

RELIANCE CAPITAL

Value discovery in offing

India Equity Research | Banking and Financial Services

Reliance Capital's (RCAP) Q1FY18 was characterised by steady performance across businesses. Key trends: a) **Life insurance:** Decline arrested, persistency improved, but sustenance key; b) **General insurance:** Growth sustained, combined ratio improved to 104% (115% in Q4FY17); c) **Home finance:** AUM up >50%, aims to sustain run rate; and d) **Commercial finance:** Business reorientation on track, AUM growth soft at 6% YoY; e) **AMC:** Robust growth. With operations spread across scalable businesses (benefitting from higher financial savings) and beefed up leadership team, focus is now on execution with an aim to build a profitable business and consequent improvement in RoE. RCAP's focus on profitable growth with run down in non-core assets is likely to not only enhance capital efficiency, but also improve core performance. Maintain 'BUY'.

- **Life insurance:** Decline trend seems to have been arrested—individual APE grew >20% YoY—given improvement in agency productivity as management initiatives take shape. Persistency, though improving (66% from 60% in FY16), continued to be below industry. Underlying business metrics are improving, but sustained improvement is critical.
- **General insurance:** GWP sustained momentum at INR12.8bn (up >40% YoY), primarily contributed by commercial lines, private cars and individual health. Combined ratio came off to 104% (115% in Q4FY17), this along with better investment income led to PBT of INR443mn (up >20% YoY).
- **Commercial finance (RCF) and home finance (RHF):** RCF reported soft quarter with AUM growth of 6% (business reorientation) and GNPLs rising to 4.1% (3.7% in FY17); few legacy infra assets slipped. RHF's performance was better—AUM jumped >50% YoY; this, along with superior NIMs (3.9%) led to PBT rising 50% YoY.

Outlook and valuations: Monetisation awaited; maintain 'BUY'

Critical metrics in various businesses improved in Q1FY18. AMC business posted robust spurt and there has been significant value discovery in the general insurance business over the past couple of quarters. We incorporate these in our target multiples for RCAP, leading to SOTP-based revised target price of INR871 (earlier INR754). **Key monitorable:** monetisation of investments and value discovery of core operating businesses.

SOTP valuation (FY19E)

Businesses	Method	Value (INR mn)	Value per share (INR)
Asset management	% of AUMs	61,205	249
Life Insurance	Appraisal value	35,681	145
Retail broking business	PE	6,451	26
Commercial finance business	PB	62,521	255
Home finance business	PB	31,865	130
General Insurance	Eco. profit multiple	32,555	133
Excess NW/Investments	Market value	21,500	88
Fair Value (post holding company discount)			871

* for 51% stake in life insurance & 51% stake in asset management businesses

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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: RLCP.BO, B: RCAPT IN)

CMP	: INR 660
Target Price	: INR 871
52-week range (INR)	: 693 / 407
Share in issue (mn)	: 252.7
M cap (INR bn/USD mn)	: 167 / 2,596
Avg. Daily Vol.BSE/NSE('000)	: 3,670.6

SHARE HOLDING PATTERN (%)

	Current	Q4FY17	Q3FY17
Promoters *	52.0	52.0	52.0
MF's, FI's & BK's	12.1	12.2	11.7
FII's	18.1	17.5	17.5
Others	17.8	18.3	18.8
* Promoters pledged shares (% of share in issue)	:	NIL	

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Banks and Financial Services Index
1 month	1.2	5.6	7.2
3 months	(0.8)	7.7	11.3
12 months	50.1	15.6	29.2

