

MUTHOOT FINANCE

Decent return profile; growth revival critical

India Equity Research | Banking and Financial Services

Muthoot Finance (Muthoot) reported in-line PAT of INR4.5bn (flat QoQ) in Q4FY18. Key highlights: a) modest gold loan AUM growth due to weak underlying demand; b) revenue momentum sustained benefiting from lower borrowing cost & higher recoveries from six-months' overdue loans; c) borrower-wise classification norms led to further rise in GNPLs to 7.0% (5.6% in Q3FY18); and d) Cenvat credit (INR160mn) & redemption of ULIP (keyman insurance of INR300mn) supported earnings. Muthoot's other businesses—home finance, Belstar, insurance broking—scaling up well (10% of AUM). Given stability in the business along with RoA/RoE profile of >5%/20%, we maintain 'BUY'.

Funding cost benefit & overdue recovery sustain revenue momentum

Muthoot sustained revenue momentum benefitting from recovery in six-months' overdue portfolio, which matured & attracted higher yield (still INR12bn outstanding, implying benefit to flow through in Q1FY19 as well). Yields, post run-down of this portfolio, should normalise at sub-20% (21.6% in Q4FY18). Funding cost clocked eighth consecutive quarter of decline, which should be arrested due to rise in interest rates.

GNPLs rise, but loss given default to be minimal

Compared to expectation of recoveries, GNPLs rose further to INR20.3bn (6.98% vis-a-vis 5.6%) as Muthoot implemented RBI's borrower-wise classification starting Q4FY18 (contributing 2.6% to GNPLs). Additionally 2.5% of the GNPLs are with respect to six-months' tenor loans where LTV (including penal interest) is comfortable. Hence, despite optically higher GNPLs, it will not be a drag on earnings momentum.

AUM growth modest on weak demand

Gold loan AUM growth continued to be modest (up 6% YoY/3% QoQ) due to weak underlying demand. Half of the growth was aided by volume spurt and half due to rise in AUM/gram. Pick-up in growth momentum will be critical for earnings growth.

Outlook and valuations: Growth to drive rerating; maintain 'BUY'

Post a soft H1FY18, Q4FY18 saw some accretion in AUM (5%). We expect AUM growth to gather pace on enhanced demand from business segments post GST stabilisation. This, alongwith controlled costs and provisioning, is estimated to drive >20% earnings CAGR over FY17-20. At CMP, the stock trades at 1.7x FY20E P/ABV for RoA/RoE of >5%/20%. We maintain 'BUY/SO' with TP of INR568.

Financials

	(INR mn)							
Year to March	Q4FY18	Q4FY17	Growth (%)	Q3FY18	Growth (%)	FY18	FY19E	FY20E
Net revenue	11,585	11,672	(0.7)	10,978	5.5	43,024	41,929	46,972
Net profit	4,514	3,218	40.3	4,636	(2.6)	17,203	17,756	19,993
Dil. EPS (INR)	11.3	8.0	40.2	11.6	(2.6)	43.0	44.4	50.0
Adj. BV (INR)						162.8	205.5	242.5
Price/Adj book (x)						2.6	2.0	1.7
Price/Earnings (x)						9.8	9.4	8.4

EDELWEISS 4D RATINGS

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

MARKET DATA (R: MUTT.BO, B: MUTH IN)

CMP	: INR 420
Target Price	: INR 568
52-week range (INR)	: 526 / 357
Share in issue (mn)	: 400.0
M cap (INR bn/USD mn)	: 168 / 2,508
Avg. Daily Vol.BSE/NSE('000)	: 785.5

SHARE HOLDING PATTERN (%)

	Current	Q3FY18	Q2FY18
Promoters *	73.6	73.6	73.7
MF's, FI's & BK's	10.5	10.5	11.0
FII's	11.8	11.8	11.4
Others	4.1	4.1	3.9
* Promoters pledged shares (% of share in issue)	:	NIL	

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Banks and Financial Services Index
1 month	(5.3)	2.0	3.4
3 months	2.9	2.8	3.4
12 months	6.3	12.9	12.7

