

REPCO HOME FINANCE

Asset quality improves; tepid revenue suppresses earnings

India Equity Research | Banking and Financial Services



Repc Home Finance's (RHF) Q3FY15 PAT of INR307mn was in line with our estimate as better-than-expected asset quality was offset by lower revenue traction. Key highlight was GNPLs rising mere 34bps to 1.99% (compared to historical trend of 80-120bps QoQ rise in Q3) feeding into lower-than-expected credit cost of 19bps versus 50-80bps in Q3 historically. Disbursements were muted at INR4.7bn (up mere 7% YoY) resulting in sub-30% loan growth (at 27% YoY). However, management expects them to revert to normal levels. The potential to grow manifold in an underserved market underpinned by sufficient CAR of 21.5% will sustain RHF's loan CAGR of 25% plus and help it post impressive 24% plus earnings CAGR, 2.5% RoA and 20% RoE. We maintain 'BUY' and target price of INR770 (on 4.2x FY17E P/B).

This report also contains Q3FY15/Q2FY15 concall highlights

Slower disbursements feed into lower-than-trend loan growth

Disbursements were moderate largely on lower draw downs from sanctions (up 19% YoY) leading to lower disbursement/sanctions ratio of 90% versus run-rate of over 95% historically. Management highlighted that the trend rectified in January and it expects normalised disbursements going forward. Given the vast opportunity landscape, we expect it to return to healthy growth.

Asset quality springs a positive surprise

Underpinned by target customer segments (non-salaried), RHF's NPL profile is seasonal in nature with usual spike in Q1 and Q3. However, the quantum of uptick is structurally falling—apparent across 3-4 years with dip in quantum of rise in GNPLs. In Q3FY15, this trend was further strengthened with only 34bps rise (versus 50-80bps in earlier years). While coverage is at 42%, RHF expects to shore it up to 50% over next couple of years.

Outlook and valuations: Superior sustainable RoA; maintain 'BUY'

RHF operates in a niche segment which is underserved by banks and larger housing finance companies (HFCs). In this backdrop, we expect the company to be key beneficiary of our optimistic stance on the mortgage finance sector, given emerging opportunities and government's thrust on 'affordable housing' and 'housing for all' initiatives (refer our note, *Making in-roads in unchartered territory*, dated January 12, 2015). The stock is trading at 3.6x FY17E P/ABV. We maintain 'BUY/SO'.

Financials

(INR mn)

Year to March	Q3FY15	Q3FY14	Growth (%)	Q2FY15	Growth (%)	FY14	FY15E	FY16E
Net Interest Inc.	636	509	24.9	638	(0.3)	1,908	2,392	3,025
PAT	307	271	13.3	327	(5.8)	1,101	1,285	1,653
BV per share						112	131	155
Diluted EPS						17.6	20.6	26.5
P/Adj Book (x)						6.1	5.2	4.4
Diluted P/E (x)						37.3	31.9	24.8

EDELWEISS 4D RATINGS	
Absolute Rating	BUY
Rating Relative to Sector	Outperformer
Risk Rating Relative to Sector	Medium
Sector Relative to Market	Overweight

MARKET DATA (R: RHFL.BO, B: REPCO IN)

CMP	: INR 658
Target Price	: INR 770
52-week range (INR)	: 725 / 301
Share in issue (mn)	: 62.4
M cap (INR bn/USD mn)	: 41 / 664
Avg. Daily Vol.BSE/NSE('000)	: 219.3

SHARE HOLDING PATTERN (%)

	Current	Q2FY15	Q1FY15
Promoters *	37.4	37.4	37.4
MF's, FI's & BK's	16.3	16.3	11.9
FII's	25.0	25.0	12.2
Others	21.4	21.4	38.5
* Promoters pledged shares (% of share in issue)	:		NIL

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Banks and Financial Services Index
1 month	13.5	4.0	5.1
3 months	49.7	9.9	21.8
12 months	117.4	36.6	78.1

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NIMs stable deriving support from improving yields

