

HDFC

Signs of growth uptick; sustenance key

India Equity Research | Banking and Financial Services

HDFC's Q4FY18 PAT of INR28.5bn surpassed expectations on lower tax rate (19%, benefiting from DTA credit utilisation), even as core profitability was softer. NII growth remained soft at ~13% YoY, which, coupled with modest net fee income (INR650mn), led to sub-13% revenue momentum. However, there were signs of pickup in growth—overall loans jumped >21% YoY (~16% average run rate in past eight quarters) led by individual segment (up 23% YoY, benefitting from *Affordable Housing* and no sale to HDFC Bank). GNPLs were steady at 1.11% (1.15% in Q3FY18), but provisions rose as HDFC utilised gains from stake sale (of INR2.65bn) to shore floating provisions (INR800mn). With steady operational performance this quarter, valuation at 2.6x FY20E P/ABV (core mortgage) appears fair for RoE of 16.5% in FY20E. Hence, maintain 'HOLD'.

Loan growth gaining traction

H2FY18 saw signs of improvement in overall loan growth—improved to >20% YoY (run rate of ~16% in past eight quarters). This was primarily led by strong traction in individual category (disbursements up 34% in Q4FY18 and 29% in FY18). Moreover, leveraging on the opportunity, self-employed segment constituted 30% of individual disbursements, leading to gradual rise in its proportion to 20-21%. The company is capitalising on the government's *Affordable Housing* push through *HDFC Reach* (in FY18, 38% of home loans approved in volume and 19% in value terms have been to EWS and LIG segments). We estimate loan growth of 18-19% over FY18-20.

Lending rate hike to support NII growth going forward

Revenue momentum was modest as higher funding cost in Q4FY18 weighed on NIMs & NII growth moderated to ~13% in Q4FY18. Fee income was also lower (as non-individual growth was driven by low fee yielding LRD). That said, HDFC rased BPLR by 20bps (to pass on cost rise), which will improve NII growth to 15-20% in ensuing quarters.

Outlook and valuations: Consistency priced in; maintain 'HOLD'

Given its market leadership, HDFC is envisaged to be key beneficiary of government's/regulator's thrust on housing sector, lending growth visibility. Best-in-class cost ratios and adequate provisioning buffer will ensure steady operational performance. Value discovery via listing of HDFC Mutual Fund will be a positive trigger. However, valuations at 2.6x P/ABV for core RoE of 16.5% appears fair. Maintain 'HOLD/SP'.

Financials

(INR mn)

Year to March	Q4FY18	Q4FY17	Growth (%)	Q3FY18	Growth (%)	FY18	FY19E	FY20E
Net revenue	36,287	32,280	12.4	31,332	15.8	126,168	151,532	176,945
Net profit	28,462	20,442	39.2	56,702	(49.8)	121,637	97,488	113,443
Dil. EPS (INR)	16.1	12.1	33.7	34.9	(53.8)	50.6	58.0	67.3
Adj. BV (INR) *						313.5	278.8	308.7
Price/ Adj book (x) *						3.2	3.2	2.6
Price/ Adj. earnings (x) *						23.0	20.5	17.5

* adjusted for value of investments in subsidiaries

EDELWEISS 4D RATINGS

Absolute Rating	HOLD
Rating Relative to Sector	Performer
Risk Rating Relative to Sector	Low
Sector Relative to Market	Overweight

MARKET DATA (R: HDFC.BO, B: HDFC IN)

CMP	: INR 1,883
Target Price	: INR 2,160
52-week range (INR)	: 1,986 / 1,503
Share in issue (mn)	: 1,676.4
M cap (INR bn/USD mn)	: 3,157 / 46,619
Avg. Daily Vol.BSE/NSE('000)	: 3,074.5

SHARE HOLDING PATTERN (%)

	Current	Q3FY18	Q2FY18
Promoters *	-	-	-
MF's, FI's & BK's	12.8	14.0	13.0
FII's	74.0	74.8	76.0
Others	13.2	11.2	11.0
* Promoters pledged shares (% of share in issue)	:		NIL

