1.1	1.3	

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		P/B (X)		ROAE (%)	
		FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
LIC Housing Finance	5,670	17.6	15.8	2.8	2.4	18.8	18.4
Dewan Housing Finance	2,250	12.9	11.2	1.7	1.5	13.8	14.5
Indiabulls Housing Finance	7,774	14.6	12.0	3.8	3.3	27.3	29.3
Mahindra & Mahindra Financial Services	3,560	35.1	22.0	3.3	3.0	9.8	14.4
Manappuram General Finance	1,380	10.6	9.2	2.5	2.1	24.9	24.9
Muthoot Finance	2,911	13.5	11.9	2.5	2.2	19.7	19.4
Power Finance Corp	5,077	4.8	4.7	0.8	0.7	17.8	16.1
Reliance Capital	2,830	14.5	11.7	1.1	1.0	7.5	8.7
Repco Home Finance	737	21.9	18.1	3.6	3.0	17.5	18.0
Rural Electrification Corporation	5,398	5.9	5.4	0.9	0.8	16.6	15.9
Shriram City Union Finance	2,313	17.5	12.3	2.6	2.2	15.7	19.3
Shriram Transport Finance	3,430	13.1	8.5	1.7	1.5	14.2	18.8
Median	-	14.0	11.8	2.5	2.1	17.1	18.2
AVERAGE	-	15.2	11.9	2.3	2.0	17.0	18.1

Source: Edelweiss research

Additional Data

Directors Data

V. K. Sharma	Chairman	Vinay Sah	Managing Director & CEO
T V Rao	Director	Dharmendra Bhandari	Director
Jagdish Capoor	Director	Savita Singh	Director
Debabrata Sarkar	Director	V. K. Kukreja	Director
Ameet Patel	Director	Usha Sangwan	Director

Auditors - Shah Gupta & Co.

**as per last annual report*

Holding - Top 10

	Perc. Holding		Perc. Holding
Mawer Investment Management	3.71	Fidelity Management & Research	3.11
Bank Muscat SAOG	2.28	ICICI Prudential Life Insurance	2.12
BlackRock	2.01	Janus Capital Management	1.92
Mawer International Equity Fund	1.81	Vanguard Group	1.78
GIC	1.67	HSBC	1.56

**as per last available data*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
No Data Available				

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
No Data Available			

**in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Allahabad Bank	HOLD	SU	M	Axis Bank	BUY	SO	M
Bajaj Finserv	HOLD	SP	L	Bank of Baroda	BUY	SP	M
Bharat Financial Inclusion	BUY	SO	M	Capital First	BUY	SO	M
DCB Bank	HOLD	SU	M	Dewan Housing Finance	BUY	SO	M
Equitas Holdings Ltd.	BUY	SO	M	Federal Bank	BUY	SP	L
HDFC	HOLD	SP	L	HDFC Bank	BUY	SO	L
ICICI Bank	BUY	SO	L	IDFC Bank	HOLD	SP	L
Indiabulls Housing Finance	BUY	SO	M	IndusInd Bank	BUY	SP	L
Karnataka Bank	BUY	SP	M	Kotak Mahindra Bank	HOLD	SP	M
L&T FINANCE HOLDINGS LTD	BUY	SO	M	LIC Housing Finance	BUY	SP	M
Magma Fincorp	BUY	SP	M	Mahindra & Mahindra Financial Services	HOLD	SU	M
Manappuram General Finance	BUY	SO	H	Max Financial Services	BUY	SO	L
Multi Commodity Exchange of India	BUY	SP	M	Muthoot Finance	BUY	SO	M
Oriental Bank Of Commerce	HOLD	SP	L	Power Finance Corp	BUY	SO	M
Punjab National Bank	BUY	SP	M	Reliance Capital	BUY	SP	M
Repco Home Finance	BUY	SO	M	Rural Electrification Corporation	BUY	SO	M
Shriram City Union Finance	BUY	SO	M	Shriram Transport Finance	BUY	SO	L
South Indian Bank	BUY	SP	M	State Bank of India	BUY	SP	L
Union Bank Of India	HOLD	SP	M	Yes Bank	BUY	SO	M

ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return

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Coverage group(s) of stocks by primary analyst(s): Banking and Financial Services

Allahabad Bank, Axis Bank, Bharat Financial Inclusion, Bajaj Finserv, Bank of Baroda, Capital First, DCB Bank, Dewan Housing Finance, Equitas Holdings Ltd., Federal Bank, HDFC, HDFC Bank, ICICI Bank, IDFC Bank, Indiabulls Housing Finance, IndusInd Bank, Karnataka Bank, Kotak Mahindra Bank, LIC Housing Finance, L&T FINANCE HOLDINGS LTD, Max Financial Services, Multi Commodity Exchange of India, Manappuram General Finance, Magma Fincorp, Mahindra & Mahindra Financial Services, Muthoot Finance, Oriental Bank Of Commerce, Punjab National Bank, Power Finance Corp, Reliance Capital, Rural Electrification Corporation, Repco Home Finance, State Bank of India, Shriram City Union Finance, Shriram Transport Finance, South Indian Bank, Union Bank Of India, Yes Bank

Recent Research

Date	Company	Title	Price (INR)	Recos
28-Jul-17	IDFC Bank	Soft quarter; merger uncertainties loom large ; <i>Result Update</i>	61	Hold
28-Jul-17	Reliance Capital	Value discovery in offering; <i>Result Update</i>	660	Buy
28-Jul-17	ICICI Bank	Core soft; asset quality on track; <i>Result Update</i>	307	Buy

Distribution of Ratings / Market Cap

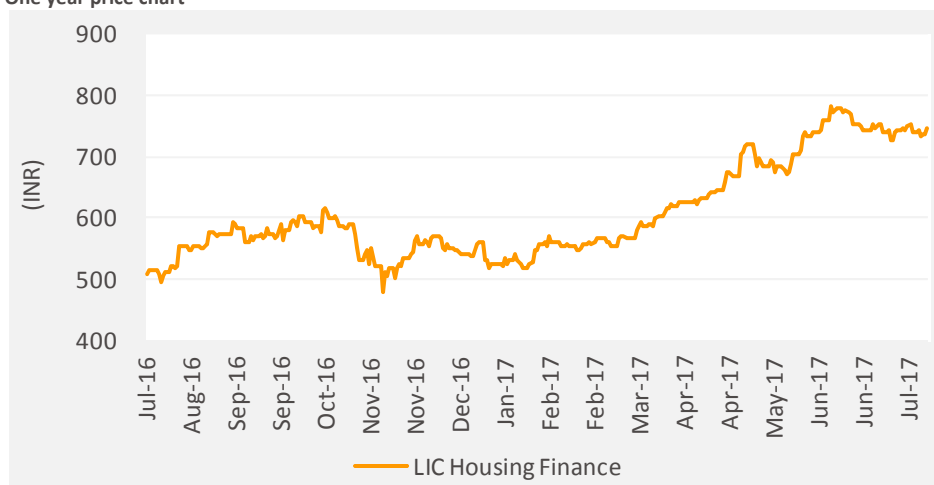
Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240
* 1stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	156	62	11	

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

One year price chart



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