NIMs during the quarter were stable at 4.5% deriving benefit from 6bps QoQ inch up in lending yields, which offset the impact of 5bps QoQ increase in funding cost. With the proportion of non-salaried segment further inching up to 55.9% (55.7% in Q2FY15 and 54.5% in Q3FY14) and LAP also rising to 19.3% (from 17.5% in Q3FY14), yields improved 6bps QoQ to 12.76%. On the other hand, cost of funds has increased 5bps QoQ (to 9.85%) , management highlighted this was because of change in the NHB requirement (capping on-lending yield to 200bps) has led to the company shifting to higher cost borrowing from banks, as a result proportion of NHB fell further to 20% (from 26% a year ago). Management expects to diversify the borrowing profile and expects to tap lower cost funding sources (viz., NCDs , CP etc) which along with lower bank funding rate (base rate may be pruned by banks) will help lower cost, in turn aiding NIMs.

Slower revenue growth weighs on profitability

NII growth was below expectations—flat QoQ—led by modest disbursements feeding into lower-than-track loan growth (27% YoY) cushioned by stable NIMs. However, ample opportunity by way of expansion in under-served and under-penetrated areas of Tier II and III cities renders confidence that RHF will be able to return to healthy loan growth. Additionally, optimal mix between non-salaried and salaried segments and increased contribution from LAP products will feed into stable/improving margins. These factors will help RHF post healthy operating performance.

Other highlights

- While PAT growth seems optically lower at 13% YoY, the vector driving the same was creation of deferred tax liability, taking the tax rate to 34% compared to 26% a year ago (PBT grew 27% YoY).
- Raised INR500mn via CPs recently at 8.6%. Going forward, management expects further INR500mn of CP issuance and also tap NCDs route.
- Disbursement during the quarter in HL was INR3.81bn and in LAP INR940mn.
- Plot loans account for 5% of loan book—with the requirement that construction should begin within 36 months.

Table 1: Optimal loan mix LAP—Increased contribution from non-salaried and LAP

Loan composition(%)	Q214	Q314	Q414	Q115	Q215	Q315
- Non Salaried	54.0	54.5	55.0	55.3	55.7	55.9
- Salaried	46.0	45.5	45.0	44.7	44.3	44.1
Loan mix(%)						
- Individual Home Loans	83.7	82.5	81.3	80.8	80.5	80.7
- Loans against Property	16.3	17.5	18.7	19.2	19.5	19.3

Source: Company

Table 2: Increase in GNPL in Q3FY15 better than historically in Q3 (%)

	Q214	Q314	Q414	Q115	Q215	Q315
Gross NPA	1.7	2.0	1.5	2.5	1.7	2.0
Net NPA	0.9	1.3	0.7	1.6	0.8	1.2
Provision Coverage	45.3	37.4	51.0	35.7	51.5	42.1

Source: Company

Table 3: Margins stable deriving support from improving yields

(%)	Q214	Q314	Q414	Q115	Q215	Q315
Yield	12.6	12.6	12.6	12.6	12.7	12.8
Cost of Debt	9.3	9.4	9.3	9.8	9.8	9.9
Spread	3.3	3.2	3.3	2.8	3.0	2.9
NIM	4.7	4.6	4.7	4.4	4.5	4.5

Source: Company

Table 4: Borrowing mix—Lower NHB drawdown made the tilt in favour of banks (%)

	Q214	Q314	Q414	Q115	Q215	Q315
Banks	62.8	64.7	65.0	64.0	69.0	72.0
National Housing Bank	30.0	26.0	25.0	26.0	22.0	20.0
Repco Bank	7.2	9.3	10.0	10.0	9.0	9.0

