

ICICI BANK

20F findings: Stress elevated, but pursuing prudent course

India Equity Research | Banking and Financial Services

We present key takeaways from ICICI Bank's 20F filing with focus on asset quality disclosures. Key highlights: a) overall stress (9.5%, well known) driven by corporate segment (16.6%) with >55% net rise in GNPLs driven by foreign currency loans; b) disclosure of problem assets (9% of corporate loans including drill down list) and lower flow through in certain sectors (viz., power at ~21%) render credit cost a key monitorable; c) meanwhile, focus on de-risking continued with shift to better rated corporates (RWA/asset down 300bps YoY) and lower concentration; and d) also, early delinquencies (31-60dpd & 61-90dpd) seem to have moderated. While earnings visibility in the corporate segment is weak, retail remains strong (retail loans up >18%, retail fees up >15%, EPS 4-year CAGR >50%), lending comfort. The bank's strong franchise will enable it to deliver above-average normalised returns by FY20, post near-term hiccups. Maintain 'BUY'.

Key takeaways from FY17 20F filing

a) While wholesale banking reported loss at the PBT level, retail is holding strong—profitability CAGR of >50% over past 4 years; b) Possible problem loans continue to be elevated (9%, albeit down from 14% of corporate loans in FY16 following down grades to NPLs); c) corporate recovery trend continues to be weak (higher write-offs restricted GNPLs rise) and will be key monitorable henceforth; d) Amidst asset quality kerfuffle, liability continued to gain heft with retail franchise strengthening.

Lessons learnt: Prudent initiatives to tackle next cycle

While the bank's performance was impacted by higher stress, our analysis of FY17 20F filing indicates that it is currently treading the right track. It has prudently sharpened focus on: a) pruning concentration risk (exposure to top-20 lenders down to 13.2% from >16.0% in FY15); b) targeting credit mix on incremental lending (investment grade now >85.0% versus 80.8% in FY16); and c) strengthening credit monitoring. These measures are envisaged to equip the bank to successfully progress through the next cycle.

Outlook and valuations: Strong franchise; maintain 'BUY'

These are challenging times manifested in temporary lull in earnings. However, ICICI Bank's strong franchise will enable it to deliver healthy normalised returns post short term hiccups. It is trading at 1.1x FY19E P/ABV. Maintain 'BUY/SO' with SoTP of INR362.

Financials

(INR mn)

Year to March	FY16	FY17	FY18E	FY19E
Net revenue	365,471	412,418	423,401	474,340
Net profit	97,263	98,011	119,789	164,344
Dil. EPS (INR)	16.7	16.7	18.6	25.5
Book Value (INR)	149.5	165.8	162.8	178.4
Price/ book (x)	1.3	1.2	1.2	1.1
Diluted P/E (x)	11.9	11.9	10.7	7.8
ROE (%)	11.6	10.7	11.9	14.9

*Adjusted for subsidiary valuation

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 Bloomberg EDEL <GO>, Thomson First Call, Reuters and Factset.

EDELWEISS 4D RATINGS	
Absolute Rating	BUY
Rating Relative to Sector	Outperform
Risk Rating Relative to Sector	Low
Sector Relative to Market	Overweight

MARKET DATA (R: ICBK.BO, B: ICICIB IN)

CMP	: INR 296
Target Price	: INR 362
52-week range (INR)	: 315 / 215
Share in issue (mn)	: 6,413.4
M cap (INR bn/USD mn)	: 1,896 / 29,768
Avg. Daily Vol.BSE/NSE('000)	: 20,257.1

SHARE HOLDING PATTERN (%)

	Current	Q4FY17	Q3FY17
Promoters *	-	-	-
MF's, FI's & BK's	30.4	31.1	29.0
FII's	34.9	35.0	37.2
Others	34.7	33.8	33.9
* Promoters pledged shares (% of share in issue)	:	NIL	