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July 28, 2017

Business Overview

Life Insurance: Turnaround taking shape; sustenance key

- Growth momentum was soft with new business premium at INR1.8bn (flat QoQ). Having said that, this marks the potential trend reversal (decline in growth was arrested). Similarly, APE grew 2% (after 6 quarters of decline), but more impressively individual APE grew >20% YoY. The improvement seems to have percolated from improvement in agency productivity as initiatives taken in H1FY17 (viz., unprofitable and poor quality businesses have been weeded out, similar channels have been merged to leverage supervisory costs and build efficiencies) have begun to pay dividends. However, sustenance of this improvement is key and progress on this front warrants close monitoring.
- Encouragingly, persistency also improved to 66% (from 57% in FY15 to 60% in FY16), but it still continues to be at the lower end compared to peers. We foresee this as a critical business metric and will keenly monitor improvement in same.
- In line with the stated policy, the company continued to focus on traditional policies, reflected in its proportion rising to 77% (from 76% in previous quarter).
- AUM growth continued to be soft at INR174bn (up 10% YoY, albeit improving). Management expects the trend to stabilise going forward. Stabilising AUM accretion along with rationalisation of expenses holds key to RLI's stable earnings.
- Life insurance reported PBT loss of INR1383n. Loss largely came from surrender values to be provided for policies written in FY14, which are unlikely to continue.

Table 1: Reliance Life Insurance - Key metrics

(INR mn)

(INR mn)	Q1FY18	Q1FY17	Growth (%)	Q4FY17	Growth (%)
First year premium	1,641	1,603	2.4	3,050	(46.2)
Single premium	189	227	(16.7)	203	(6.9)
Renewal premium	5,212	4,716	10.5	9,864	(47.2)
Gross written premium	6,997	6,496	7.7	13,053	(46.4)
Weighted received premium	1,660	1,626	2.1	3,070	(45.9)
Funds under management	1,73,998	1,58,178	10.0	1,72,531	0.9

General Insurance: Growth sustained; combined ratio improved

- Growth in general insurance business gained traction with GWP clocking >40% YoY growth. Segment-wise analysis indicates growth in individual health, private cars, travel and commercial lines of business.
- Combined ratio, including motor pool, dipped to 104% (115% in previous quarter), partially a seasonal impact. Sustained improvement needs to be monitored. Consequent to strong growth, improving combined ratio and investment income, company reported PBT of INR443mn (up > 20% YoY).
- Investment book grew 21.5% YoY to INR68.9bn.

Table 2: Reliance General Insurance - Key metrics

(INR mn)

(INR mn)	Q1FY18	Q1FY17	Growth (%)	Q3FY17	Growth (%)
Gross written premium	12,779	9,084	40.7	7,917	61.4
PBT	443	363	22.0	424	4.5
Investment book	68,879	56,687	21.5	67,243	2.4
Combined ratio (with pool)	104	114		115	

Source: Company

Commercial Finance and Home Finance: Gradual improvement

- **Commercial finance**
 - AUM for the business stood at INR174.5bn (up 6% YoY), softer than trend and peers. Management highlighted that this is largely to do with balance sheet reorientation (focus on consumer lending). Management expects this to correct and aims to revert to >20% growth in FY18.
 - Better NIMs (up 70bps YoY) resulted in NII of INR1.8bn (up > 16% YoY).
 - GNPLs during the quarter came in at 4.1% (3.7% in FY17). The rise was largely driven by some legacy infra accounts.
- **Home finance**
 - Home finance's AUM came in at INR130.2bn (up >50% YoY), largely supported by >65% YoY spurt in disbursements. Management aims to sustain this momentum.
 - Strong loan growth along with NIMs improvement (to 3.9% from 3.5% in Q4FY17) resulted in > 40% YoY NII growth, which in turn led to >50% PBT surge.
 - GNPLs in this segment came in at 0.8% (steady QoQ).

Table 3: Reliance Commercial Finance—Key metrics

(INR mn)	Q1FY18	Q1FY17	Growth (%)	Q4FY17	Growth (%)
Net interest income	1,764	1,520	16.1	1,866	(5.5)
Operating expenses	946	759	24.6	1,026	(7.8)
Provisions	745	721	3.3	452	64.8
PBT	619	530	16.8	1,055	(41.3)
AUM (INR bn)	175	165	5.9	168	4.1

