RESULT UPDATE

DEWAN HOUSING FINANCE

Disbursements soft; better NIMs, low opex aid profitability

Edelweiss
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India Equity Research| Banking and Financial Services

Dewan Housing Finance's (DHFL) Q3FY17 PAT, at INR2.45bn (up 32% YoY), was marginally better than our estimates owing to better NIMs (broadly stable QoQ versus expectation of decline). Disbursements' growth was soft, up ~10% YoY versus historical trend of >25% YoY growth, however demonetisation impact was lower than envisaged (we had expected lower single-digit YoY growth), feeding into AUM growth of 18.7% YoY/4% QoQ. Asset quality was stable with GNPLs contained below <1%. Cost/income ratio, a key monitorable, was also broadly stable with opex growth curtailed at 9% YoY. Valuation at 1.3x FY19E P/ABV is inexpensive for RoE of 16% plus. Maintain 'BUY'.

Disbursements soft, demonetisation impact milder than envisaged

Disbursements, despite challenging times, registered 10% YoY/6.8% QoQ growth (we anticipated lower single-digit YoY growth). After minor blip in November 2016 (post demonetisation), management highlighted that the trend in December has been closer to normalised trend (pre-demonetisation) which supported overall growth during the quarter. Consequently, AUM growth stood at >18% YoY, though retail grew by mere 10.5% YoY (moderating from higher teens growth earlier), thus taking its proportion down to 69% (72%, as at end FY16). Meanwhile, proportion of project finance rose to 12.5% (11.5% in Q2FY17), with management targeting higher proportion at 15%, which is a key monitorable. Share of SME & LAP remained broadly stable at 18-19%.

Cost-to-income ratio stable, sustenance key

High cost structure, C/I ratio (calc.) at ~26% vs. peers' average of mid teens, has been a key concern. However, DHFL's focus on productivity has seen it improving in past year or so (~26.4% versus 31.8% in Q4FY16). While cost reduction seems to be on track led by improving efficiencies and technology initiatives, sustenance of same is vital.

Outlook and valuations: Attractive operating space; maintain 'BUY'

DHFL is bound to be key beneficiary of government's initiative to promote affordable housing, given its presence in tier II/III cities and lower ticket size. However, in view of rising proportion of developer loans, we are building in higher NPLs going forward. The company has the potential to deliver ~20% earnings CAGR over FY16-19E with RoE of 16%. Juxtaposing this with inexpensive valuation (1.3x FY19E P/ABV) renders favourable risk-reward. We maintain **'BUY/SO'** with a target price of INR374.

Financials (INR mn)

Year to March	Q3FY17	Q3FY16	Growth (%)	Q2FY17	Growth (%)	FY16	FY17E	FY18E
Net revenue	5,664	4,656	21.6	5,371	5.5	18,267	21,853	25,275
Net profit	2,448	1,859	31.7	2,326	5.2	7,292	9,209	10,639
Dil. EPS (INR)	8.2	6.3	29.5	8.0	2.8	25.0	29.4	32.1
Adj. BV (INR)						164.6	181.3	202.3
Price/ Adj book (x)						1.7	1.6	1.4
Price/ Earnings (x)						11.4	9.7	8.9

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: DWNH.BO, B: DEWH IN)*

CMP	: INR 285
Target Price	: INR 374
52-week range (INR)	: 337 / 140
Share in issue (mn)	: 313.1
M cap (INR bn/USD mn)	: 89 / 1,314
Avg. Daily Vol.BSE/NSE('000)	: 2,412.0

SHARE HOLDING PATTERN (%)

	Current	Q2FY17	Q1FY17
Promoters *	39.3	39.3	34.9
MF's, FI's & BK's	6.0	3.9	2.6
FII's	26.4	29.5	32.2
Others	28.4	27.3	30.3

** Promoters pledged shares : NIL*
(% of share in issue)

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Banks and Financial Services Index
1 month	18.0	3.2	4.1
3 months	(7.2)	(1.4)	0.1
12 months	41.1	12.9	26.8

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NIMs steady, riding better funding cost

NIM (reported) came in at 3.07% (up 2bps QoQ), largely on better funding cost. Period end borrowing costs declined to 9.1% (9.3% in Q2FY17 and 9.6% in Q3FY16). Sequential decline in borrowing costs was driven by the 42bps QoQ dip in bank borrowing cost, which forms 42% of overall borrowings. We expect further benefits from this as most banks have aggressively cut rates in past few weeks. On the other hand, given the fact that in Q2FY17 DHFL raised INR140bn of public NCDs (21% of Q1FY17 borrowings) at the coupon of 9.05-9.25% (closer to book cost now) fixed for 3-7 years, and as bond yields have plummeted since then, it might be challenging for the company to manage the interest rate risk, especially given hyper-competitive mortgage markets. Further, share of developer loans has steadily increased to 12.5% (from 11.5% in Q2FY17), which has also supported interest income.