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Banks and Financial Services Index
1 month	3.9	5.9	7.9
3 months	20.4	8.2	11.9
12 months	35.2	16.9	32.7

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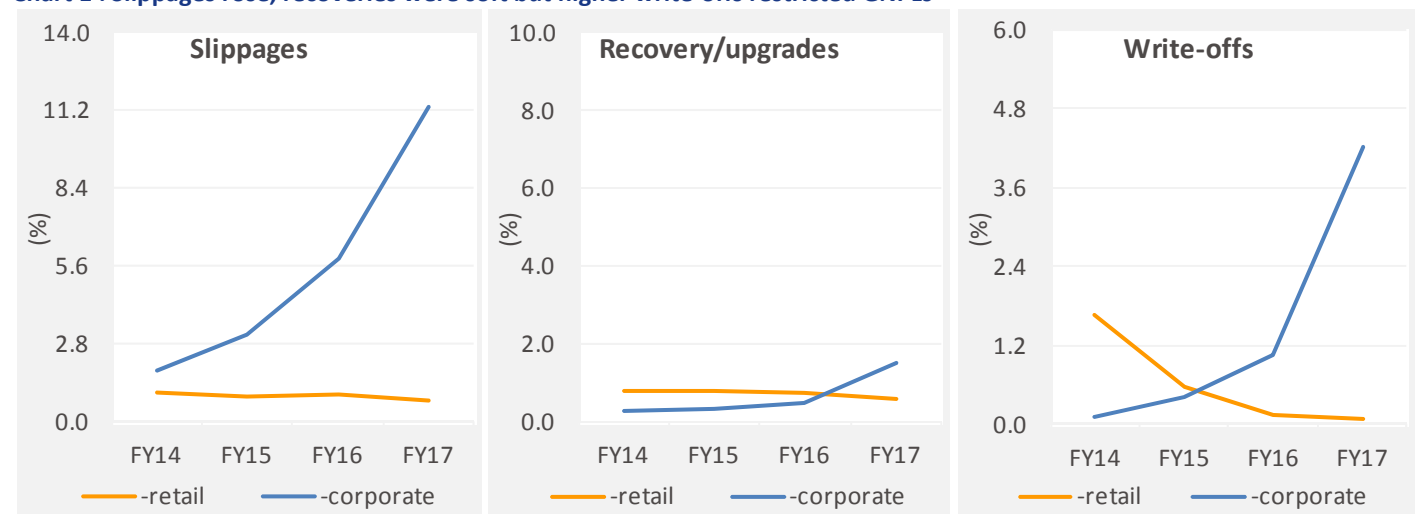
Table 1: Impaired asset rose to ~9.5% with sharp rise in the corporate segment (stress rising to 16.6%)..

(INR mn)	FY13	FY14	FY15	FY16	FY17	(%)	FY13	FY14	FY15	FY16	FY17
GNPLs	1,07,165	1,22,994	1,73,870	2,93,216	4,58,861	GNPLs	3.2	3.1	3.9	5.8	8.6
-retail	49,156	32,968	25,504	26,757	28,062	-retail	4.2	2.2	1.4	1.2	1.1
-corporate	58,009	90,026	1,48,366	2,66,459	4,30,799	-corporate	2.6	3.6	5.4	9.0	14.8
Restructured	67,307	1,33,448	1,30,787	98,674	50,855	Restructured	2.0	3.4	2.9	1.9	0.9
-retail	388	297	221	94	168	-retail	0.0	0.0	0.0	0.0	0.0
-corporate	66,919	1,33,151	1,30,566	98,580	50,687	-corporate	3.0	5.3	4.8	3.3	1.7
Overall stress	1,74,472	2,56,442	3,04,657	3,91,890	5,09,716	Overall stress	5.2	6.5	6.8	7.7	9.5
-retail	49,544	33,265	25,725	26,851	28,230	-retail	4.2	2.3	1.5	1.2	1.2
-corporate	1,24,928	2,23,177	2,78,932	3,65,039	4,81,486	-corporate	5.7	8.9	10.2	12.4	16.6