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Banks and Financial Services Index
1 month	3.2	6.2	5.3
3 months	(3.7)	(2.6)	(7.5)
12 months	22.6	15.4	13.1

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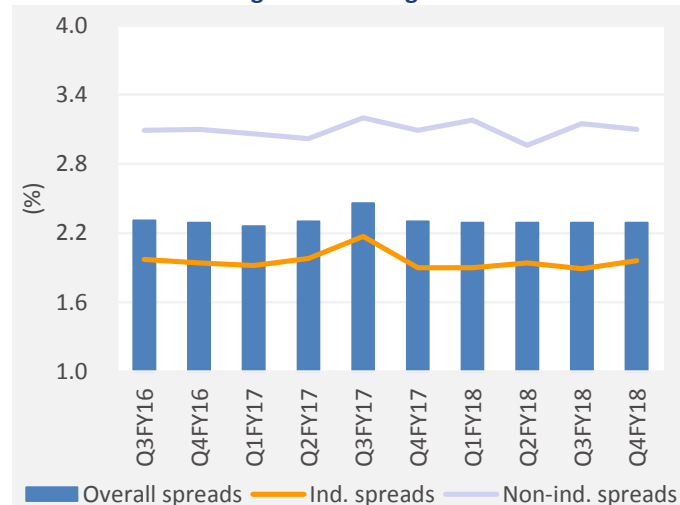
April 30, 2018

Table 1: Key takeaways from Q4FY18 earnings

(INR mn)	Q4FY18	Q4FY17	YoY (%)	Q3FY18	QoQ (%)	Comments
Net interest income	32,110	28,524	12.6	29,287	9.6	NII growth remains soft
Dividend income	3,315	2,228	48.8	1,513	119.1	
Others	745	1,403	(46.9)	415	79.7	Weak fee income growth leads to subdued other operating income
Net income from ops	36,170	32,155	12.5	31,215	15.9	
Other income	117	125	(5.9)	117	0.1	
Net revenues	36,287	32,280	12.4	31,332	15.8	Soft NII, along with modest fee income profile, fed into soft revenue traction
Expenses	3,996	3,247	23.1	3,224	23.9	
Depreciation	125	137	(8.6)	121	3.2	
Profit before extraor. item	32,166	28,896	11.3	27,987	14.9	
Profit on sale of investments	3,006	486	NA	36,915	NA	This includes net investment gain of INR2.65bn from stake sale in HDFC Realty Limited and HDFC Developers Limited
Profit before tax	35,172	29,382	19.7	64,902	(45.8)	
Tax expense	6,710	8,940	(24.9)	8,200	(18.2)	
Profit after tax	28,462	20,442	39.2	56,702	(49.8)	
EPS (INR)	16.1	12.1	33.7	34.9	(53.8)	
Key Metrics						
Loan book	35,94,420	29,64,720	21.2	34,21,360	5.1	Overall loan growth showed signs of pickup - up >19% YoY vs. ~15% avg. run-rate over past 8 quarters
Individual	25,14,570	20,44,360	23.0	23,63,520	6.4	Traction in affordable housing space leads to better-than-historical growth - up >18% YoY
Non-individual	10,79,850	9,20,360	17.3	10,57,840	2.1	Non-individual loan growth continues to be strong
GNPA (%)	1.1	0.8		1.2		Asset quality broadly steady
Individual	0.6	0.6		0.7		
Non-individual	2.2	1.2		2.2		
NIMs (cumulative)	4.0	4.1		3.9		

Source: Company, Edelweiss research

Chart 1: Individual segment building on momentum...