Asset quality stable

It is commendable that DHFL has maintained benign asset quality across cycles despite its focus on lending to the lower-middle income (LMI) segment whose credit quality is relatively difficult to assess. In Q3FY17, GNPLs were broadly stable at 0.95% (0.96% in Q2FY17). Low dependence on marketing intermediaries (proportion of DSAs <30% of overall book and <20% in home loan portfolio), lower loan-to-value (LTV) & installment-to-income ratio (IIR) and stringent risk management, lends comfort. Collections recorded swift recovery in December 2016, post the slip in November. While commentary suggests the recovery was relatively better than expected, we would keenly track the trend until cash flow normalises. Also, given the rise in developer loans, we are building in higher NPLs going forward.

Other highlights

- **Subsidiaries' performance**
  - **Avanse Financial:** Has an outstanding portfolio of INR8.1bn (up >10% QoQ) with average ticket size of INR1.48mn.
  - **DHFL Pramerica Life Insurance:** AUM grew 7.4% QoQ to INR24.8bn. The subsidiary reported PAT of INR59mn (9mFY17 PAT of INR350mn versus INR508mn in FY16).
  - **DHFL Pramerica Asset Managers:** AUM declined by ~6.5% QoQ to ~INR233bn.

Chart 1: Disbursements growth softer than trend…

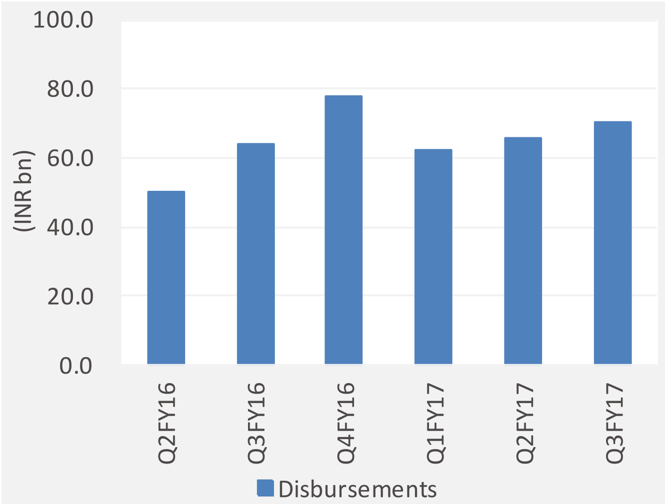


Chart 2: … but, lower repayments supported AUM growth

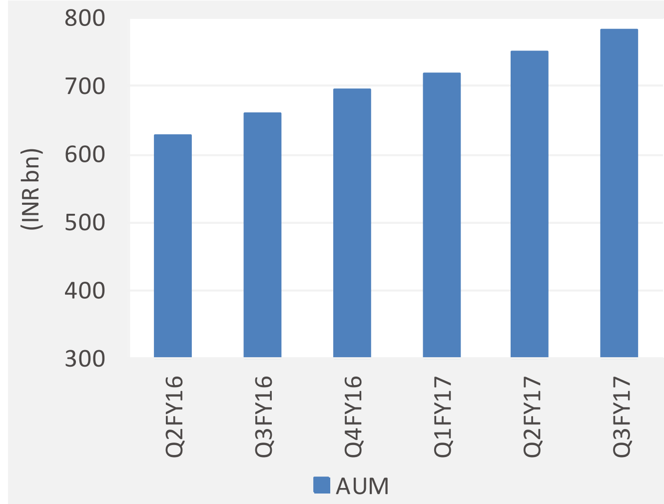