Table 2 : ...large part of the incremental contribution in corporate segment came from overseas exposure

(INR mn)	FY13	FY14	FY15	FY16	FY17	(%)	FY13	FY14	FY15	FY16	FY17
GNPLs	58,009	90,026	1,48,366	2,66,459	4,30,799	GNPLs	2.6	3.6	5.4	9.0	14.8
-Rupee	43,034	61,578	99,358	1,55,552	2,28,650	-Rupee	3.6	4.7	6.7	9.5	13.2
-foreign	14,975	28,448	49,008	1,10,907	2,02,149	-foreign	1.5	2.4	3.9	8.4	17.2
Restructured	66,919	1,33,151	1,30,566	98,580	50,687	Restructured	3.0	5.3	4.8	3.3	1.7
-Rupee	47,314	83,258	86,694	73,972	35,139	-Rupee	4.0	6.4	5.8	4.5	2.0
-foreign	19,605	49,893	43,872	24,608	15,548	-foreign	1.9	4.2	3.5	1.9	1.3
Overall stress	1,24,928	2,23,177	2,78,932	3,65,039	4,81,486	Overall stress	5.7	8.9	10.2	12.4	16.6
-Rupee	90,348	1,44,836	1,86,052	2,29,524	2,63,789	-Rupee	7.6	11.1	12.5	14.1	15.3
-foreign	34,580	78,341	92,880	1,35,515	2,17,697	-foreign	3.4	6.6	7.4	10.3	18.5

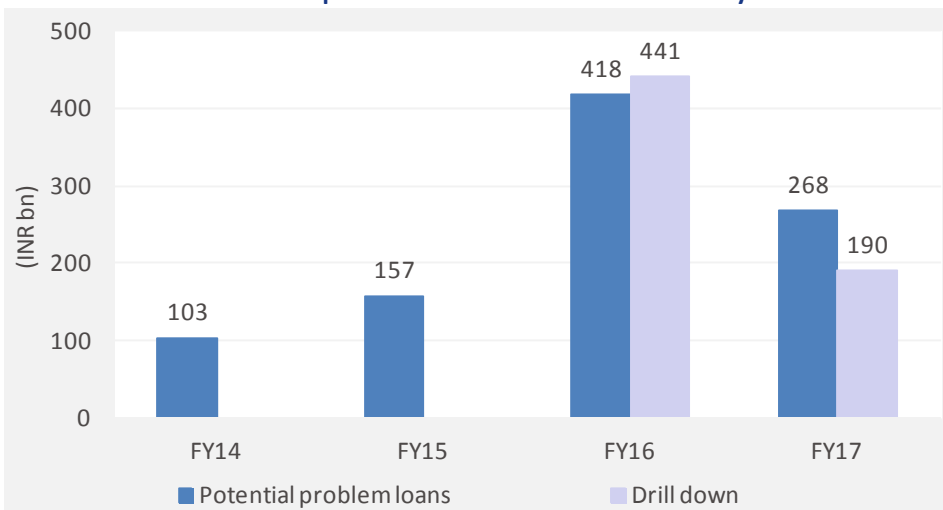
Chart 1 : Slippages rose, recoveries were soft but higher write-offs restricted GNPLs



Source: Company

Table 3 : Stress recognition in power sector still lower which may drive higher slippages henceforth...