...however, spreads remained stable

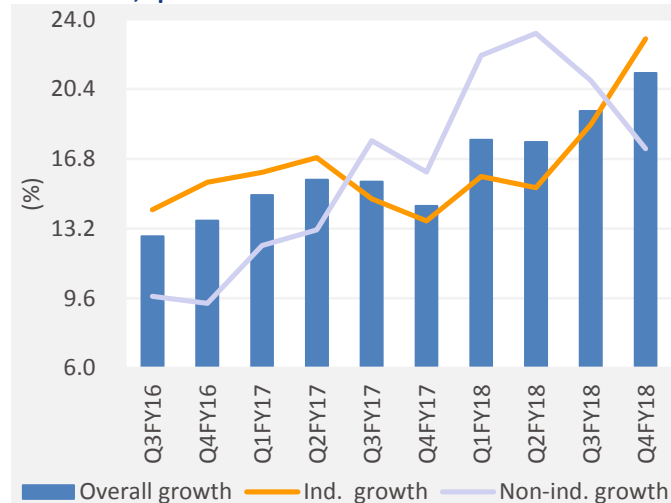


Chart 2: NII growth remains softer

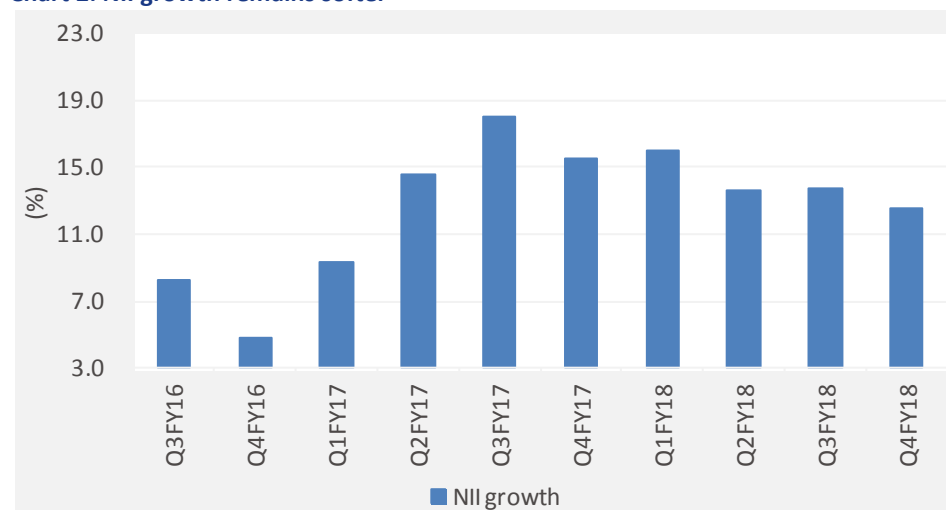
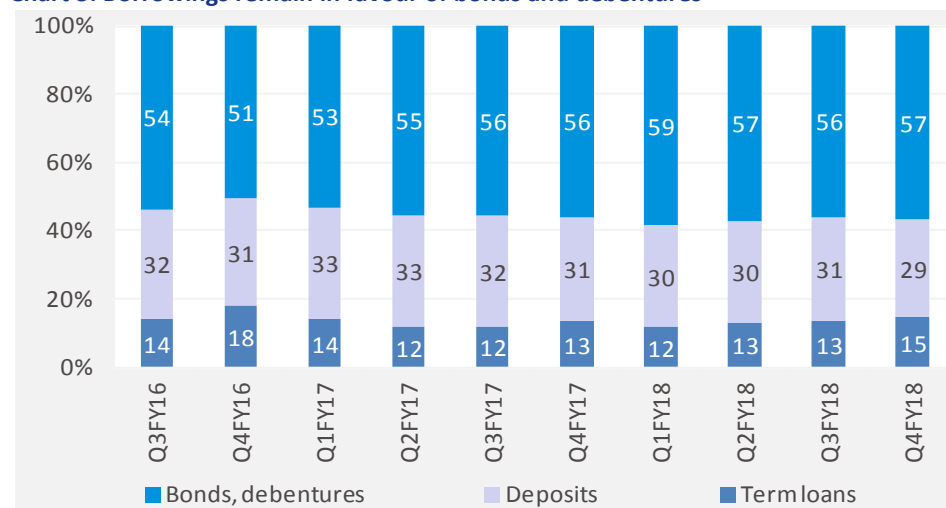