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Performance of subsidiaries

- **Muthoot Homefin** sustained growth momentum during the quarter—loan book grew >32% QoQ to INR14.6bn. Revenue came in at INR452mn (INR358mn in Q3FY18), flowing into PAT of INR116mn (PAT of INR80mn last quarter). The business is currently operational in 19 locations. Focus within this vertical continues to be on extending affordable housing finance, with thrust on EWS and LIG customers.
- **Belstar Investment and Finance's** loan portfolio stood at INR11.4bn (up >20% QoQ), with 235 branches spread across seven states (Tamil Nadu, Karnataka, Madhya Pradesh, Maharashtra, Kerala, Chattisgarh and Odisha) and one Union Territory (Pondicherry). Revenue for the quarter stood at INR692mn (INR596mn in Q3FY18), translating into PAT of INR122mn (INR97mn in Q3FY18).
- **Muthoot Insurance Brokers** clocked stupendous growth in the exit quarter of FY18 and generated premium collection of INR415mn (up >90% QoQ), with active distribution of life as well as non-life insurance products. Number of policies insured came in at 2,05,070 (up >15% YoY).
- **Asia Asset Finance's** loan portfolio stood at LKR9.95bn (up ~15% YoY), with 17 branches across Sri Lanka. Revenue came in at LKR683mn during Q4FY18 (up >16% YoY) with PAT of LKR58mn (LKR86mn in Q4FY17).

Table 1: Key takeaways from Q4FY18 earnings

(INR mn)	Q4FY18	Q4FY17	YoY (%)	Q3FY18	QoQ (%)	Comments
Interest income	15,510	17,096	(9.3)	15,537	(0.2)	Sustained revenue momentum benefitting from recovery in six-months' overdue portfolio, which matured and attracted higher yields
Interest expense	4,495	5,460	(17.7)	4,689	(4.1)	Lower interest expense, on CoF benefits - down >14bps QoQ to 8.49%
Net interest income	11,014	11,636	(5.3)	10,849	1.5	Healthy NII traction, driven by superior margins
Non-interest income	571	36	1,490.3	130	340.4	Higher on account of cenvat credit of INR160mn and redemption of ULIP (keyman insurance of INR300mn)
Net revenues	11,585	11,672	(0.7)	10,978	5.5	
Operating expenses	3,664	3,349	9.4	3,212	14.1	Controlled opex, following continued focus on operating efficiency
-Staff expense	2,095	1,802	16.3	1,848	13.4	
-Depreciation	114	133	(14.8)	115	(1.3)	
-Other opex	1,456	1,414	2.9	1,250	16.5	
Operating profit	7,921	8,323	(4.8)	7,766	2.0	
Provisions	596	2,430	NA	564	5.7	
Profit before tax	7,324	5,893	24.3	7,202	1.7	
Tax expense	2,810	2,675	5.1	2,565	9.6	Tax rate was higher as INR100mn was pertaining to prior period
Profit after tax	4,514	3,218	40.3	4,636	(2.6)	
EPS (INR)	11.3	8.0	40.2	11.6	(2.6)	

Source: Company, Edelweiss research

Table 1: Key takeaways from Q4FY18 earnings (Contd.)

(INR mn)	Q4FY18	Q4FY17	YoY (%)	Q3FY18	QoQ (%)	Comments
Key Metrics						
Gross retail loan AUM	291,380	272,785	6.8	282,648	3.1	
Gold loans	288,480	272,199	6.0	280,974	2.7	AUM growth remains subdued due to weak demand
Other loans	2,900	586	394.9	1,674	73.2	Ramp up of non-gold portfolio holds key; management targeting to take it to 15%
Gold holding (tonnes)	155	149	4.0	153	-	
GNPA	20,329	5,621	261.7	15,897	27.9	
NNPA	17,951	4,602	290.1	13,922	28.9	
GNPA (%)	7.0	2.1		5.6		Higher GNPLs as company implemented RBI's borrower-wise classification norm
NNPA (%)	6.2	1.7		4.9		
NIM (reported, %)	14.8	17.0		15.1		
Subsidiaries						
Asia Asset Finance						
Loan portfolio (LKR)	9,950	8,662	14.9	9,746	2.1	Strong loan book growth, on expanding reach
PAT (LKR)	58	86	(32.6)	47	23.4	
Muthoot Homefin						
Loan portfolio	14,648	4,408	NM	10,999	33.2	Robust loan book growth, outlook remains positive
PAT	116	21	NM	80	45.0	
Muthoot Insurance Brokers						
Premium collection	415	259	60.2	217	91.2	Stupendous growth in premium collections, given greater number of policies insured
PAT	44	22	100.0	25	76.0	
Belstar Investment & Finance						
Loan portfolio	11,371	5,668	100.6	9,451	20.3	
PAT	122	37	229.7	97	25.8	