	GNPLs				Restructured				Overall			
	FY14	FY15	FY16	FY17	FY14	FY15	FY16	FY17	FY14	FY15	FY16	FY17
Retail finance	2.6	1.8	1.7	1.4	0.0	0.0	0.0	0.0	2.7	1.8	1.7	1.4
Iron/steel and products	1.9	4.2	24.1	34.3	5.5	3.9	3.5	0.6	7.4	8.1	27.6	34.9
Power	0.3	0.3	6.2	20.5	3.3	5.1	0.7	0.4	3.6	5.4	6.9	20.9
Cement	0.4	0.3	-	70.7	-	-	-	-	0.4	0.3	-	70.7
Services—non finance	5.9	9.0	13.0	18.7	6.0	3.7	1.0	0.0	11.9	12.7	13.9	18.7
Mining	1.4	2.0	0.9	36.4	-	4.4	4.7	-	1.4	6.4	5.7	36.4
Construction	3.6	8.1	20.7	35.7	21.5	32.3	30.1	17.6	25.0	40.3	50.7	53.3
Roads, ports, telecom, urban	3.6	8.7	10.8	9.6	8.9	5.2	5.3	3.5	12.6	14.0	16.1	13.1
Shipping	1.1	22.2	31.8	45.4	16.3	3.4	4.9	8.9	17.4	25.6	36.7	54.3
Gems & jewelry	9.1	11.8	15.9	20.9	-	-	-	-	9.1	11.8	15.9	20.9
Food and beverages	8.7	7.9	8.1	9.4	2.3	1.9	3.0	1.0	11.0	9.8	11.2	10.4
Wholesale/retail trade	4.9	3.5	4.0	5.3	2.0	0.9	-	-	6.9	4.5	4.0	5.3
Crude petroleum/refining and petrochemicals	2.1	2.0	2.8	4.4	-	-	7.8	9.0	2.1	2.0	10.5	13.4
Electronics and engineering	3.5	10.8	4.6	3.3	6.6	10.2	9.4	3.2	10.1	21.0	14.0	6.5
Textile	16.6	27.2	36.9	9.7	14.5	7.0	0.6	0.7	31.1	34.2	37.5	10.5
Chemicals & fertilizers	4.5	5.7	4.6	2.1	18.8	24.8	1.4	0.7	23.3	30.5	6.0	2.7
Metal & products (excluding iron & steel)	1.4	1.5	1.8	1.1	0.2	0.2	-	-	1.7	1.7	1.8	1.1
Services—finance	0.4	0.4	0.3	-	3.9	3.4	1.4	-	4.3	3.8	1.7	-
Other Industries	4.3	4.1	3.6	5.3	5.3	4.9	1.5	1.3	9.6	8.9	5.1	6.6
Overall	3.1	3.9	5.8	8.6	3.4	2.9	1.9	1.0	6.5	6.8	7.7	9.5

Chart 2 : ...this with elevated problem loans render credit cost a key monitorable


Source: Company

Table 5 : Balance sheet de-risking on track, reflected in RWA/asset decline

(%)	FY15	FY16	FY17
Investment grade	86.0	80.8	85.5
AAA, AA+, AA, AA-, 1, 2A-C	30.4	32.3	38.0
A+, A, A-, 3 A-C	20.3	20.9	18.8
BBB+, BBB and BBB-, 4A-C	35.3	27.7	28.7
Below investment grade	12.2	18.6	14.0
Unrated	1.8	0.6	0.5
Net loans	100.0	100.0	100.0
RWA/assets	84.3	84.2	81.0

Chart 3 : After rise in FY15, early delinquencies (31-60 dpd & 61-90dpd) seems to have moderated for commercial loans, meanwhile for consumer loans it remains steady