Chart 3: Ratings upgrades provide scope to diversify…

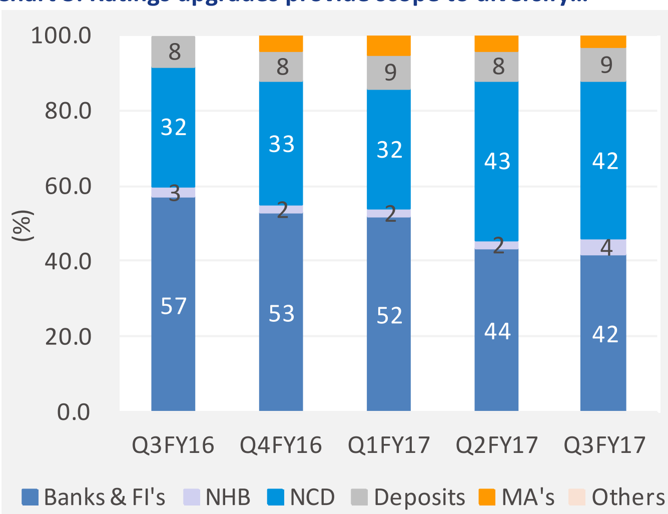


Chart 4: … and also lend support to margins

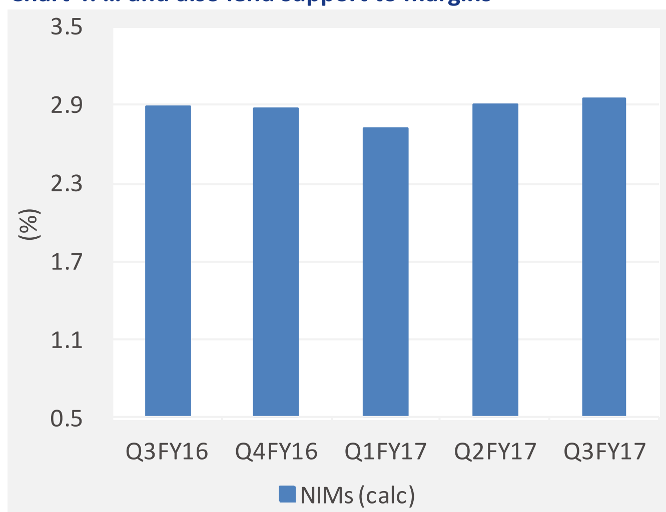


Chart 5: Developer loans on gradual uptrend

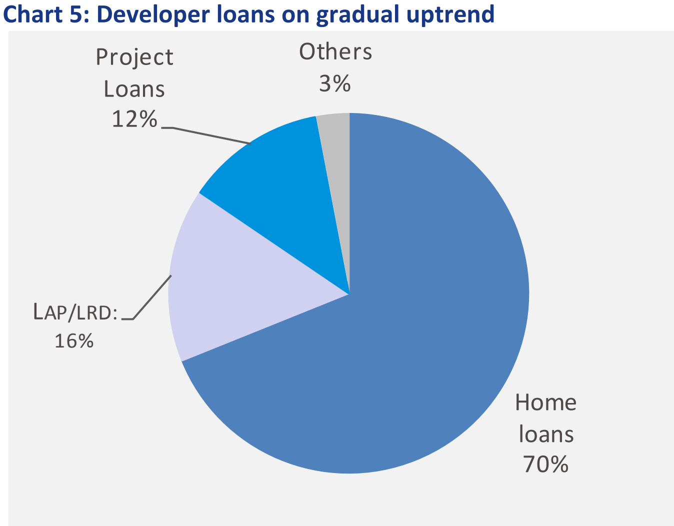
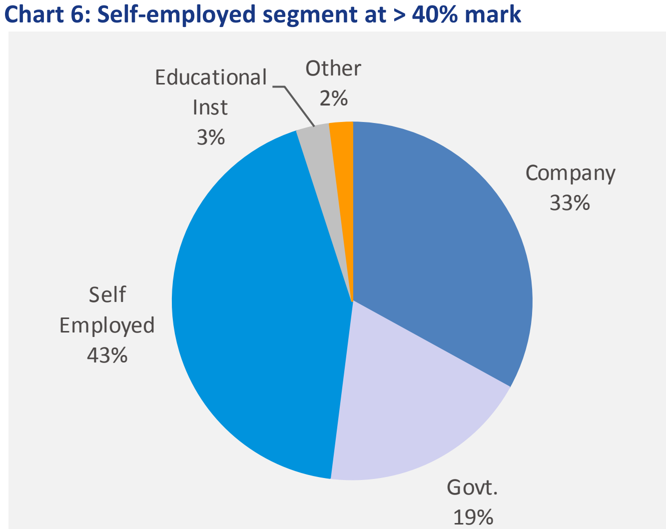
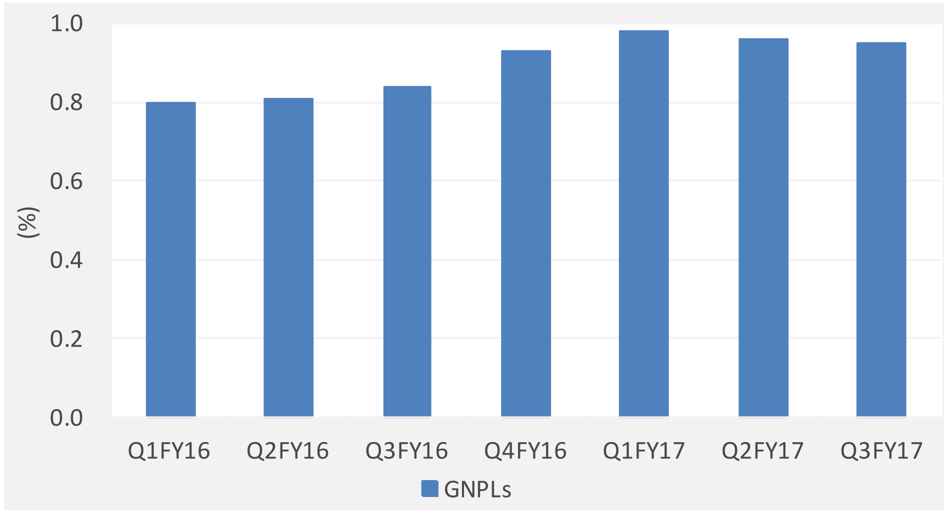


Chart 6: Self-employed segment at > 40% mark



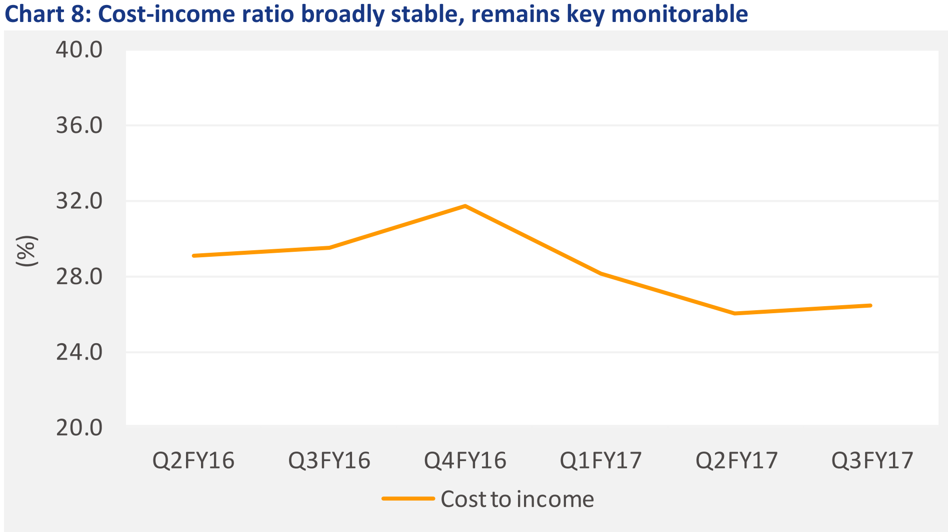
Source: Company

Chart 7: Asset quality stable with GNPLs at 0.95%



Restated GNPLs for FY15 is 0.95% vis-à-vis GNPLs of 0.93% for FY16

Chart 8: Cost-income ratio broadly stable, remains key monitorable



Source: Company

Financial snapshot (INR mn)