Source: Company, Edelweiss research

Chart 1: Softer FY18, AUM growth to pick up pace going forward

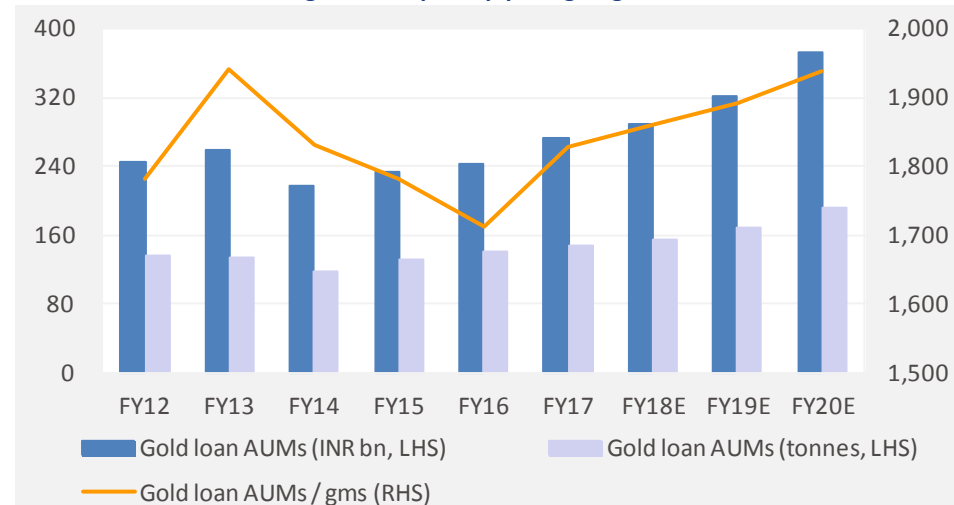


Chart 2: Growth momentum shows signs of trend reversal

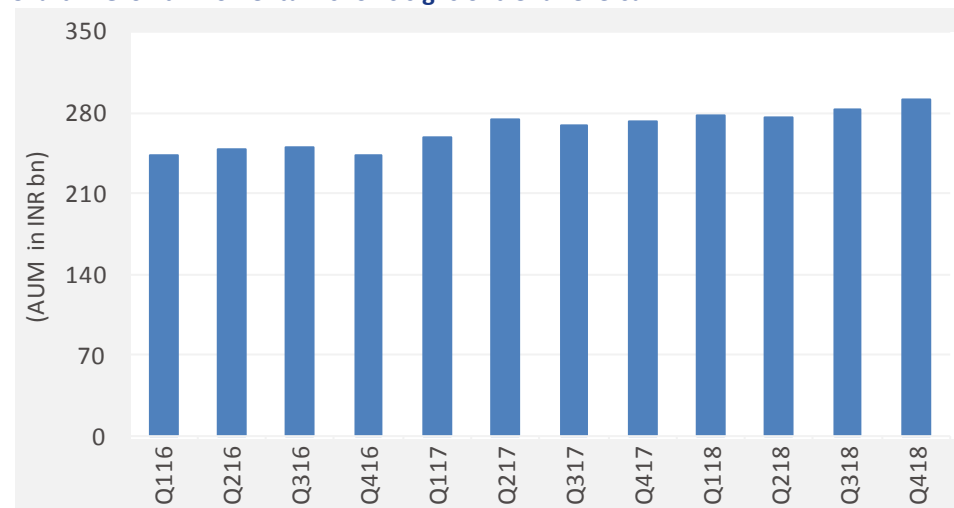
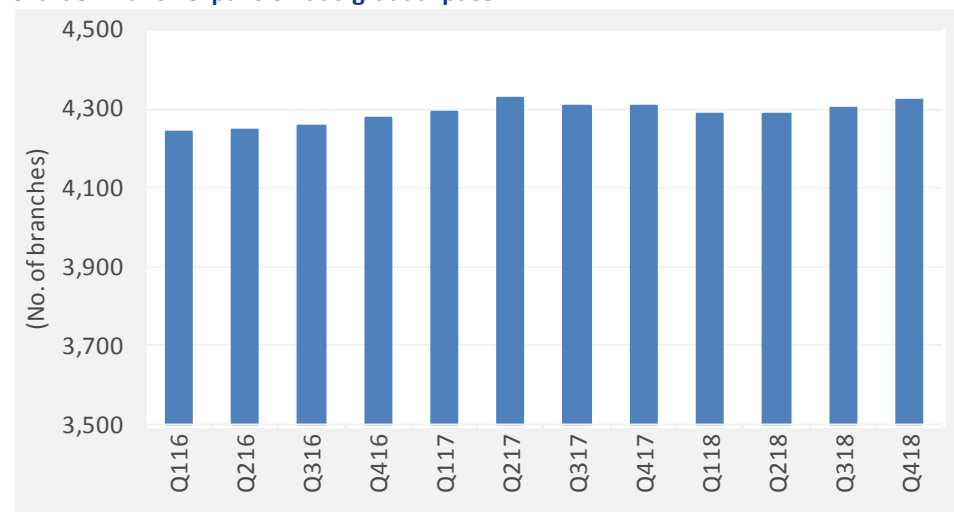