Source: Company

Banking and Financial Services

Financial snapshot								(INR mn)
Year to March	Q3FY15	Q3FY14	% change	Q2FY15	% change	YTD15	FY15E	FY16E
Interest Income	1756	1358	29.3	1692	3.8	5008	6,631	8,449
Interest Expenses	1120	849	31.9	1054	6.3	3150	4,239	5,424
Net Interest Income	636	509	24.9	638	(0.3)	1858	2,392	3,025
Other Income	1	4		5		7	244	300
Operating Expenses	135	103	30.6	121	11.2	363	505	595
-Staff expenses	85	56	51.7	77	10.5	230	505	595
-Other Opex	50	47	5.3	44	12.5	133	200	235
Provisions	26	35	(25.1)	17	54.7	141	198	245
Depreciation	7	7	-	7	4.3	20	31	37
PBT	469	368	27.3	498	(5.9)	1341	1,932	2,486
Taxes	161	97	66.6	172	(5.9)	459	647	833
PAT	307	271	13.3	327	(5.8)	882	1,285	1,653
(INR mn)								
Sanctions	5,243	4,412	18.8	5,589	(6.2)	15,643	21,870	26,244
Disbursements	4,749	4,436	7.1	5,412	(12.3)	14,307	20,669	25,009
Loan book	55,007	43,194	27.3	52,380	5.0	55,007	59,413	74,323
Asset Quality (%)								
GNPLs	2.0	2.0		1.7		2.0	1.6	1.7
NNPLs	1.2	1.3		0.8		1.2	0.8	0.8
Provision Coverage	42.1	37.4		51.5		42.1	52.0	53.0

Q3FY15 earnings concall takeaways

With respect to growth metrics

- **Disbursement during the quarter were lower following 1) lower draw downs from the sanctions pool (large part of the sanctions happened in last week of December corresponding to which disbursement has not happened) and 2) higher base.** However, going into January the disbursements has normalized and management expects to track normalized growth in Q4FY15 (20% disbursement growth possible).
- LAP book to be maintained at around current levels (~20%) , have comfortable LTV of 50% in this segment. GNPL in LAP is 2.9% (normalized credit cost is ~50bps)
- In terms of growth from non-southern market :Maharashtra is doing well, however MP, Orissa are contributing to the growth, however the contribution is not very significant as company has not been very aggressive as currently they are in the evaluation mode.
- Slowdown has been happening in the major cities in South such as Chennai, Cochin, Trichy etc. However as the company has 2/3rd of the business comes from other cities so company is confident of maintain the growth rate.
- **Loan book growth to be maintained within 25-30% over medium to longer term.**

With respect to NIMs

- Aims to maintain of spread of 3% plus and NIMs of 4% plus.
- **Raised INR500mn through CPs recently at 8.6%. Going forward management expect further INR500mn of CP issuance during the quarter and also tap NCDs route during the quarter.**
- Cost of funds has increased owing to change in NHB requirement (capping on-lending yield to 200bps) has made company to shift to higher cost borrowing from the banks.

Other highlights

- Plans to expand the branch network by 15 branches / year, with 1/3rd in non-southern region and 2/3rd in southern region.
- Cost/income ratio was at 20% (including ESOPs) and 18% (excluding ESOPs). Management expects to trace back cost –to-income ratio of 18% (including ESOPs).
- In terms of geographical presence: part of the GNPLs were coming from Kerela and Tehelgana and incrementally in Orissa and West-Bengal.

Data points

- Disbursement during the quarter in HL were INR3.81bn and in LAP INR940mn
- **Incremental ticket size in home loan INR1.43mn, Home equity : INR2.3mn. In terms of salaried incremental ticket size is INR1.16mn, and non-salaried : INR1.98mn.**
- Employees : 534
- Avg ticket size – INR1.2mn.
- Yields in the retail home loan : 12.1%, LAP at 15.9%
- **6% is the pre-payment rate – no increased witnessed over past 9 months.**
- Plot loans account for 5% of the loan book – with the requirement that construction should begin within 36 months.

Q2FY15 earnings concall takeaways

Repco Home Finance reported PAT of INR 327 mn in Q2FY15 (growth of 12% YoY/32% QoQ) better than our expectation of INR 310 mn. Beat was not only due to lower credit cost but also led by higher NII. Net interest income grew 21% YoY/9% QoQ to INR 638 mn and loan loss provisioning was lower 70-80% both YoY as well as QoQ.