Year to March	Q3FY17	Q3FY16	% change	Q2FY17	% change	YTD17	FY17E	FY18E
Interest income	23,655	18,844	*25.5*	21,667	*9.2*	64,904	84,228	96,439
Interest exp	18,001	14,197	*26.8*	16,307	*10.4*	49,062	64,700	73,903
Net int. inc. (INR mn)	5,654	4,647	*21.7*	5,360	*5.5*	15,843	19,528	22,536
Non interest income	10	10	*6.5*	11	*(4.7)*	31	2,325	2,740
Net revenues	5,664	4,656	*21.6*	5,371	*5.5*	15,874	21,853	25,275
Operating expenses	1,497	1,372	*9.1*	1,398	*7.0*	4,256	6,088	6,812
Staff expense	663	563	*17.7*	657	*0.8*	1,948	2,684	3,068
Depreciation	67	68	*(1.8)*	68	*(1.5)*	199	254	305
Other opex	767	741	*3.6*	673	*14.0*	2,110	3,151	3,438
Operating profit	4,167	3,285	*26.9*	3,972	*4.9*	11,618	15,764	18,464
Provisions & writeoff	450	480	*(6.3)*	450	*0.0*	1,350	1,916	2,465
Profit before tax	3,717	2,805	*32.5*	3,522	*5.5*	10,268	13,848	15,998
Provision for taxes	1,269	946	*34.3*	1,196	*6.1*	3,481	4,639	5,359
PAT	2,448	1,859	*31.7*	2,326	*5.2*	6,788	9,209	10,639
Diluted EPS (INR)	8.2	6.3	*29.5*	8.0	*2.8*	22.5	29.4	32.1
Ratios								
NII/GII (%)	23.9	24.7		24.7		24.4	23.2	23.4
Cost/income (%)	26.4	29.5		26.0		26.8	27.9	26.9
Tax rate (%)	34.2	33.7		34.0		33.9	33.5	33.5
Bal. sheet data								
Loan book	689,610	589,918	*16.9*	653,460	*5.5*	689,610	730,618	865,040
Sanctions	94,594	93,077	*1.6*	84,370	*12.1*	266,971	462,580	568,974
Disbursements	70,594	64,284	*9.8*	66,085	*6.8*	198,828	285,586	339,847
B/V per share (INR)	-	-		-		-	190.7	214.4
Adj book value / share	-	-		-		-	181.3	202.3
Price/ Book (x)	-	-		-		-	1.5	1.3
Price/ Adj. book (x)	-	-		-		-	1.6	1.4
Price/ Earnings	-	-		-		-	9.7	8.9

Q3FY17 Earnings Call Takeaways

With respect to demonetisation

- Except for some volatility in November, DHFL has fared reasonably well
- Although collection efficiency saw a drop post demonetisation, it is back to normal levels
    - Reached collection efficiency (Bucket 1) of 97-98% including December
    - Q4FY17 should be a strong quarter in terms of collection
- In November, sanctions were flat (MoM), while disbursements declined 12% (MoM)
    - However, there was good bounce back in Dec, with sanctions and disb. higher than in October
- Home loans saw traction in tier II/III locations
    - Specific pockets in NCR, north and west (Gujarat, MP, MH) saw some slowdown in HL disbursements
    - However, HL disbursements in other regions was good
- While high ticket transactions saw a slowdown, affordable housing was relatively less affected
- Management believes that bulk of disruption due to demonetisation is behind us
    - There might be some spillover in Q4FY17, but situation would normalise thereafter
- Going forward, mgmt. expects faster penetration of mortgage loans in non-metro loans and greater use of technology
- Moderation in prices, lower rates and govt. measures (affordable housing schemes) should drive demand going forward

With respect to book

- Growth in disbursements -
    - Overall book: ~10% YoY
    - Retail book (incl. LAP): ~15% YoY; LAP: ~16-17% YoY
    - Project finance book saw a minor de-growth
- Management expects to achieve loan book growth in the range of 16-18%
- Proportion of project finance portfolio to increase going ahead
    - Proportion will go up to ~14-15% (vs. 12.5% in Q3FY17)
    - However, DHFL will remain conservative on credit underwriting side
- Incremental avg. sanction ticket size:
    - Including metros: INR1.6-1.7mn
    - Excluding metros: INR1.2mn
- DHFL will maintain proportion of securitised book at 10-15%
- LAP - Instalment-to-income ratio: 35-45%
    - Credit assessment on basis of reported financials