Source: Company

Table 4: Reliance Home Finance—Key metrics

(INR mn)	Q1FY18	Q1FY17	Growth (%)	Q4FY17	Growth (%)
Net interest income	760	536	41.8	420	81.0
Operating expenses	581	376	54.5	734	(20.8)
Provisions	348	87	300.0	(37)	NA
PBT	451	301	49.8	414	8.9
AUM (INR bn)	130	83	57.6	112	16.6

Source: Company

Reliance MF: AUM accretion gains momentum

- Average MF AUMs came in at INR2.23tn, up >33% YoY.
- Debt and equity funds grew at >25% YoY/2.2% QoQ and >50% YoY/13% QoQ, respectively. Equity funds now constitute ~34% of overall AUMs (30% in FY16).
- PBT came in at INR1.5bn, up >20% YoY.

Table 5: Asset management business - Key metrics (INR mn)

(INR mn)	Q1FY18	Q1FY17	Growth (%)	Q4FY17	Growth (%)
Income	3,948	3,107	27.1	4,062	(2.8)
Expenses	2,444	1,885	29.7	2,463	(0.8)
PBT	1,504	1,222	23.1	1,598	(5.9)
AUM - MF (INR bn)	2,230	1,670	33.5	2,109	5.7

Securities and Money: Volatility persists

- PBT came in at INR70mn (INR3mn in Q1FY17).
- Wealth management's AUM grew ~44% YoY to INR39.9bn.

Table 6: Reliance Securities and Money—Key metrics (INR mn)

(INR mn)	Q4FY17	Q4FY16	Growth (%)	Q3FY17	Growth (%)
Total Income	820	542	51.3	939	(12.7)
Total Expenses	750	539	39.1	872	(14.0)
PBT	70	3	NM	67	4.5

Source: Company

Table 7: SOTP valuation (FY19E)

Businesses	Method	Base value (INR mn)	Multiple	Value (INR mn)	Shareholding	Value (INR mn)	Value per share (INR)
Asset management	% of AUMs	29,69,202	4.0%	1,20,010	51.0%	61,205	249
Life Insurance	Appraisal value	40,306	1.7	69,963.13	51.0%	35,681	145
Retail broking business	PE	645	10.0	6,450.61	100.0%	6,451	26
Commercial finance business	PB	31,260	2.0	62,521	100%	62,521	255
Home finance business	PB	14,484	2.2	31,865	100.0%	31,865	130
General Insurance	Eco. profit multiple	2,170	15.0	32,555	100%	32,555	133
Excess NW/Investments	Market value	21,500	0.9	21,500	100%	21,500	88
Fair Value (post holding company discount)							871

Source: Edelweiss research

* for 51% stake in life insurance & 51% stake in asset management business

Financial snapshot						(INR mn)		
Year to March	Q1FY18	Q1FY17	Growth (%)	Q4FY17	Growth (%)	FY17	FY18E	FY19E
Total income	48,570	36,630	32.6	50,860	(4.5)	1,09,306	1,26,336	1,46,440
Interest expended	9,550	7,090	34.7	8,300	15.1	28,355	32,059	36,672
Operating expenses	35,040	26,050	34.5	37,440	(6.4)	64,130	76,449	87,558
Operating profit	3,980	3,490	14.0	5,120	(22.3)	16,821	17,827	22,210
Depreciation	320	240	33.3	390	(17.9)	822	822	822
PBT	3,660	3,250	12.6	4,730	(22.6)	15,999	17,005	21,388
Tax	850	790	7.6	300	183.3	4,252	5,157	6,557
PAT	2,810	2,460	14.2	4,430	(36.6)	11,747	11,848	14,831
Less: Minority interest	430	390	10.3	260	65.4	1,200	1,200	1,200
Add: Share of profit of associates	0	0	NA	0	NA	1,500	1,500	1,500
Net profit	2,380	2,070	15.0	4,170	(42.9)	12,047	12,148	15,131
Diluted EPS (INR)	16.5	8.2	102.0	16.5	0.0	49.0	49.4	61.5
Ratios (%)								
Cost - income	91.8	90.5		89.9		84.6	85.9	84.8
Tax rate	23.2	24.3		6.3		26.6	30.3	30.7
Operating profit margin	8.2	9.5		10.1		15.4	14.1	15.2
Net profit margin	4.9	5.7		8.2		11.0	9.6	10.3

Reliance Capital - Q1FY18 Earnings Concall Key Takeaways

Life Insurance

- **Turnaround seen in growth premium (Ind WRP > 20%) , the improvement was driven by agency productivity**
- Traditional business forms 77%, the focus will continue to be on traditional products.
- During the quarter company reported a loss. Loss largely came from the surrender values to be provided for policies written in FY14, which will unlikely continue.