Chart 3: Borrowings remain in favour of bonds and debentures



Source: Company

Chart 4: Asset quality steady

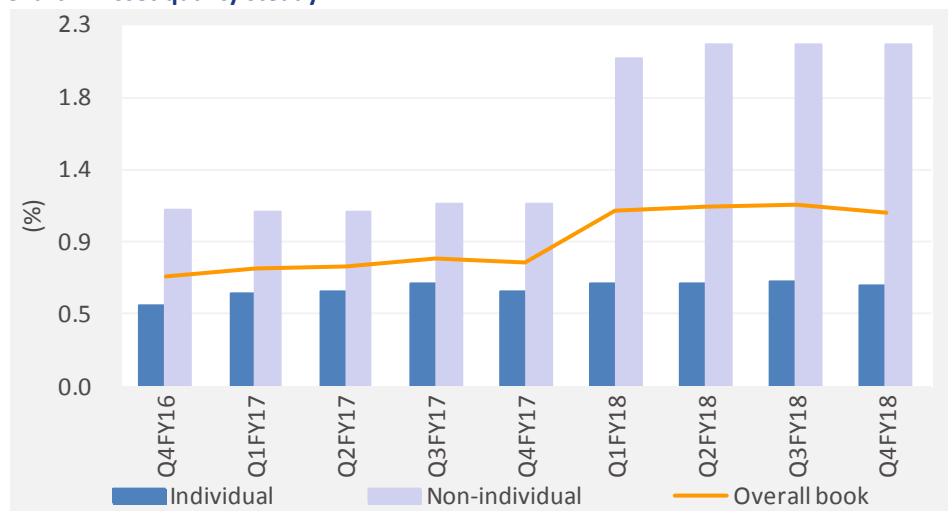
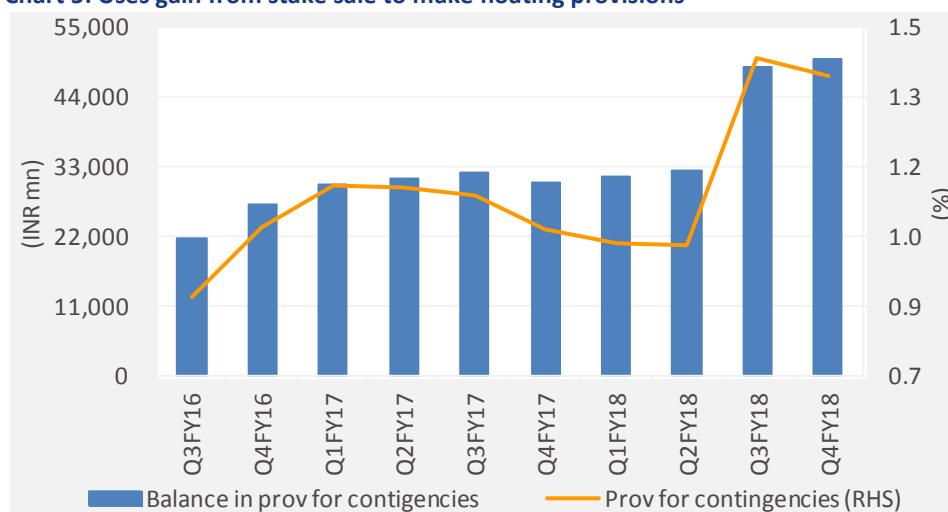


Chart 5: Uses gain from stake sale to make floating provisions



Source: Company

Table 2: SOTP valuation (FY20E)

	Method	AUMs/book /earnings (INR mn)	Multiple (x)	Value of business (INR mn)	HDFC holding(%)	Value of HDFC's interest (INR mn)	Value per share (INR)
HDFC core mortgage business	PB	5,20,070	3.5	18,20,246	100.0	18,20,246	1080
HDFC Bank	Fair value	63,73,038	1.0	63,73,038	21.0	13,38,338	794
HDFC Life Insurance	Appraisal value	2,12,286	4.4	9,28,979	51.6	4,79,539	285
Gruh Finance	Market value	2,47,592	1.0	2,47,592	57.9	1,43,430	85
HDFC General Insurance	Economic profit	4,837	20.0	96,737	50.8	49,143	29
Asset management	% of AUM	39,74,761	5.0	1,98,738	60.0	1,19,243	71
Venture Capital	% of AUMs	96,196	10.0	9,620	100.0	9,620	6
Value of subs						21,39,312	1,270
Value (at 15% holding company discount)						18,18,415	1,079
Total						36,38,662	2,160