- ATS - LAP: INR4-4.2mn, Project finance: INR380-420mn
- Yields - LAP: 13.55-13.75%, Project finance: 15.45-16.2%
- LTV - LAP (origination): 45-49%

Other highlights

- DHFL did not avail of any RBI dispensation (post demonetisaton) on asset quality
- Management highlighted that LAP and project finance is more profitable than home loans
- Despite fall in yields, mgmt. aims to manage NIMs within 2.95-3.05% on back of decline in CoFs
- Target C/I ratio: 21-21.5% in short-to-medium term. Cost breakup:
  - Advertising: INR258mn (vs. INR166mn in Q2FY17): Down 30% YoY on 9MFY17 basis
  - Legal: INR110mn (vs. INR124mn in Q2FY17): Flat YoY on 9MFY17 basis
- Income breakup:
  - Processing fees came in at INR570mn (up by INR180mn YoY)
  - 3rd party distribution income was flat at INR110mn
- Of the ~INR140bn raised though NCDs, ~INR90bn has been deployed in business (not necessarily loans)
  - Yields on treasury income during the quarter: 9.35%
- With regard to office building, efforts are on to get money back (~INR5.46bn)
  - There might be some delay due to demonetisation
- On back of healthy capital ratios, DHFL is not looking for any equity raising for 2-3 years
- Average break-even period of a branch is ~3 years

Q2FY17 Earnings Call Takeaways

With respect to loan book

- ***Witnessing good business in tier II/III locations and within the low/middle-income categories. Within the geographies Madhya Pradesh. Maharashtra , Karnataka, Tamil Nadu, AP, UP and Punjab are doing pretty well. Expect to track 15-20% of disbursement growth and 13-15% of the AUM growth on sustainable basis.***
- Of the overall Project Finance of 11% (largely funding in the outskirts of metros and Tier-II cities thus nothing with respect to Luxury building finance). Expect to take the project finance proportion to 15% over next few quarters.
- ***LAP is doing relatively well (have not been seeing any pressure on the segment). The company has never grown and don't intent to grow aggressively in this segment. Company aims to maintain LAP segment at 15-17%***
- Retail home loan segment disbursement growth during the quarter was pegged at 15%. Excited about festival season , the hints are of better festive season (good monsoon has positive rub off for the decision on ownership of assets).
- ***Disbursement composition during the quarter – Home loan – INR42.5bn, LAP – INR7.25bn, SME- INR2.7bn , Project Finance – INR14bn.***
- Company aims to maintain SME share of 3-5% in the near term.
- ***The company has cancelled the deal with the developer for the development of new premise and that will release INR5bn after the operational details being worked upon. The company has already paid stamp duty of INR450-470mn which is the sort of haircut the company will have to take.***

With respect to other operating metrics

- ***Retail NCD launched (INR140bn) was in line with focus of diversifying liability franchise. This has reduced the dependence on bank borrowing (coming down to 44% from 52% earlier), company's endeavour is to restrict bank borrowing to ~30%, and other 40-42% will be NCDs.***
- ***While NCD issue has helped reduce the total borrowing cost but also has given negotiating power w.r.t banks , the benefit of which will also reap in forthcoming future. Company will amortise the cost of raising the NCD over the period of NCDs***
- Scheduled re-payment of borrowing over next couple of quarters will be INR40-50bn. In addition to this the company will also use the money raised through NCDs for pre-payments and negotiation of better rates. Of the overall money raised through NCD around 40-45% will be used to re-pay/ pre-pay the higher cost borrowings and balance will be used for business development purpose.
- The company has shown significant improvement in cost/income ratio, cost focus and productivity improvement has been the key focus area across the company . ***Advertising and legal cost which were largest two components has seen maximum cost reductions (more than half of the cost reductions has happened in these two segments). Management expects the trend to continue and expect to bring cost/income to 21-23% over next 4-6 quarters.***
- GNPLs came in at 0.96%, GNPLs (Home loans) – 0.8-0.85%, GNPLs (LAP) – 1.1-1.2% , GNPLs (Project Finance) – 1.27-1.3%

Datapoints

- RoA target of 1.8-1.9% over next couple of years.
- Processing fees – INR450mn
- Incremental disbursement yield on retail yields – 10.35%-10.5%
- Target dividend payout will broadly by 15-18%.
- At this point in time company has no intention to monetise any stake in life insurance business.