General Insurance

- **GWP grew > 40% (INR13bn), growth was largely driven by private cars, commercial lines travel and individual health portfolio**
- Combined ratio improved to 104%, (115% in previous quarter). The combined ratio for short tail business continues to be 100%
- Investment book grew > 22%.
- The company received tender under PMFBY for 5 states, Last year the crop insurance for the industry was INR220bn of which RGI had INR10bn.
- Plans to do an IPO this financial year.

Commercial Finance

- Now being a demerged entity have the mandate to grow the business across various segment. AUM grew 6% YoY (to INR175bn), while loan outstanding grew 13% YoY.
- **The management is charting out growth strategy for next 3 years , the company intent to grow this business to reach INR500bn of AUM over next 3 years**
- The management is not seeing any major impact on account of
- NIMs were at 5.7% (vs. 5% in Q1FY17) following funding cost benefits.
- **GNPLs at 4.1% (on 90dpd) vs. 3.7% in previous quarter (addition of INR1bn). The rise in NPLs were largely coming from few chunky accounts in legacy infra segment.**
- Have put CV on hold and re-balance the portfolio as the company is focussing on individual segment. Management expect this growth to trace to > 20% by FY18.
- Borrowing of INR120bn

Home Finance

- **The AUM growth continued (> 50% growth). The company expect this to continue with planned expansion also paying out. The company plan to reach AUM of INR500bn over next 2-3 year.**
- NIMs during the quarter were 3.9% , The company maintained guidance of 3.4-3.5% NIMs
- Cost/Income ratio will decline going ahead, as benefits from past investments start accruing in coming quarters
- **Home loans and affordable housing will continue to be 55-60% of the loan book.**
- 77% of overall AUM comprise of retail mortgage

- GNPLs were stable at 0.8%
- Borrowing : INR114bn , company has decreased the proportion of bank borrowing to 46% (from 75% a year ago)
- Funding cost – 8%
- **Have received INR20mn from CLSS scheme which is being passed on to the customers. Another tranche is being sent for approval totalling to INR60mn.**
- Incremental LAP rates – 11.5-11.9%.
- CAR – 17% , tier- I : 10%

Other Highlights

- The exposure to the Media & Entertainment industry putting everything together will be closer to INR40bn , the management expect this to wind down over next 12 months or so **(the Radio deal will likely be closed over next week or so)**
- Non-core investment put together is around INR100bn, which company aims to wind down over next couple of years.
- There was no capital gain during the quarter.

Reliance Capital - Q4FY17 Earnings Concall Key Takeaways

Life Insurance

- ***Embedded value grew ~11% to INR30.4bn as of March-17***
- During Q4FY17, company took incremental reserving on non-par book to the tune of ~INR0.7bn (~INR1bn for full-year)
 - Consequently, the company reported loss of ~INR0.6bn
- Focus continues to be on traditional products (~79% of business mix)
 - Consequently, the company has highest industry margins at ~27%
- Thrust remains on agency and proprietary channels with persistency of >70%
 - Consequently, persistency has improved from 60% in FY16 to 65% in FY17

General Insurance

- Took impact of ~INR1.7bn on account of strengthening of IBNR reserves
 - The company is now fully provided for in this regard
- Private sector market share of 7.3%
- Combined ratio of short-tail business stood at 100%