Source: Edelweiss research

Financial snapshot

(INR mn)

Year to March	Q4FY18	Q4FY17	% change	Q3FY18	% change	FY17	FY18E	FY19E
Interest income	87,750	79,990	9.7	83,947	4.5	304,058	331,226	396,430
Interest exp	57,109	52,379	9.0	55,457	3.0	208,962	222,350	264,256
Net int. inc. (INR mn)	30,641	27,611	11.0	28,490	7.6	95,096	108,876	132,174
Dividend income	3,315	2,228	48.8	1,513	119.1	9,091	10,793	12,627
Others	2,214	2,316	(4.4)	1,212	82.7	7,962	6,052	6,283
Net income from ops	36,170	32,155	12.5	31,215	15.9	112,149	125,721	151,084
Other income	117	125	(5.9)	117	0.1	468	447	447
Net revenues	36,287	32,280	12.4	31,332	15.8	112,617	126,168	151,532
Other expenses	3,996	3,247	23.1	3,224	23.9	14,808	13,636	15,742
Depreciation	125	137	(8.6)	121	3.2	560	492	522
PBT before extraor. item	32,166	28,896	11.3	27,987	14.9	97,249	112,040	135,268
Profit on sale of invsts	3,006	486	518.2	36,915	NA	10,017	40,597	6,000
Profit before tax	35,172	29,382	19.7	64,902	(45.7)	107,266	152,637	141,268
Provision for taxes	6,710	8,940	(24.9)	8,200	(18.2)	32,840	31,000	43,780
PAT	28,462	20,442	39.2	56,702	(49.7)	74,426	121,637	97,488
Diluted EPS (INR)	16.1	12.1	33.7	34.9	(53.8)	46.9	50.6	58.0
NII/GII (%)	34.9	34.5		33.9		31.3	32.9	33.3
Cost/income (%)	11.4	10.5		10.7		6.8	7.4	6.7
Tax rate (%)	19.1	30.4		29.1		30.6	26.8	31.0
Bal. sheet data (INRbn)								
Borrowings	3,207	2,805	14.3	3,080	4.1	2,805	3,207	3,857
Mortgage assets	3,594	2,965	21.2	3,421	5.1	2,965	3,594	4,259
B/V per share (INR)						249.6	366.4	392.6
Adj book value / share						192.4	313.5	278.8
Price/ Book (x)						7.5	5.1	4.8
Price/ Adj. book (x)						5.6	3.2	3.2
Price/ Earnings						40.2	37.2	32.5

Company Description

HDFC is India's largest provider of housing finance, primarily focusing on retail housing. HDFC's distribution network spans 392 outlets, which include 113 offices of HDFC's distribution company. In addition, HDFC covers additional locations through its outreach programmes, which has helped the corporation disburse housing loans in more than 2,400 towns and cities in India. It has also supplemented the distribution channel through the appointment of direct selling agents (DSA). Currently, 74% of the shares are held by foreign institutional investors/foreign direct investments and 12.0% by individuals. Besides the core business of mortgages, HDFC has evolved into a financial conglomerate, diversifying into other businesses through its subsidiaries viz., HDFC Standard Life Insurance, HDFC Asset Management Company, HDFC Bank and HDFC General Insurance Company

Investment Theme

Given its market leadership position, HDFC is envisaged to be a key beneficiary of government's/regulator's thrust on the housing sector, lending growth visibility. Best-in-class cost ratios and adequate provisioning buffer will ensure steady operational performance. Value discovery via listing of HDFC Mutual Fund will be a positive trigger. With the stock trading at 3.0x FY20E core mortgage book, we maintain 'HOLD/SP' with SoTP-based target price of INR2,130

Key Risks

Increase in competition and sustained slack in the mortgage market can lead to lower growth than our estimates.

Risk of fraud and NPA accretion due to increase in interest rates and fall in property prices is inherent to the mortgage business.