Company Description

DHFL is a housing finance company registered with the National Housing Bank and headquartered in Mumbai (Maharashtra). It offers home loans to low and middle income segment in tier II and III cities. Promoted by the Wadhawan Group in 1984, it is the third largest HFC in India with AUM of INR783bn as on December 2016, after HDFC and LIC Housing Finance. As of Q3FY17, DHFL is present in 353 locations across India via branches, subsidiaries and alliances with public sector banks

Investment Theme

The company has built a lucrative model (bolstered by strategic inorganic expansion) that caters to a gamut of potential customers, portending humungous growth opportunities. Given rise in developer loans, we are building in higher NPLs going forward. Despite this, company has potential to deliver ~20% PAT CAGR over FY16-19E. Even after factoring in warrant issuance near-to-medium term RoE settle at 16% plus. Valuation of 1.3x FY19E P/ABV renders favorable risk reward.

Key Risks

Any slowdown in the real estate sector will negatively impact DHFL's growth and earnings. Further, it will also impact default rates and recoverability in the event of a default.

Adverse regulatory change will negatively impact the company's growth and profitability. Regulatory changes like increase in risk weights, cap on interest spread under refinance schemes etc., can also impact DHFL. Further, changes in terms and eligibility conditions of refinance schemes provided can also adversely impact margins.

DHFL, with ~43% of loan book from self-employed category, is susceptible to the volatile income stream of this borrower segment.

Financial Statements

Key Assumptions

Year to March	FY16	FY17E	FY18E	FY19E
Macro				
GDP(Y-o-Y %)	7.2	6.5	7.1	7.7
Inflation (Avg)	4.9	4.8	5.0	5.2
Repo rate (exit rate)	6.8	6.0	5.8	5.8
USD/INR (Avg)	65.0	67.5	69.0	69.0
Sector				
Credit growth	9.3	9.0	12.0	14.0
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	7.3	7.0	7.0	7.0
Company				
Yield on advances	12.6	12.5	12.1	11.9
Cost of funds	10.3	9.8	9.6	9.5
Spread	1.3	1.6	1.5	1.3
Employee cost growth	15.9	17.9	14.3	14.3
Other opex growth	18.0	5.9	9.1	11.4
Dividend payout	38.5	20.5	20.5	20.5
Gross NPLs	0.9	1.1	1.3	1.4
Provision coverage	46.9	48.0	49.0	49.0
Net NPLs	0.5	0.6	0.7	0.7
Disbursement growth	22.1	18.0	19.0	20.0
Repayment rate	22.7	23.0	23.0	22.0

Income statement **(INR mn)**

Year to March	FY16	FY17E	FY18E	FY19E
Interest income	71,395	84,228	96,439	112,919
Interest expended	54,900	64,700	73,903	87,074
Net interest income	16,494	19,528	22,536	25,845
Fee & other income	1,773	2,325	2,740	3,250
Net revenue	18,267	21,853	25,275	29,096
Operating expense	5,495	6,088	6,812	7,714
- Employee exp	2,276	2,684	3,068	3,509
- Depn /amortisation	243	254	305	375
- Other opex	2,976	3,151	3,438	3,831
Preprovision profit	12,772	15,764	18,464	21,381
Provisions	1,750	1,916	2,465	2,574
Profit Before Tax	11,022	13,848	15,998	18,808
Less: Provision for Tax	3,730	4,639	5,359	6,301
Profit After Tax	7,292	9,209	10,639	12,507
Reported Profit	7,292	9,209	10,639	12,507
Shares o /s (mn)	292	313	332	351
Basic EPS (INR)	50.0	29.4	32.1	35.7
Diluted shares o/s (mn)	292	313	332	351
Adj. Diluted EPS (INR)	25.0	29.4	32.1	35.7
Dividend per share (DPS)	8.0	5.1	5.6	6.2
Dividend Payout Ratio(%)	38.5	20.5	20.5	20.5

Growth ratios (%)

Year to March	FY16	FY17E	FY18E	FY19E
Operating income growth	23.7	18.4	15.4	14.7
Revenues	20.0	19.6	15.7	15.1
Opex growth	15.9	10.8	11.9	13.2
PPP growth	21.9	23.4	17.1	15.8
Provisions growth	66.7	9.5	28.6	4.4
Adjusted Profit	17.4	26.3	15.5	17.6