Commercial Finance

- ***Focus continues to be on secured asset lending***
 - Remain cautious and continue to lend to niche segments
 - In process of evaluating further business opportunities
- ***MFI business continues to be important part of growth strategy***
 - Lending through 2 routes: (i) through MFIs, (ii) booked directly by way of BCs (~INR2bn)
 - Post demonetisation, collection efficiency has bounced back significantly (>95%)
- Infra business relates to bridge loans for renewable energy projects with tenure of 6-9 months
- LAP portfolio: Incremental yields of ~12-12.5%, with book yields of ~14.6%
 - Pre-payment penalty in the LAP business varies from ~3-4%
- ***No further deceleration in cost/income ratio is expected going ahead***
- Coverage ratio: 47% (incl. write-offs) and 16% (excl. write-offs)
- Capital adequacy ratio: ~17%
- Completed demerger into 100% subsidiary

Home Finance

- ***Going forward, focus continues to remain on the affordable housing segment***
 - Incremental lending rates of ~8.6-9%, with avg. book yield of ~10.5%

- Business comes from peripheral locations of regions where the company is operating (mostly from West)

- ***Cost/Income ratio will decline going ahead, as benefits from past investments start accruing in coming quarters***

- ***NIMs guidance of 3.4-3.5%***

- Expect listing during first half of the financial year
- Coverage ratio: 40% (incl. write-offs) and 31% (excl. write-offs)
- Capital adequacy ratio: ~16%

Asset Management

- Largest asset manager with AUM of INR3.6tn
 - Highest AUM sourced outside top 15 cities (vis-a-vis other players)
 - Highest growth in retail investment AUM in FY17 (vis-a-vis other players)
- Leading player in ETF market: ~30% market share

Other Highlights

- ***Entire transition to exit non-core investments should happen during FY18***
 - Looking to unlock investment in media & entertainment business
 - In process to exit PE investments (~INR20bn in a SPV)
- Investments in subsidiaries and associates: ~INR140-150bn
- Reliance Capital now completely conforms with CIC guidelines
Capital adequacy ratio at CIC level: >40%

Company Description

Reliance Capital (RCAP) has been actively pursuing growth opportunities in the Indian financial services sector, post the demerger and reorganisation of the Reliance Group, to become a leading financial powerhouse. It has undergone significant strategy changes in the past one to two year, with focus shifting to fast-growing segments in the financial services space, viz., asset management and insurance business, from leasing and infrastructure financing. RCAP is the leader in its existing businesses - one of the largest mutual fund. The company has also forayed into retail broking under the brand Reliance Money and retail financing under Reliance Consumer Finance, including Reliance Home Finance. It also commenced operations in asset reconstruction and institutional broking business.

Investment Theme

After being in consolidation phase, the company's core businesses viz., AMC and commercial financing, have stabilised a tad or improved. Taking cognizance of its inherent value in life insurance and asset management businesses, coupled with scale up in consumer financing and stability in general insurance business, we are positive on the stock.

Key Risks

Execution failure is the key business risk.

Growth in asset management, life insurance, and broking businesses is highly dependent on the conditions in capital markets. Sustained non-conducive market conditions may hamper our growth assumptions and consequently impact valuations negatively.

Intense competitive pressures in any business segment may affect the expected market share and/margins.

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
Company				
Credit growth	9.3	9.0	12.0	14.0
Borrowings growth (%)	8.6	14.0	12.0	13.0
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
CF business assump. (%)				
Disbursements	120,579	138,666	159,466	186,575
Repayments	36.2	37.0	37.0	37.0
Securitization	20.0	17.0	18.0	18.0
Leverage	6.0	6.0	6.0	6.0
Yield	14.3	14.0	13.9	13.8
Cost of funds	11.3	11.2	11.1	10.9
Gen. insur. assumptions				
Premium growth	4.2	39.7	18.2	15.3
Reinsurance ceded	35.4	48.1	35.2	34.8
Net claims	74.5	77.6	76.0	75.0
Combined ratio	102.0	104.0	102.0	101.0
MF business assumption				
AUM growth	17.0	31.0	15.0	15.0
AUM fees	0.6	0.6	0.6	0.6
Std. entity assumption				
Profit on sale of invst.	12,000	5,600	5,200	6,700