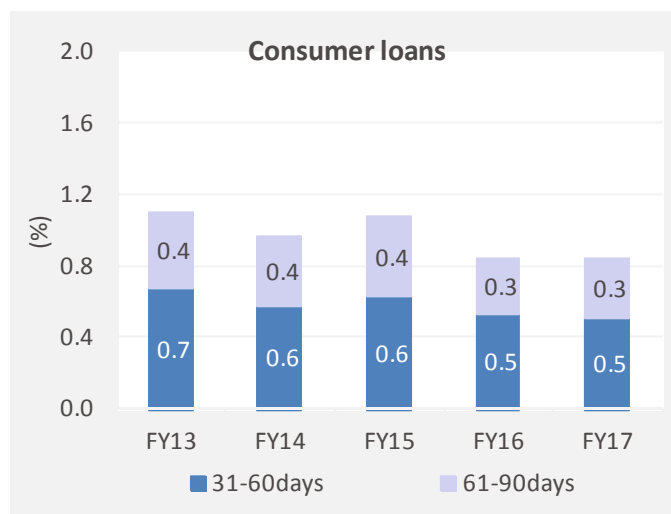
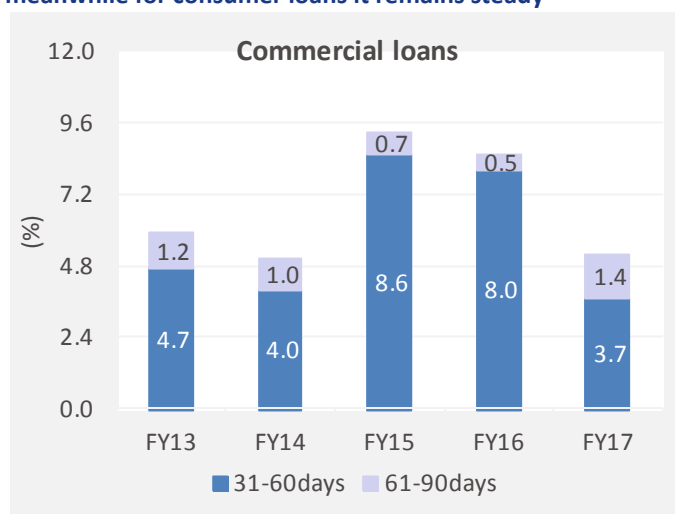


Table 6 : Retail segment continues to drive profitability

(INR mn)	Retail						Wholesale					
	FY13	FY14	FY15	FY16	FY17	CAGR FY13-17(%)	FY13	FY14	FY15	FY16	FY17	CAGR FY13-17 (%)
Net interest income	42,092	57,730	71,415	91,914	113,270	28.1	68,458	75,393	84,471	83,615	65,712	(1.0)
Non-interest income	30,425	36,211	42,771	49,023	57,535	17.3	38,216	40,565	39,004	38,064	35,304	(2.0)
Total income	72,517	93,941	114,186	140,937	170,805	23.9	106,674	115,958	123,475	121,679	101,016	(1.4)
Non-interest expenses	63,216	76,583	86,147	97,972	112,260	15.4	24,843	24,057	25,846	25,981	32,414	6.9
Profit before provisions	9,301	17,358	28,039	42,965	58,545	58.4	81,831	91,901	97,629	95,698	68,602	(4.3)
Provisions	(245)	(937)	796	3,988	4,692	NA	15,642	26,015	35,388	108,152	142,943	73.9
Profit before tax	9,546	18,295	27,243	38,977	53,853	54.1	66,189	65,886	62,241	(12,454)	(74,341)	NA

Source: Company

Company Description

Incorporated in 1994, ICICI Bank is India's second largest bank and the largest among private banks with total assets of about >INR7.5tn. The bank's focus is on retail lending with retail financing representing ~53% of total loans and advances while International and corporate can be the new growth drivers when environment improves.

Investment Theme

We expect road to recovery to be arduous given pressure on NIMs (migration to MCLR, re-pricing of loans) along with slower pick up in credit growth which will keep earnings recovery modest in near term. We believe these are challenging times, manifested in temporary lull in earnings. However, bank's strong franchise will enable it to deliver healthy normalised returns post short term hiccups. The stock is trading at 1.1x FY19E P/ABV. Maintain 'BUY/SO' with SoTP of INR362.

Key Risks

- With banks getting aggressive on retail side maintaining retail traction may turn out to be a challenge.
- Deterioration of macro environment can result in higher restructuring and slow down business growth.