- **Asset quality improved significantly** with GNPLs coming down from 2.49% in Q1FY15 to 1.65% in Q2FY15. It has also improved provisioning coverage to 51.5%.
- **GNPLs in home loan 1.59% in Q2FY15 (2.31% in Q1FY15) and in home equity of 1.89% (3.25%)**
- Added more staff during the quarter to 490 and annual promotion has started
- **Yield in home loan 12.1% and home equity 15.9%** similar to level in Q2FY14. Uniform interest rate followed across the country.
- In new markets, growth may not be as high as Southern markets as it trying to establish its brand in these place.

Outlook

- **Guidance of 3% spread and 4% NIM**
- Would want to take **provisioning coverage to 70% by end of this fiscal**
- Sustainable loan growth of atleast 25%
- **Will diversify borrowing profile** and tap CP market definitely before the end of this fiscal. Some internal process
- **RoA at 2.5%** and RoEs expected to go up due to gearing will move to pre-IPO level over the medium term.

Company Description

Repco is a housing finance company registered with the NHB and headquartered in Chennai, Tamil Nadu. It is promoted by the Government of India - owned The Repatriates Cooperative Finance and Development Bank (Repco Bank) and was incorporated in April 2000. Key point to highlight is that the promoter is a registered co-operative society.

As of December 2014, RHF had 137 branches and satellite centres located in Tamil Nadu, Karnataka, Andhra Pradesh, Kerala, Maharashtra, Odisha, West Bengal, Gujarat and the Union Territory of Puducherry.

Further, two thirds of its centres are located in Tier 2 and Tier 3 cities. The company's marketing strategy consists of advertising via loan camps and word of mouth referrals from existing customers. As a result, most of its customers are walk-ins and the company does not use marketing intermediaries. Branches source loans and carry out the preliminary checks on credit worthiness of the borrower, post which the application is sent to the centralised processing unit for approval. Branches are also responsible for assistance in documentation, disbursing loans and in monitoring repayments and collections

Investment Rationale

Repco Home Finance (Repco) has created a niche for itself, servicing both salaried and self employed category in Tier-II and Tier-III - a customer segment left under-served by large housing finance companies and banks. We like the company for its differentiated approach, strong risk management practises and most importantly for its scalable business model and superior and sustainable return ratios.

Key Risks

- **Slowdown in real estate sector:** Repco is mainly present in 8 states. Currently, over 60% of its loan book is coming from Tamil Nadu alone. Any slowdown in real estate sector, especially in Tamil Nadu will have negative impact on growth and earnings.
- **Regulatory risk:** Repco is regulated by National Housing Bank (NHB), a wholly-owned subsidiary of the Reserve Bank of India (RBI). Adverse regulatory change will have negative impact on the growth and profitability of the company.

Financial Statements

Key assumptions

Year to March	FY14	FY15E	FY16E	FY17E
GDP (Y-o-Y%)	4.7	5.4	6.3	7.3
Inflation (Avg)	9.5	6.8	5.5	5.5
Repo rate (exit rate)	8.0	7.8	6.8	6.3
USD/INR (Avg)	60.5	61.0	62.0	62.0
Credit growth (%)	14.0	12.0	15.0	17.0
Bank's base rate (%)	9.5	9.3	9.2	9.2
Wholesale borrowing cost (%)	8.7	8.5	8.3	8.3
G-sec yield (%)	7.6	7.5	7.4	7.4
Operating metric assumptions (%)				
Yield on advances	12.5	12.5	12.6	12.8
Cost of funds	9.3	9.5	9.5	9.5
Spread	3.2	3.0	3.1	3.2
Employee cost growth	49.3	30.2	17.7	16.6
Other opex growth	76.7	30.2	17.7	16.6
Tax rate	26.2	33.5	33.5	33.5
Dividend payout	6.8	10.0	10.0	10.0
Balance sheet assumption (%)				
Disbursement growth	46.9	20.5	21.0	23.0
Repayment/prepayment rate	15.5	15.5	15.5	15.5
Gross NPLs	1.5	1.6	1.7	1.7
Net NPLs	0.7	0.8	0.8	0.7
Provisioning coverage	0.5	0.5	0.5	0.6