Income statement

(INR mn)

Year to March	FY16	FY17	FY18E	FY19E
Interest income	26,553	30,675	36,565	43,961
Interest expended	26,121	28,355	32,059	36,672
Net interest income	432	2,320	4,506	7,289
Non interest income	69,102	78,631	89,771	102,479
- Misc. income	25,613	20,904	21,850	24,774
- Invst. advisory fee	10,442	12,003	14,635	16,433
- Gen ins premium earned	29,899	42,389	49,389	56,939
- Reliance Money	3,148	3,335	3,896	4,334
Net revenues	69,535	80,951	94,277	109,768
Operating expense	50,873	62,353	73,386	83,541
- Employee exp	6,879	7,464	8,529	9,982
- Depn /amortisation	824	822	822	822
- Other opex	43,170	54,067	64,034	72,737
Preprovision profit	18,662	18,598	20,891	26,227
Provisions	1,846	2,599	3,886	4,839
Profit Before Tax	16,816	15,999	17,005	21,388
Less: Provision for Tax	4,126	4,252	5,157	6,557
Profit After Tax	12,691	11,747	11,848	14,831
Associate profit share	320	(300)	(300)	(300)
Profit after min. int.	12,371	12,047	12,148	15,131
Shares o/s (mn)	246	246	246	246
Basic EPS (INR)	50.3	49.0	49.4	61.5
Diluted shares o/s (mn)	246	246	246	246
Adj. Diluted EPS (INR)	50.3	49.0	49.4	61.5
Dividend per share (DPS)	7.5	7.5	7.5	7.5
Dividend Payout Ratio(%)	17.3	17.8	17.7	14.2

Growth ratios (%)

Year to March	FY16	FY17	FY18E	FY19E
Revenues	10.7	16.4	16.5	16.4
Opex growth	6.3	22.6	17.7	13.8
PPP growth	25.1	(0.3)	12.3	25.5
Provisions growth	51.0	40.8	49.5	24.5
Adjusted Profit	23.6	(2.6)	0.8	24.6

Banking and Financial Services

Balance sheet		(INR mn)			
As on 31st March	FY16	FY17	FY18E	FY19E	
Share capital	2,462	2,462	2,462	2,462	
Reserves & Surplus	145,749	155,543	165,236	177,911	
Shareholders' funds	148,211	158,005	167,697	180,372	
Minority Interest	5,403	6,603	7,803	9,003	
Short term borrowings	92,606	135,200	171,076	218,739	
Long term borrowings	138,910	202,799	256,615	328,108	
Total Borrowings	231,516	337,999	427,691	546,847	
Def. Tax Liability (net)	201	201	201	201	
Sources of funds	385,331	502,808	603,392	736,424	
Total net fixed assets	701	676	656	639	
Non current investments	156,205	164,165	173,192	183,433	
Current Investments	17,356	18,241	19,244	20,381	
Cash and Equivalents	23,244	28,701	42,055	53,897	
Loans & Advances	218,841	321,191	409,374	528,917	
Other Current Assets	133	133	133	133	
Current Assets (ex cash)	28,436	39,140	40,024	44,561	
Other Current Liab	59,585	69,439	81,287	95,539	
Total Current Liab	59,585	69,439	81,287	95,539	
Net Curr Assets-ex cash	(31,149)	(30,299)	(41,262)	(50,978)	
Uses of funds	385,331	502,808	603,392	736,424	
BVPS (INR)	602.3	642.5	681.9	733.5	

Valuation parameters					
Year to March	FY16	FY17	FY18E	FY19E	
Adj. Diluted EPS (INR)	50.3	49.0	49.4	61.5	
Y-o-Y growth (%)	23.6	(2.6)	0.8	24.6	
Diluted P/E (x)	12.1	12.2	11.9	9.3	
P/B (x)	1.0	0.9	0.9	0.8	
Dividend Yield (%)	1.0	1.0	1.0	1.0	