Financial Statements

Key Assumptions

Year to March	FY17	FY18	FY19E	FY20E
Macro				
GDP(Y-o-Y %)	6.6	6.5	7.1	7.6
Inflation (Avg)	4.5	3.6	4.5	5.0
Repo rate (exit rate)	6.3	6.0	6.0	6.5
USD/INR (Avg)	67.1	64.5	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	7.0	7.1
Company				
Op. metric assumpt. (%)				
Yield on advances	10.6	9.8	9.7	9.8
Cost of funds	8.2	7.5	7.6	7.5
Net interest margins	3.2	3.1	3.2	3.1
Profit on sale of invst.	10,017	3,781	6,000	6,000
Dividend income	9,091	10,793	12,627	14,774
Employee cost growth	17.0	10.0	12.0	12.0
Other opex growth	10.0	10.0	10.0	10.0
Tax rate (%)	30.6	26.8	31.0	31.0
Interest on ZCBs	4,688	4,559	7,406	7,406
Balance sheet assumption (%)				
Dividend payout	44.9	32.4	46.5	46.5
Disbursement growth	15.0	20.0	19.0	19.0
Repayment/prepay. rate	36.0	35.5	35.5	35.5
Ind. loans/total loans	69.4	70.0	70.0	70.0
Gross NPLs	0.7	0.7	0.7	0.7
Sell-downs to HDFC Bank	160,270	79,392	155,000	186,000

Income statement

(INR mn)

Year to March	FY17	FY18	FY19E	FY20E
Interest income	304,058	331,226	396,430	468,290
Interest expended	208,962	222,350	264,256	313,417
Net interest income	95,096	108,876	132,174	154,873
Non interest income	17,521	17,292	19,357	22,072
- Fee & forex income	3,462	1,448	1,665	1,914
- Misc. income	9,612	11,593	13,145	15,291
- Investment profits	4,446	4,251	4,548	4,866
Income from operations	112,617	126,168	151,532	176,945
Net revenues	112,617	126,168	151,532	176,945
Operating expense	8,368	9,578	10,606	11,746
- Employee exp	3,888	4,255	4,765	5,337
- Depn /amortisation	560	492	522	553
- Other opex	3,920	4,831	5,319	5,856
Preprovision profit	104,249	116,590	140,925	165,199
Profit on sale of invst.	10,017	3,781	6,000	6,000
Provisions	7,000	4,550	5,658	6,773
Profit Before Tax	107,266	115,821	141,268	164,426
Less: Provision for Tax	32,840	31,000	43,780	50,983
Profit After Tax	74,426	84,821	97,488	113,443
Reported Profit	74,426	121,637	97,488	113,443
Shares o /s (mn)	1,588	1,676	1,680	1,685
Basic EPS (INR)	46.9	50.6	58.0	67.3
Diluted shares o/s (mn)	1,588	1,676	1,680	1,685
Adj. Diluted EPS (INR)	46.9	50.6	58.0	67.3
Dividend per share (DPS)	18.0	20.2	23.2	26.9
Dividend Payout Ratio(%)	44.9	32.4	46.5	46.5

Growth ratios (%)

Year to March	FY17	FY18	FY19E	FY20E
NII growth	13.4	14.5	21.4	17.2
Opex growth	10.3	14.5	10.7	10.7
PPP growth	13.6	11.8	20.9	17.2
Provisions growth	(2.1)	(35.0)	24.3	19.7
Adjusted Profit	4.9	14.0	14.9	16.4

Operating ratios

Year to March	FY17	FY18	FY19E	FY20E
Yield on advances	10.6	9.8	9.7	9.8
Yield on assets	10.2	9.4	9.5	9.5
Cost of funds	8.2	7.5	7.6	7.5
Net interest margins	3.2	3.1	3.2	3.1
Spread	2.0	1.9	1.9	2.0
Cost-income	6.8	7.4	6.7	6.4
Tax rate	30.6	26.8	31.0	31.0