Income statement

(INR mn)

Year to March	FY14	FY15E	FY16E	FY17E
Interest income	5,156	6,631	8,449	10,661
Interest expended	3,248	4,239	5,424	6,828
Net interest income	1,908	2,392	3,025	3,833
- Fee & forex income	198	244	300	369
Net revenues	2,106	2,636	3,325	4,202
Operating expense	388	505	595	693
- Employee exp	211	274	323	376
- Depreciation /amortisation	24	31	37	43
- Other opex	153	200	235	274
Preprovision profit	1,718	2,131	2,731	3,509
Provisions	227	198	245	356
Profit before tax	1,491	1,932	2,486	3,153
Provision for tax	390	647	833	1,056
Profit After Tax	1,101	1,285	1,653	2,097
Reported Profit	1,101	1,285	1,653	2,097
Basic EPS (INR)	17.6	20.7	26.6	33.7
Shares outstanding (mn)	62	62	62	62
Diluted EPS (INR)	17.6	20.6	26.5	33.6
Dividend per share (INR)	1.2	2.1	2.6	3.4
Dividend payout (%)	6.8	10.0	10.0	10.0

Growth ratios (%)

Year to March	FY14	FY15E	FY16E	FY17E
Revenues	50.1	25.1	26.2	26.4
NII growth	51.7	25.3	26.5	26.7
Opex growth	59.7	30.2	17.7	16.6
PPP growth	48.1	24.0	28.2	28.5
Provisions growth	145.6	(12.6)	23.6	45.3
Net profit	37.6	16.7	28.6	26.9

Operating ratios

Year to March	FY14	FY15E	FY16E	FY17E
Yield on advances	12.5	12.5	12.6	12.8
Net interest margins	4.6	4.6	4.6	4.6
Cost of funds	9.3	9.5	9.5	9.5
Spread	3.2	3.0	3.1	3.2
Cost-income	18.4	19.2	17.9	16.5
Tax rate	26.2	33.5	33.5	33.5

Balance sheet		(INR mn)			
As on 31st March	FY14	FY15E	FY16E	FY17E	
Equity capital	622	622	622	622	
Reserves & surplus	6,340	7,496	8,984	10,871	
Shareholders funds	6,962	8,118	9,606	11,493	
Short term debt	11,575	14,933	18,861	23,566	
Long term debt	27,445	35,407	44,721	55,878	
Total Borrowings	39,020	50,340	63,582	79,445	
Deferred tax liability (net)	263	373	522	717	
Sources of funds	46,244	58,832	73,710	91,655	
Total net fixed assets	50	50	50	50	
Non current investments	124	81	81	81	
Cash and equivalents	153	250	312	388	
Loans and advances	46,811	59,413	74,323	92,449	
Other assets	66	107	134	166	
Total current assets (ex cash)	47,030	59,770	74,768	93,004	
Other current liabilities and	960	1,069	1,189	1,479	
Total current liabilities &	960	1,069	1,189	1,479	
Net current assets (ex cash)	46,070	58,700	73,579	91,525	
Uses of funds	46,244	58,832	73,710	91,655	

RoE decomposition (%)				
Year to March	FY14	FY15E	FY16E	FY17E
Net interest income/assets	4.6	4.6	4.6	4.6
Net revenues/assets	5.1	5.0	5.0	5.1
Operating expense/assets	0.9	1.0	0.9	0.8
Provisions/assets	0.5	0.4	0.4	0.4
Taxes/assets	0.9	1.2	1.3	1.3
Total costs/assets	2.4	2.6	2.5	2.5
ROA	2.6	2.4	2.5	2.5
Equity/assets	16.0	14.4	13.4	12.8
ROAE (%)	16.5	17.0	18.7	19.9