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		P/B (X)		ROAE (%)	
		FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
Reliance Capital	2,596	11.9	9.3	0.9	0.8	7.5	8.7
Capital First	1,163	20.9	16.5	2.9	2.6	14.9	16.6
Dewan Housing Finance	2,197	12.6	10.9	1.6	1.5	13.8	14.5
HDFC	42,889	19.0	16.2	3.8	3.0	19.9	20.9
Indiabulls Housing Finance	7,662	14.4	11.9	3.7	3.3	27.3	29.3
LIC Housing Finance	5,796	17.1	15.5	2.9	2.5	19.6	18.9
Mahindra & Mahindra Financial Services	3,549	35.0	21.9	3.3	3.0	9.8	14.4
Manappuram General Finance	1,369	10.5	9.1	2.4	2.1	24.9	24.9
Muthoot Finance	2,897	13.4	11.9	2.5	2.1	19.7	19.4
Power Finance Corp	4,996	4.7	4.6	0.8	0.7	17.8	16.1
RepcO Home Finance	750	22.3	18.4	3.6	3.1	17.5	18.0
Rural Electrification Corporation	5,366	5.8	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	3,468	13.2	8.6	1.8	1.5	14.2	18.8
Median	-	13.4	11.4	2.5	2.1	17.1	18.4
AVERAGE	-	14.3	11.3	2.1	1.9	17.1	18.3

Source: Edelweiss research

Additional Data

Directors Data

Anil Ambani	Chairman	Amitabh Jhunjhunwala	Vice Chairman
Anmol Ambani	Executive Director	Bidhubhusan Samal	Director
V. N. Kaul	Director	Chhaya Virani	Director
Rajendra Chitale	Director		

Auditors - B S R & Co. LLP

**as per last annual report*

Holding - Top 10

	Perc. Holding		Perc. Holding
Life Insurance Corporation Of India	4.16	Sumitomo Mitsui Trust Holdings	2.77
Valiant Mauritius Partners	2.37	Dimensional Fund Advisors	1.98
Birla Sun Life Asset Management	1.94	Reliance Capital Trustee	1.72
Vanguard Group	1.66	Morgan Stanley	1.32
Causeway Capital Management	0.74	BlackRock	0.53

**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	SU	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

Head of Research

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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	ICICI Bank	Core soft; asset quality on track ; Result Update	307	Buy
28-Jul-17	L&T Finance Holdings	Walking the talk; Result Update	161	Buy
27-Jul17	Yes Bank	As good as it gets; Result Update	1,712	Buy

Distribution of Ratings / Market Cap

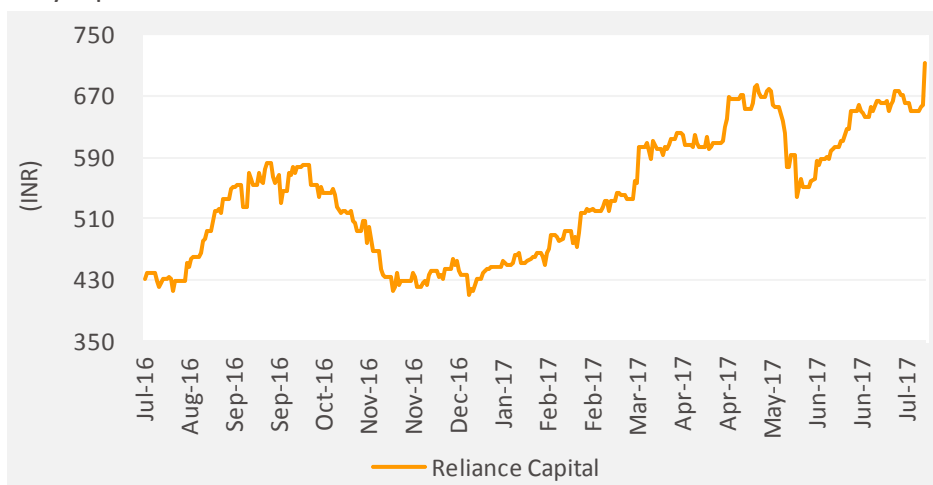
Edelweiss Research Coverage Universe

	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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