Balance sheet		(INR mn)			
As on 31st March	FY17	FY18	FY19E	FY20E	
Share capital	3,177	3,352	3,361	3,370	
Reserves & Surplus	393,277	610,674	656,441	710,506	
Shareholders' funds	396,453	614,025	659,802	713,876	
Short term borrowings	1,122,136	1,282,624	1,542,745	1,843,353	
Long term borrowings	1,683,204	1,923,936	2,314,118	2,765,030	
Total Borrowings	2,805,340	3,206,560	3,856,863	4,608,383	
Long Term Liabilities	32,808	36,285	38,855	41,692	
Def. Tax Liability (net)	23,886	23,336	23,186	23,036	
Sources of funds	3,258,487	3,880,206	4,578,705	5,386,987	
Gross Block	11,164	11,663	12,113	12,563	
Net Block	6,390	6,396	6,325	6,222	
Intangible Assets	49	49	48	47	
Total Fixed Assets	6,439	6,445	6,373	6,270	
Non current investments	200,019	299,219	332,667	345,027	
Cash and Equivalents	67,270	19,820	23,041	26,331	
Loans & Advances	2,964,720	3,594,220	4,259,299	5,055,521	
Current assets (ex cash)	38,850	33,748	37,897	42,449	
Other assets	79,615	35,608	35,993	36,466	
Trade payable	848	938	1,004	1,077	
Other Current Liab	97,578	107,917	115,562	124,000	
Total Current Liab	98,425	108,854	116,566	125,077	
Net Curr Assets-ex cash	(59,576)	(75,106)	(78,669)	(82,628)	
Uses of funds	3,258,487	3,880,206	4,578,705	5,386,987	
BVPS (INR)	249.6	366.4	392.6	423.7	
Loan growth	14.4	21.2	18.5	18.7	
Deposit growth	14.8	7.3	16.7	16.6	
EA growth	18.4	19.2	18.1	17.8	

Sanctions and disbursements		FY17	FY18	FY19E	FY20E
Year to March					
Sanctions (INR mn)		1,868,972	2,242,766	2,668,891	3,175,981
Disbursements (INR mn)		1,467,806	1,761,368	2,096,027	2,494,273
Disb. to sanction ratio		78.5	78.5	78.5	78.5
Disbursements growth (%)		15.0	20.0	19.0	19.0
Sanctions growth (%)		17.0	20.0	19.0	19.0

RoE decomposition (%)		FY17	FY18	FY19E	FY20E
Year to March					
Net int. income/assets		3.2	3.1	3.2	3.1
Non int. income/assets		0.6	0.5	0.5	0.4
Invst. profits/Assets		0.3	0.1	0.1	0.1
Net revenues/assets		4.1	3.7	3.8	3.7
Operating expense/assets		0.3	0.3	0.3	0.2
Provisions/assets		0.2	0.1	0.1	0.1
Taxes/assets		1.1	0.9	1.0	1.0
Total costs/assets		1.6	1.3	1.4	1.4
ROA		2.5	2.4	2.3	2.3
Equity/assets		12.2	14.3	15.2	13.9
ROAE (%)		20.5	16.8	15.3	16.5

Valuation parameters		FY17	FY18	FY19E	FY20E
Year to March					
Adj. Diluted EPS (INR)		46.9	50.6	58.0	67.3
Y-o-Y growth (%)		4.4	8.0	14.6	16.1
BV per share (INR)		249.6	366.4	392.6	423.7
Adj. BV per share (INR)		192.4	313.5	278.8	308.7
Diluted P/E (x)		40.2	37.2	32.5	28.0
P/B (x)		7.5	5.1	4.8	4.4
Price/ Adj. Earnings (x)*		29.2	23.0	20.5	17.5
Price/ Adj. BV (x)*		5.6	3.2	3.2	2.6
Dividend Yield (%)		1.0	1.1	1.2	1.4