Chart 3: Branch expansion at a gradual pace



Source: Company

Chart 4: Employee count on the rise

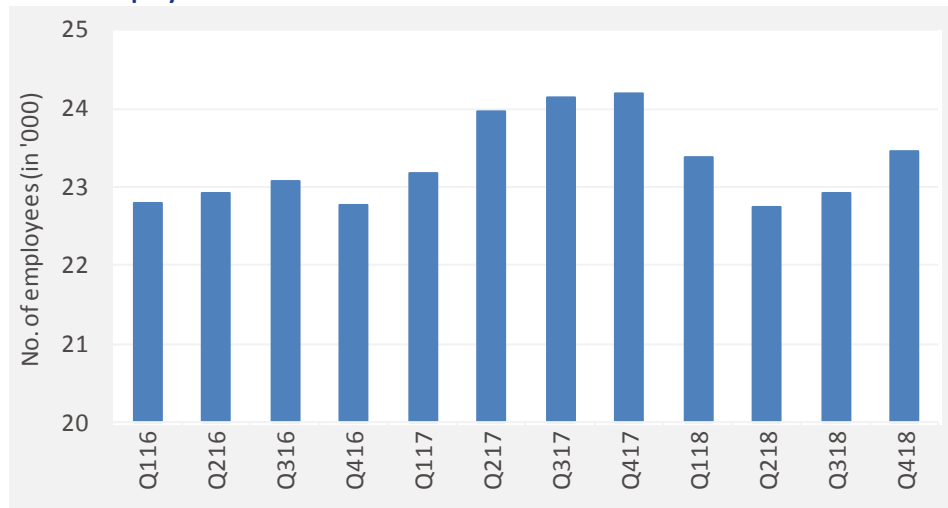


Chart 5: NIMs benefit from higher yields and continued funding cost advantage

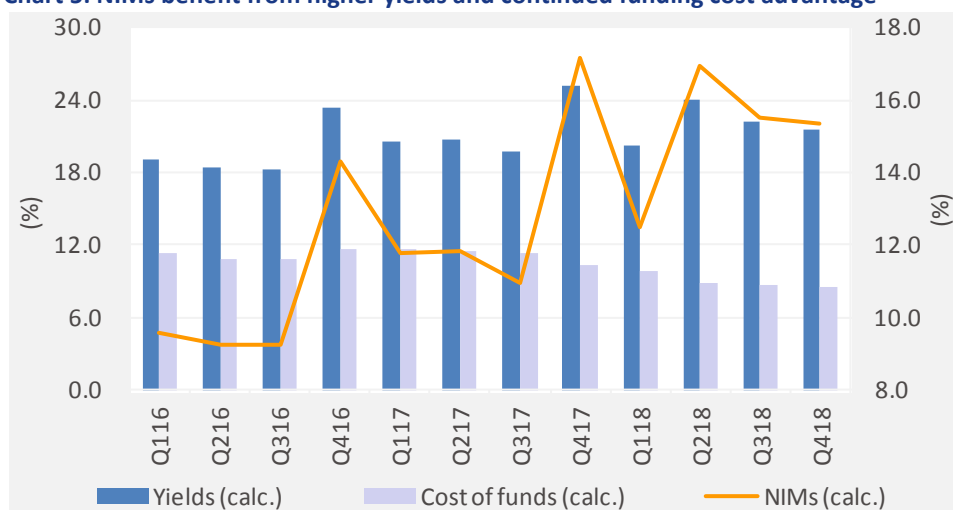
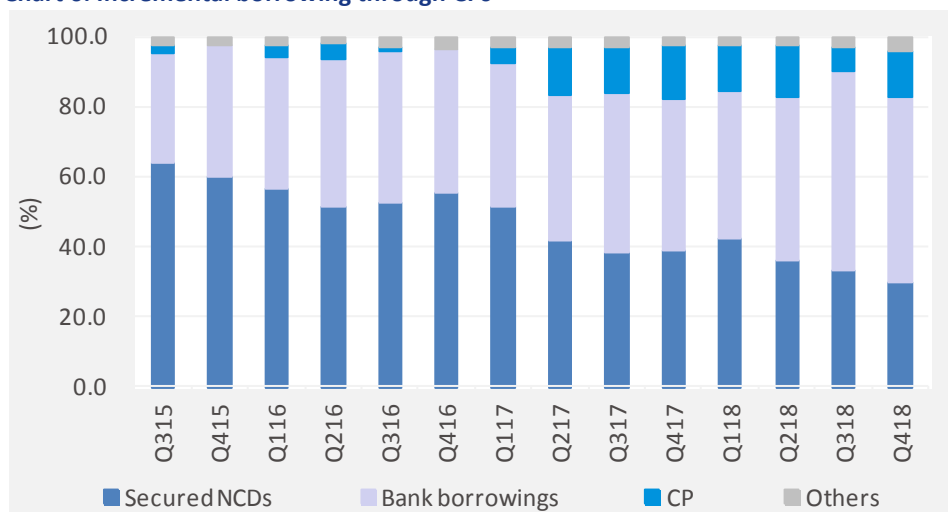
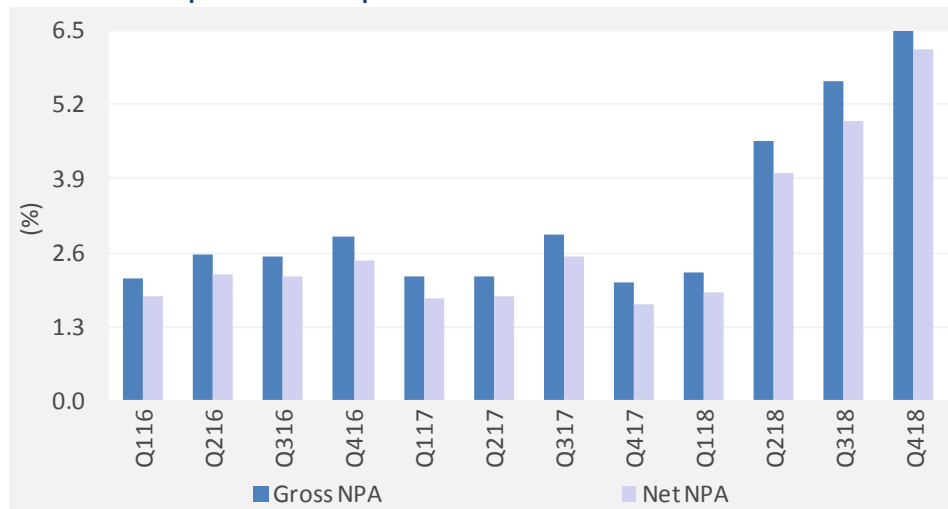


Chart 6: Incremental borrowing through CPs



Source: Company

Chart 7: GNPA's spiked due to implementation of RBI's borrower wise norm



Source: Company

Financial snapshot

(INR mn)

Year to March	Q4FY18	Q4FY17	% change	Q3FY18	% change	FY18	FY19E	FY20E
Operating income	15,510	17,096	(9.3)	15,537	(0.2)	61,763	61,761	69,513
Interest expanded	4,495	5,460	(17.7)	4,689	(4.1)	19,399	20,063	22,791
Other income	571	36	1,490.3	130	340.4	660	230	250
Net revenues	11,585	11,672	(0.7)	10,978	5.5	43,024	41,929	46,972
Operating expenses	3,551	3,216	10.4	3,085	15.1	12,618	13,469	14,637
Pre-provision profit	8,034	8,456	(5.0)	7,893	1.8	30,406	28,460	32,336
Provisions & write-offs	596	2,430	(75.5)	564	5.7	2,397	828	1,376
Operating profit	7,437	6,026	23.4	7,329	1.5	28,009	27,632	30,960
Depreciation	113	133	(15.0)	127	(11.0)	439	523	436
Profit before tax	7,324	5,893	24.3	7,202	1.7	27,571	27,109	30,524
Tax	2,810	2,675	5.1	2,565	9.6	10,368	9,352	10,531
PAT	4,514	3,218	40.3	4,636	(2.6)	17,203	17,756	19,993
Diluted EPS (INR)	11.3	8.0	40.2	11.6	(2.6)	43.0	44.4	50.0

Other information

Branches (No.)	4,325	4,307		4,303		4,325	4,375	4,425
Employees (No.)	23,455	24,205		22,933		23,455	23,726	23,997
AUM	288,480	272,199		280,974		288,480	320,565	371,753