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
Deposit growth	8.6	14.0	12.0	13.0
CRR	4.0	4.0	4.0	4.0
SLR	20.8	20.0	20.0	20.0
G-sec yield	7.5	6.5	6.5	6.5
Company				
Op. metric assumpt. (%)				
Yield on advances	9.5	8.8	9.0	8.9
Yield on investments	6.6	6.4	6.4	6.6
Yield on asset	8.3	8.0	7.9	8.0
Cost of funds	5.2	5.0	4.9	4.7
Net interest margins	3.3	3.2	3.3	3.4
Cost of deposits	5.5	4.1	4.0	3.9
Cost of borrowings	6.4	6.0	6.0	6.0
Spread	3.1	3.0	3.1	3.2
Tax rate (%)	20.2	13.1	20.0	20.0
Balance sheet assumption (%)				
Credit growth	11.4	6.6	10.5	14.5
Deposit growth	16.6	16.3	10.0	16.4
SLR ratio	21.3	19.7	19.7	19.7
Low-cost deposits	45.8	50.4	50.8	51.3
Gross NPA ratio	5.8	8.9	8.7	7.6
Net NPA / Equity	14.9	26.0	23.2	18.2
Capital adequacy	16.6	17.4	16.9	16.4
Incremental slippage	4.1	7.6	4.0	2.5
Provision coverage	50.6	40.8	47.3	54.6

Income statement

(INR mn)

Year to March	FY16	FY17	FY18E	FY19E
Interest income	527,394	541,563	583,121	654,856
Interest expended	315,154	324,190	341,825	373,733
Net interest income	212,240	217,373	241,296	281,123
Non interest income	153,230	195,045	182,104	193,217
- Fee & forex income	97,332	97,208	110,817	127,440
- Misc. income	13,035	12,077	16,287	20,777
- Investment profits	42,863	85,760	55,000	45,000
Net revenue	365,471	412,418	423,401	474,340
Operating expense	126,836	147,551	161,440	177,643
- Employee exp	50,024	57,337	61,264	66,257
- Other opex	76,812	90,214	100,175	111,386
Preprovision profit	238,635	264,867	261,961	296,697
Provisions	116,678	152,081	112,225	91,267
Loan loss provisions	72,157	142,704	112,225	91,267
Investment depreciation	1,707	1,878	-	-
Other provisions	42,815	7,500	-	-
Profit Before Tax	121,957	112,786	149,736	205,430
Less: Provision for Tax	24,694	14,775	29,947	41,086
Profit After Tax	97,263	98,011	119,789	164,344
Reported Profit	97,263	98,011	119,789	164,344
Adj. Diluted EPS (INR)	16.7	16.7	18.6	25.5
Dividend per share (DPS)	5.0	2.5	5.6	8.5
Dividend Payout Ratio(%)	32.8	17.4	35.0	38.7

Growth ratios (%)

Year to March	FY16	FY17	FY18E	FY19E
NII growth	11.5	2.4	11.0	16.5
Fees growth	7.9	(0.1)	14.0	15.0
Opex growth	10.3	16.3	9.4	10.0
PPOP growth	7.8	(8.5)	15.6	21.6
PPP growth	21.0	11.0	(1.1)	13.3
Provisions growth	198.8	30.3	(26.2)	(18.7)
Adjusted Profit	(13.0)	0.8	22.2	37.2

Operating ratios

Year to March	FY16	FY17	FY18E	FY19E
Yield on advances	9.5	8.8	9.0	8.9
Yield on investments	6.6	6.4	6.4	6.6
Yield on assets	8.3	8.0	7.9	8.0
Cost of funds	5.2	5.0	4.9	4.7
Net interest margins	3.3	3.2	3.3	3.4
Cost of deposits	5.5	4.1	4.0	3.9
Cost of borrowings	6.4	6.0	6.0	6.0
Spread	3.1	3.0	3.1	3.2
Cost-income	34.7	35.8	38.1	37.5
Tax rate	20.2	13.1	20.0	20.0