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		P/B (X)		ROAE (%)	
		FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
HDFC	46,619	20.5	17.5	3.2	2.6	15.3	16.5
Dewan Housing Finance	2,986	14.8	13.1	2.1	1.9	15.3	15.6
Indiabulls Housing Finance	8,427	12.9	10.7	3.7	3.1	30.5	31.4
LIC Housing Finance	4,107	12.7	10.8	1.9	1.6	17.8	18.1
Mahindra & Mahindra Financial Services	4,851	25.1	21.2	3.2	2.9	13.4	14.5
Manappuram General Finance	1,543	12.4	10.6	2.6	2.3	22.0	22.7
Muthoot Finance	2,697	9.8	8.7	2.0	1.7	21.7	20.8
Power Finance Corp	3,419	3.6	3.4	0.5	0.5	15.0	14.6
Repco Home Finance	562	15.6	13.5	2.6	2.2	17.8	17.6
Rural Electrification Corporation	3,734	4.4	4.0	0.6	0.5	14.5	14.4
Shriram City Union Finance	2,371	14.0	11.8	2.4	2.1	18.8	19.0
Shriram Transport Finance	5,540	13.7	11.1	2.5	2.1	19.5	20.2
Median	-	12.9	11.1	2.1	2.1	17.8	18.1
AVERAGE	-	13.7	12.2	1.9	1.7	17.7	18.8

Source: Edelweiss research

Additional Data

Directors Data

Deepak S. Parekh	Chairman	Keki M. Mistry	Vice Chairman & CEO
Renu Sud Karnad	Managing Director	V. Srinivasa Rangan	Executive Director
B. S. Mehta	Director	D. M. Sukthankar	Director
D. N. Ghosh	Director	Nasser Munjee	Director
Bimal Jalan	Director	J. J. Irani	Director

Auditors - B S R & Co. LLP

**as per last annual report*

Holding - Top 10

Perc. Holding		Perc. Holding	
Life Insurance Corp Of India	4.01	Vanguard Group	3.81
Blackrock	3.66	Massachusetts Mutual Life Ins	3.05
JP Morgan Chase & Co	2.60	Capital Group Companies Inc	2.39
Standard Life Aberdeen Plc	2.35	GIC Private Limited	1.88
FMR LLC	1.85	FIL Limited	1.74

**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
02 Apr 2018	Karnad Renu S	Sell	100000.00
15 Mar 2018	Mistry K M	Sell	50000.00
14 Mar 2018	Mistry K M	Sell	70000.00
26 Feb 2018	Modi Sonal	Sell	73000.00
15 Feb 2018	JOSEPH RAJIV	Sell	44855.00

**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	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): 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
30-Apr-18	Shriram Transport Finance	Strong earnings tailwinds in sight; <i>Result Update</i>	1,610	Buy
26-Apr-18	Shriram City Union Finance	NPL transitioning hits earnings; <i>Result Update</i>	2,402	Buy
26-Apr-18	Axis Bank	Accelerated stress recognition mars performance; <i>Result Update</i>	494	Hold

Distribution of Ratings / Market Cap

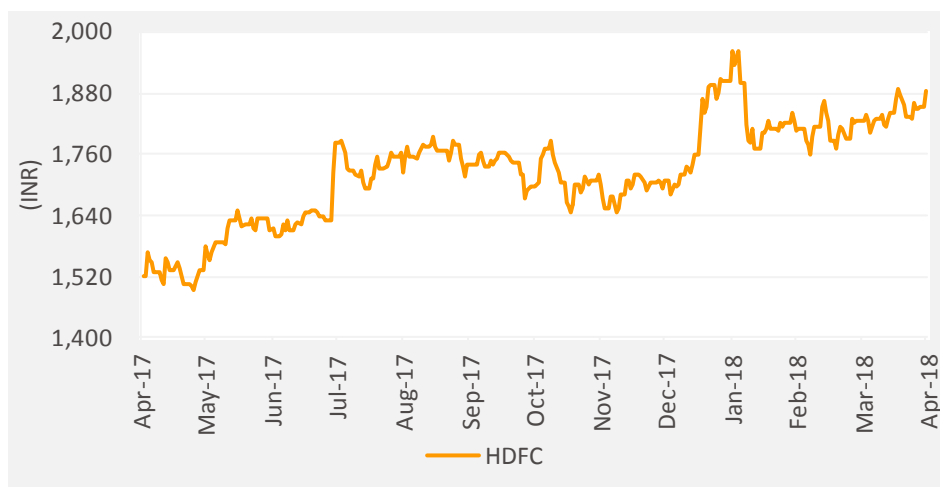
Edelweiss Research Coverage Universe

	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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