Valuation parameters				
Year to March	FY14	FY15E	FY16E	FY17E
Diluted EPS (INR)	17.6	20.6	26.5	33.6
Y-o-Y growth (%)	39.0	16.7	28.6	26.9
Book value per share (INR)	112.0	130.6	154.5	184.9
Adjusted book value per share	108.3	125.5	147.8	184.9
Diluted PE (x)	37.3	31.9	24.8	19.6
Price/ Adj. BV (x)	6.1	5.2	4.4	3.6
Dividend yield (%)	0.2	0.3	0.4	0.5

Peer comparison valuation

Name	Market cap (USD mn)	Diluted PE (X)		Price/BV (X)		ROAE (%)	
		FY15E	FY16E	FY15E	FY16E	FY15E	FY16E
Repco Home Finance	664	31.9	24.8	5.0	4.3	17.0	18.7
HDFC	31,363	32.8	28.2	6.8	6.1	21.7	22.8
LIC Housing Finance	3,721	16.3	13.9	2.9	2.5	19.3	19.5
Magma Fincorp	296	11.2	8.9	1.3	1.2	12.3	13.9
Mahindra & Mahindra Financial Services	2,406	18.7	11.8	2.6	2.2	14.7	20.4
Manappuram General Finance	468	10.8	9.3	1.1	1.0	10.2	11.1
Muthoot Finance	1,350	12.3	10.1	1.6	1.5	14.5	15.4
Power Finance Corp	6,007	5.9	5.3	1.1	1.0	20.9	19.8
Reliance Capital	1,931	14.0	12.5	0.9	0.8	6.4	6.8
Rural Electrification Corporation	5,289	5.8	5.1	1.3	1.1	24.6	23.0
Shriram City Union Finance	2,159	23.3	18.2	3.2	2.8	16.2	16.4
Median	-	14.0	11.8	1.3	1.2	16.2	18.7
AVERAGE	-	16.1	13.0	2.0	1.7	15.6	16.5

Source: Edelweiss research

Additional Data

Directors Data

T.S. KrishnaMurthy	Chairman	R.Varadarajan	Managing Director
S.C.Panda	Director	B.Anand	Director
Thomas Paul Diamond	Director	G.R.Sundaravadivel	Director
V. Nadasabapathy	Director	K K Pathak	Director

Auditors - R. Subramanian and Company

**as per last annual report*

Holding - Top10

	Perc. Holding		Perc. Holding
Smallcap World Fund	6.48	Capital Research Global Investor	6.48
Templeton Asset Management	4.17	Parvest Equity India	3.13
India Capital Fund	3.09	SBI Funds Management	2.97
Birla Sun Life Asset Management	2.83	Grantham Mayo Van Otterloo	2.70
Nomura Asset Management	2.20	Creador I LLC	1.82

**as per last available data*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
29 Oct 2014	Creador I Llc	Sell	399434	470.07
20 Oct 2014	Creador I Llc	Sell	325000	470.05
15 Apr 2014	India Capital Management Ltd A/C India Capital Fund Ltd	Buy	486000	377.50
03 Apr 2014	Black Rock India Eq Fund Mauritius Ltd	Buy	546087	325.76
03 Apr 2014	Norges Bank - Government Pension Fund Global	Buy	596857	325.76
03 Apr 2014	The Master Trust Bk Of Japan Ltd. As Trustee Of Blackrk Ind Eq Fd	Buy	353604	325.76
03 Apr 2014	Wcp Holding Iii	Sell	2728100	325.04
31 Mar 2014	Icici Prudential Mutual Fund	Buy	884250	325.00
31 Mar 2014	Icici Prudential Tax Plan	Buy	399036	325.00
31 Mar 2014	Jupiter Paf Investments Ltd	Buy	1200000	325.00
31 Mar 2014	Wcp Holding Iii	Sell	3464000	325.02

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
27 Oct 2014	Creador I, LLC	Sell	3105000.00
22 Aug 2014	First Carlyle Growth VI	Sell	11027721.00
23 Jul 2014	Smallcap World Fund Inc.	Buy	4040440.00
07 Apr 2014	WCP Holdings III	Sell	3464000.00