Balance sheet		(INR mn)			
As on 31st March	FY16	FY17	FY18E	FY19E	
Share capital	11,632	11,714	12,890	12,890	
Reserves & Surplus	857,550	959,622	1,036,297	1,136,969	
Net worth	869,181	971,336	1,049,187	1,149,859	
Sub bonds/pref cap	655,540	688,740	721,940	755,140	
Deposits	4,214,257	4,900,391	5,391,561	6,277,556	
Total Borrowings	1,092,534	786,822	858,571	948,607	
Other liabilities	378,874	342,452	370,440	415,207	
Total liabilities	7,210,386	7,689,740	8,391,698	9,546,369	
Loans	4,352,639	4,642,321	5,127,976	5,872,173	
Cash and Equivalents	598,687	757,131	761,784	840,122	
Gilts	1,128,208	1,120,381	1,231,276	1,423,554	
Others	475,910	494,685	553,212	621,664	
Fixed assets	47,595	49,877	47,664	45,201	
Other Assets	607,347	625,346	669,786	743,655	
Total assets	7,210,386	7,689,740	8,391,698	9,546,369	
BVPS (INR)	149.5	165.8	162.8	178.4	
Credit growth	11.4	6.6	10.5	14.5	
Deposit growth	16.6	16.3	10.0	16.4	
EA growth	6.3	7.0	9.4	14.1	
SLR ratio	21.3	19.7	19.7	19.7	
C-D ratio	108.1	98.9	99.2	97.4	
Low-cost deposits	45.8	50.4	50.8	51.3	
Provision coverage	50.6	40.8	47.3	54.6	
Gross NPA ratio	5.8	8.9	8.7	7.6	
Net NPA ratio	3.0	5.4	4.7	3.6	
Incremental slippage	4.1	7.6	4.0	2.5	
Net NPA / Equity	14.9	26.0	23.2	18.2	
Capital adequacy	16.6	17.4	16.9	16.4	
- Tier 1	13.1	14.4	13.9	13.4	

RoE decomposition (%)		FY16	FY17	FY18E	FY19E
Year to March					
Net int. income/assets	3.3	3.2	3.3	3.4	
Fees/Assets	1.7	1.6	1.7	1.8	
Invst. profits/Assets	0.7	1.3	0.7	0.5	
Net revenues/assets	5.7	6.1	5.8	5.8	
Operating expense/assets	(2.0)	(2.2)	(2.2)	(2.2)	
Provisions/assets	(1.8)	(2.2)	(1.5)	(1.1)	
Taxes/assets	(0.4)	(0.2)	(0.4)	(0.5)	
Total costs/assets	(4.2)	(4.6)	(4.1)	(3.8)	
ROA	1.5	1.4	1.6	2.0	
Equity/assets	13.2	13.6	13.8	13.4	
ROAE (%)	11.6	10.7	11.9	14.9	

Valuation parameters		FY16	FY17	FY18E	FY19E
Year to March					
Adj. Diluted EPS (INR)	16.7	16.7	18.6	25.5	
Y-o-Y growth (%)	(13.2)	0.1	11.1	37.2	
BV per share (INR)	149.5	165.8	162.8	178.4	
Adj. BV per share (INR)	103.6	106.7	119.0	137.4	
Diluted P/E (x)	11.9	11.9	10.7	7.8	
Price/ BV (x)	1.3	1.2	1.2	1.1	
Price/ ABV (x)	1.9	1.9	1.7	1.5	