Ratios

Gross NPA - Gold loan (%)	20,329	5,621		15,897		20,329	14,425	14,870
Net NPA - Gold loan (%)	17,951	4,602		13,922		17,951	12,262	12,342
Tax rate (%)	38.4	45.4		35.6		37.6	34.5	34.5
B/V per share (INR)						194.3	227.0	264.1
Adj book value / share						162.8	205.5	242.5
Price/ Book (x)						2.2	1.8	1.6
Price/ Adj. book (x)						2.6	2.0	1.7
Price/ Earnings						9.8	9.4	8.4

Company Description

Muthoot is the largest gold financing NBFC with operating history of more than 70 years when M George Muthoot (the father of Promoters) founded a gold loan business in 1939. At present, it is a closely held family-owned business with promoters (sons of M. George Muthoot and their family) continuing to hold substantial stake of ~75% even post the recent fund raising of INR4.2bn. Headquartered in Kerala, the gold loan NBFC has a network of 4,325 branches, with majority located in southern India. Muthoot has created leadership position in lending against gold jewellery with ~INR291bn AUMs comprising more than 7.4mn customers.

In addition to gold loan business, it also provides money transfer services through branches as sub-agents of various registered money transfer agencies, and recently has commenced providing collection agency services as well. Its other recent initiatives include sale of gold coins, insurance products and housing finance amongst various other services.

The Muthoot group has interests in a diverse range of business in areas of hospitality, media, education, healthcare, information technology etc. However, gold loans continue to be the mainstay and hence Muthoot Finance continues to be the flagship company.

Investment Theme

Post a soft H1FY18, Q4FY18 saw some accretion in AUM (5%). We expect AUM growth to gather pace on enhanced demand from business segments post GST stabilisation. This, alongwith controlled costs and provisioning, is estimated to drive >20% earnings CAGR over FY17-20. Maintain BUY.

Key Risks

- Gold loan dynamics of regions beyond South India is bit different
- Pressure on growth in case of slower ramp up of new branches or decline in gold price

Financial Statements

Key Assumptions

Year to March	FY17	FY18	FY19E	FY20E
Macro				
GDP(Y-o-Y %)	6.6	6.8	7.4	7.6
Inflation (Avg)	4.5	4.0	4.5	5.0
Repo rate (exit rate)	6.3	5.8	5.8	6.5
USD/INR (Avg)	67.1	65.0	66.0	66.0
Sector				
Credit growth	9.0	12.0	14.0	17.0
Deposit growth	14.0	12.0	13.0	14.0
Bank's base rate (%)	9.0	9.0	9.0	9.0
Wholesale borr. cost (%)	8.5	8.5	8.5	8.5
G-sec yield	6.5	6.5	6.5	7.1
Company				
Yield on advances	22.2	22.0	20.3	20.1
Cost of funds	11.5	9.2	9.0	9.1
Net interest margins	13.4	15.1	13.7	13.5
Opex growth				
- employee cost	2.9	3.3	5.0	7.0
- advertisement	(15.1)	NA	5.0	5.0
- rent	4.8	5.2	6.0	6.0
Tax rate (%)	38.6	37.6	34.5	34.5
Balance sheet assumptions				
Number of branches	4,307	4,325	4,375	4,425
Gold loan tenure	2.6	2.6	2.6	2.6
AUMs (in tonnes)/branch	34.6	35.8	38.7	43.4
Average INR per gm	1,826.9	1,861.0	1,892.9	1,937.8
Average LTV	72.0	70.0	70.0	70.0
Gross NPLs	2.1	7.0	4.5	4.0
Prov Cov	18.1	11.7	15.0	17.0

Income statement

(INR mn)

Year to March	FY17	FY18	FY19E	FY20E
Interest income	57,272	61,763	61,761	69,513
Interest expended	22,938	19,399	20,063	22,791
Net interest income	34,334	42,364	41,699	46,722
- Fee & forex income	195	660	230	250
Net revenues	34,529	43,024	41,929	46,972
Operating expense	12,503	13,057	13,992	15,073
- Employee exp	7,280	7,288	7,741	8,378
- Depn /amortisation	483	439	523	436
- Other opex	4,740	5,330	5,728	6,259
Preprovision profit	22,026	29,967	27,937	31,900
Provisions	2,816	2,397	828	1,376
Profit Before Tax	19,210	27,571	27,109	30,524
Less: Provision for Tax	7,411	10,368	9,352	10,531
Profit After Tax	11,798	17,203	17,756	19,993
Reported Profit	11,798	17,203	17,756	19,993
Shares o /s (mn)	399	400	400	400
Basic EPS (INR)	29.5	43.0	44.4	50.0
Diluted shares o/s (mn)	399	400	400	400
Adj. Diluted EPS (INR)	29.5	43.0	44.4	50.0
Dividend per share (DPS)	6.0	10.0	10.0	11.0
Dividend Payout Ratio(%)	20.3	23.3	22.5	22.0