**in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Allahabad Bank	BUY	SP	M	Axis Bank	BUY	SO	M
Bajaj Finserv	BUY	SO	L	Bank of Baroda	HOLD	SP	M
Development Credit Bank	BUY	SO	M	Dewan Housing Finance	BUY	SO	M
Federal Bank	BUY	SO	L	HDFC	HOLD	SU	L
HDFC Bank	BUY	SO	L	ICICI Bank	BUY	SO	L
Indiabulls Housing Finance	BUY	SO	M	IndusInd Bank	BUY	SO	L
IDFC	BUY	SO	L	ING Vysya	BUY	SO	L
Karnataka Bank	BUY	SP	M	Kotak Mahindra Bank	HOLD	SU	M
LIC Housing Finance	BUY	SO	M	Magma Fincorp	BUY	SO	M
Mahindra & Mahindra Financial Services	HOLD	SU	M	Manappuram General Finance	BUY	SP	H
Max India	BUY	SO	L	Multi Commodity Exchange of India	UNDER REVIEW	None	None
Muthoot Finance	BUY	SO	M	Oriental Bank Of Commerce	BUY	SP	L
Power Finance Corp	BUY	SO	M	Punjab National Bank	HOLD	SP	M
Reliance Capital	BUY	SP	M	Repco Home Finance	BUY	SO	M
Rural Electrification Corporation	BUY	SO	M	Shriram City Union Finance	BUY	SP	M
Shriram Transport Finance	BUY	SO	L	South Indian Bank	BUY	SP	M
State Bank of India	BUY	SO	L	Union Bank Of India	BUY	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
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
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, Bajaj Finserv, Bank of Baroda, Development Credit Bank, Dewan Housing Finance, Federal Bank, HDFC, HDFC Bank, ICICI Bank, Infrastructure Development Finance Co Ltd, Indiabulls Housing Finance, IndusInd Bank, Karnataka Bank, Kotak Mahindra Bank, LIC Housing Finance, Max India, 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, ING Vysya, Yes Bank

Recent Research

Date	Company	Title	Price (INR)	Recos
03-Feb-15	Punjab National Bank	Mounting stressed assets rock the boat; <i>Result Update</i>	177	Hold
30-Jan-15	Karnataka Bank	Core under pressure; sale to ARCs aids asset quality; <i>Result Update</i>	143	Buy
30-Jan-15	Bank of Baroda	Stress creation raises its head, outlook cautious; <i>Result Update</i>	193	Hold

Distribution of Ratings / Market Cap

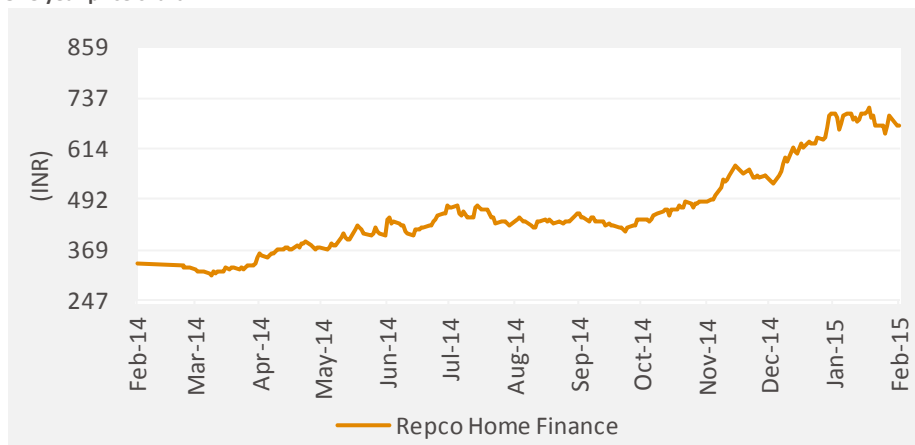
Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	150	46	10	207
* 1 stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	143	58	6	

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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