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		Price/ Adj. BV (X)		ROAE (%)	
		FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
ICICI Bank	29,768	10.7	7.8	1.2	1.1	11.9	14.9
Axis Bank	19,040	18.6	11.9	2.3	2.0	11.2	15.8
DCB Bank	943	23.0	19.0	2.4	2.1	11.5	11.5
Federal Bank	3,459	18.1	14.5	1.9	1.7	11.4	11.7
HDFC Bank	71,949	25.9	21.4	4.5	3.9	18.2	19.0
IndusInd Bank	15,457	27.1	21.8	4.3	3.7	16.8	17.9
Karnataka Bank	883	7.9	6.5	0.9	0.8	10.0	11.2
Kotak Mahindra Bank	29,773	32.6	26.6	4.2	3.7	14.5	14.5
Yes Bank	12,826	18.9	14.4	3.3	2.8	18.2	20.3
Median	-	18.9	14.5	2.4	2.1	11.9	14.9
AVERAGE	-	19.1	15.1	2.6	2.3	13.7	15.2

Source: Edelweiss research

Additional Data

Directors Data

M K Sharma	Chairman	Chanda Kochhar	Managing Director & CEO
N S Kannan	Executive Director	Anup Bagchi	Executive Director
Vijay Chandok	Executive Director	Vishakha Mulye	Executive Director
Homi R Khusrokhan	Director	V Sridar	Director
Tushaar Shah	Director	V K Sharma	Director
Amit Agrawal	Director	Dileep Choksi	Director

Auditors - B S R & Co. LLP

**as per last annual report*

Holding - Top 10

	Perc. Holding		Perc. Holding
Deutsche Bank Trust Co Americas	25.10	Life Insurance Corp Of India	10.35
Dodge & Cox	7.06	HDFC Asset Management Co Ltd	3.47
ICICI Prudential Asset Mgmt Co	2.33	Capital Group Companies Inc	1.94
SBI Funds Management	1.81	Blackrock	1.53
Reliance Capital Trustee Co Ltd	1.42	GIC Private Limited	1.38

**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
19 May 2017	Drupad Shah	Sell	19850.00
16 May 2017	Sandeep Batra	Sell	20000.00
12 May 2017	SIDDHARTH MISHRA	Sell	40000.00
11 May 2017	SANJEEV MANTRI	Sell	25000.00
11 May 2017	BHARGAV DASGUPTA	Sell	225000.00

**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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Aditya Narain

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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
02-Aug-17	Capital First	Momentum sustained; <i>Result Update</i>	781	Buy
02-Aug-17	Shriram City Union Finance	Stable quarter amid lingering merger overhang; <i>Result Update</i>	2,326	Buy
02-Aug-17	Punjab National Bank	The same old story; <i>Result Update</i>	159	Buy

Distribution of Ratings / Market Cap

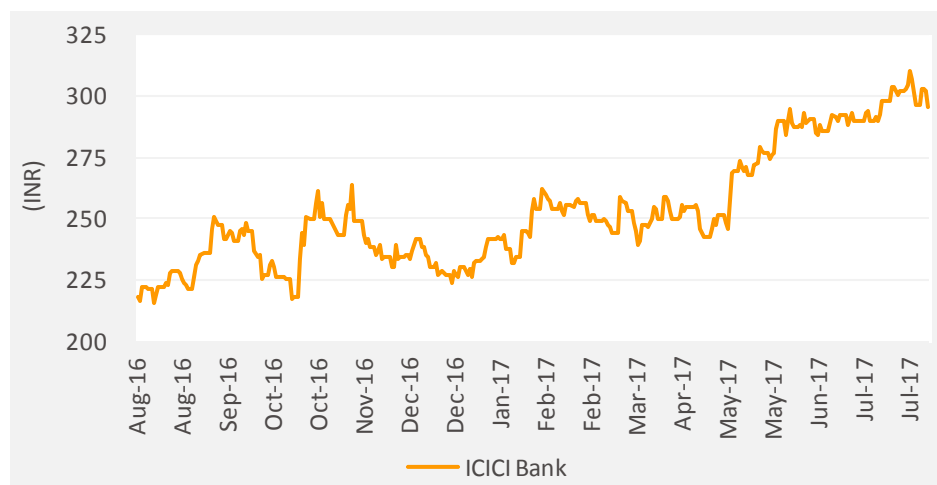
Edelweiss Research Coverage Universe

	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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