Growth ratios (%)

Year to March	FY17	FY18	FY19E	FY20E
Revenues	31.9	24.6	(2.5)	12.0
NII growth	32.1	23.4	(1.6)	12.0
Opex growth	7.6	4.4	7.2	7.7
PPP growth	51.3	36.1	(6.8)	14.2
Provisions growth	73.4	(14.9)	(65.4)	66.1
Adjusted Profit	48.4	45.8	3.2	12.6

Operating ratios

Year to March	FY17	FY18	FY19E	FY20E
Yield on advances	22.2	22.0	20.3	20.1
Cost of funds	11.5	9.2	9.0	9.1
Net interest margins	13.4	15.1	13.7	13.5
Spread	10.8	12.8	11.3	10.9
Cost-income	36.2	30.3	33.4	32.1
Tax rate	38.6	37.6	34.5	34.5

Balance sheet (INR mn)				
As on 31st March	FY17	FY18	FY19E	FY20E
Share capital	3,995	4,000	4,000	4,000
Reserves & Surplus	61,170	73,604	86,680	101,526
Shareholders' funds	65,164	77,604	90,680	105,526
Short term borrowings	147,671	148,876	163,280	188,098
Long term borrowings	63,288	63,804	69,977	80,613
Total Borrowings	210,959	212,680	233,257	268,711
Long Term Liabilities	21,650	14,187	18,011	21,073
Def. Tax Liability (net)	(560)	(340)	(340)	(340)
Sources of funds	297,213	304,130	341,608	394,970
Gross Block	5,855	6,216	6,399	6,580
Net Block	2,039	1,962	1,622	1,367
Capital work in progress	-	57	-	-
Intangible Assets	43	43	34	29
Total Fixed Assets	2,082	2,062	1,657	1,396
Non current investments	2,091	3,838	4,138	4,438
Cash and Equivalents	15,346	4,868	11,220	13,011
Loans & Advances	272,205	288,480	320,565	371,753
Current assets (ex cash)	12,706	9,611	10,031	11,395
Trade payable	1,155	757	961	1,124
Other Current Liab	6,062	3,972	5,043	5,900
Total Current Liab	7,217	4,729	6,004	7,024
Net Curr Assets-ex cash	5,489	4,882	4,028	4,371
Uses of funds	297,213	304,130	341,608	394,970
BVPS (INR)	163.3	194.3	227.0	264.1

RoE decomposition (%)				
Year to March	FY17	FY18	FY19E	FY20E
Net int. income/assets	13.4	15.1	13.7	13.5
Non int. income/assets	0.1	0.2	0.1	0.1
Net revenues/assets	13.5	15.3	13.8	13.5
Operating expense/assets	(4.9)	(4.7)	(4.6)	(4.3)
Provisions/assets	(1.1)	(0.9)	(0.3)	(0.4)
Taxes/assets	(2.9)	(3.7)	(3.1)	(3.0)
Total costs/assets	(8.9)	(9.2)	(7.9)	(7.8)
ROA	4.6	6.1	5.8	5.8
Equity/assets	23.6	25.4	27.6	28.3
ROAE (%)	19.4	24.1	21.1	20.4

Valuation parameters				
Year to March	FY17	FY18	FY19E	FY20E
Adj. Diluted EPS (INR)	29.5	43.0	44.4	50.0
Y-o-Y growth (%)	47.2	45.6	3.2	12.6
BV per share (INR)	163.3	194.3	227.0	264.1
Diluted P/E (x)	14.2	9.8	9.4	8.4
P/B (x)	2.6	2.2	1.8	1.6

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		P/B (X)		ROAE (%)	
		FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
Muthoot Finance	2,508	9.4	8.4	1.8	1.6	21.1	20.4
Dewan Housing Finance	2,867	13.4	11.6	2.0	1.8	16.0	16.7
HDFC	47,589	33.0	28.4	4.9	4.5	15.3	16.5
Indiabulls Housing Finance	7,527	11.7	9.7	3.3	2.8	30.5	31.4
LIC Housing Finance	3702	11.6	9.9	1.7	1.5	17.8	18.1
Mahindra & Mahindra Financial Services	4,395	22.0	18.7	2.8	2.6	13.4	14.5
Manappuram General Finance	1435	11.7	10.0	2.4	2.1	22.0	22.7
Power Finance Corp	2,966	3.2	2.9	0.4	0.4	15.0	14.6
Repco Home Finance	542	14.4	12.4	2.4	2.0	17.8	17.6
Rural Electrification Corporation	3,346	4.0	3.6	0.6	0.5	14.5	14.4
Shriram City Union Finance	2,134	12.7	10.8	2.2	1.9	18.8	19.0
Shriram Transport Finance	4,908	12.2	9.9	2.2	1.8	19.5	20.2
Median		11.7	10.0	2.2	1.9	17.8	18.1
AVERAGE		12.7	11.3	2.1	2.0	17.8	18.9

Source: Edelweiss research

Additional Data

Directors Data

M. G. George Muthoot	Chairman	George Alexander Muthoot	Managing Director
George Thomas Muthoot	Joint Managing Director	George Jacob Muthoot	Joint Managing Director
Alexander George Muthoot	Whole time Director	K. John Mathew	Director
K. George John	Director	George Joseph	Director
Pamela Anna Mathew	Director	John K. Paul	Director

Auditors - Rangamani & Co.

**as per last annual report*

Holding - Top 10

	Perc. Holding		Perc. Holding
Reliance Capital Trustee Co Ltd	2.96	ICICI Prudential Asset Mgmt Co	1.84
Goldman Sachs Group Inc	1.77	Birla Sun Life Asset Management	1.59
SBI Funds Management	1.51	Tata Asset Management Ltd	1.14
Grantham Mayo Van Otterloo & Co	1.06	Vanguard Group	0.83
L&T Mutual Fund	0.70	Dimensional Fund Advisors LP	0.67

**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	HOLD	SU	M
Bajaj Finserv	BUY	SP	L	Bank of Baroda	BUY	SP	M
Bharat Financial Inclusion	BUY	SP	M	Capital First	BUY	SO	M
DCB Bank	HOLD	SP	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	BUY	SP	L
Indiabulls Housing Finance	BUY	SO	M	IndusInd Bank	BUY	SP	L
Karnataka Bank	BUY	SP	M	Kotak Mahindra Bank	BUY	SO	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	SP	M
Manappuram General Finance	BUY	SO	H	Max Financial Services	BUY	SO	L
Multi Commodity Exchange of India	HOLD	SU	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	M
South Indian Bank	BUY	SO	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):

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
16-May-18	Karnataka Bank	Asset quality volatility persist, core steady; <i>Result Update</i>	117	Buy
15-May-18	Punjab National Bank	Uncertainties galore; <i>Result Update</i>	86	Reduce
14-May-18	South Indian Bank	Asset quality volatility persists; core steady; <i>Result Update</i>	26	Buy

Distribution of Ratings / Market Cap

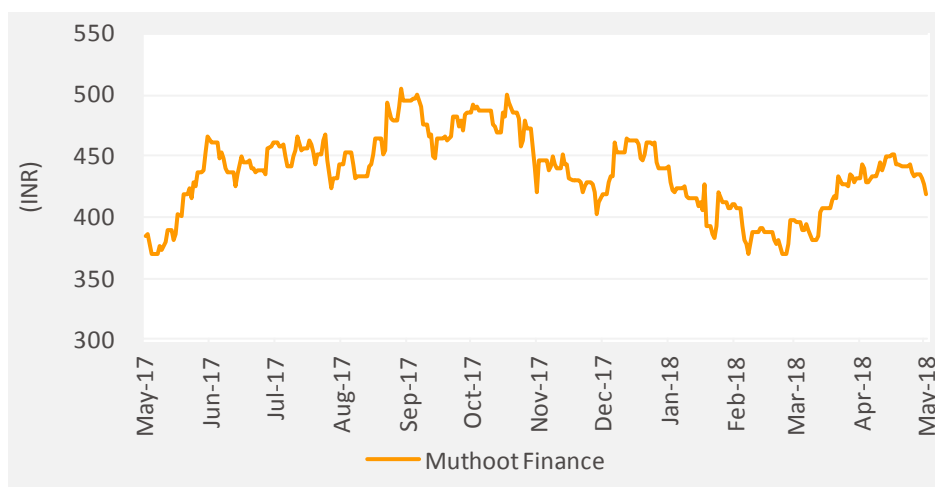
Edelweiss Research Coverage Universe

	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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