Operating ratios

Year to March	FY16	FY17E	FY18E	FY19E
Yield on advances	12.6	12.5	12.1	11.9
Net interest margins	2.8	2.8	2.7	2.6
Cost of funds	10.3	9.8	9.6	9.5
Spread	1.3	1.6	1.5	1.3
Cost-income	30.1	27.9	26.9	26.5
Tax rate	33.8	33.5	33.5	33.5

Balance sheet (INR mn)

As on 31st March	FY16	FY17E	FY18E	FY19E
Share capital	2,918	3,130	3,318	3,505
Reserves & Surplus	47,252	56,561	67,825	80,559
Shareholders' funds	50,170	59,691	71,143	84,065
Short term borrowings	159,301	184,413	217,317	259,829
Long term borrowings	451,195	522,322	615,515	735,925
Total Borrowings	610,496	706,736	832,831	995,754
Long Term Liabilities	5,830	8,857	10,138	11,631
Def. Tax Liability (net)	915	500	500	500
Sources of funds	**667,411**	**775,784**	**914,612**	**1,091,949**
Gross Block	2,683	3,183	3,683	4,183
Net Block	1,980	2,192	2,354	2,451
Capital work in progress	5,462	5,962	6,462	6,962
Intangible Assets	364	398	431	460
Total Fixed Assets	7,805	8,552	9,246	9,872
Non current investments	7,198	4,779	5,314	5,902
Cash and Equivalents	35,818	27,769	30,592	33,698
Loans & Advances	620,646	730,618	865,039	1,037,687
Current assets (ex cash)	5,158	7,872	8,775	9,785
Other assets	1,908	-	-	-
Trade payable	40	10	10	10
Other Current Liab	11,081	3,796	4,345	4,985
Total Current Liab	11,121	3,806	4,355	4,995
Net Curr Assets-ex cash	(5,963)	4,066	4,420	4,790
Uses of funds	**667,411**	**775,784**	**914,612**	**1,091,949**
Earning assets	659,606	758,375	895,228	1,070,446
Disbursements	242,022	285,586	339,847	407,816
BVPS (INR)	171.9	190.7	214.4	239.8
AUM	698,134	820,919	971,955	1,165,941
Total borrowing	693,814	797,037	939,746	1,124,007
AUM growth	22.5	17.6	18.4	20.0
EA growth	24.4	15.0	18.0	19.6
Gross NPAs	5,745.1	8,036.8	11,245.5	14,527.6
Net NPAs	3,052.4	4,179.1	5,735.2	7,409.1
Provision coverage	46.9	48.0	49.0	49.0
Gross NPA ratio	0.9	1.1	1.3	1.4
Net NPA ratio	0.5	0.6	0.7	0.7

RoE decomposition (%)

Year to March	FY16	FY17E	FY18E	FY19E
Net int. income/assets	2.8	2.8	2.7	2.6
Other income/Assets	0.3	0.3	0.3	0.3
Net revenues/assets	3.1	3.1	3.1	3.0
Operating expense/assets	0.9	0.9	0.8	0.8
Provisions/assets	0.3	0.3	0.3	0.3
Taxes/assets	0.6	0.7	0.6	0.6
Total costs/assets	1.8	1.8	1.8	1.7
ROA	1.2	1.3	1.3	1.3
Equity/assets	8.1	7.7	7.9	7.9
ROAE (%)	15.1	16.8	16.3	16.1

Valuation parameters

Year to March	FY16	FY17E	FY18E	FY19E
Adj. Diluted EPS (INR)	25.0	29.4	32.1	35.7
Y-o-Y growth (%)	*5.9*	*17.7*	*9.0*	*11.3*
BV per share (INR)	171.9	190.7	214.4	239.8
Adj. BV per share (INR)	164.6	181.3	202.3	225.0
Diluted P/E (x)	11.4	9.7	8.9	8.0
P/B (x)	1.7	1.5	1.3	1.2
Price/ Adj. BV (x)	1.7	1.6	1.4	1.3
Dividend Yield (%)	2.8	1.8	2.0	2.2

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X) FY17E	Diluted P/E (X) FY18E	P/B (X) FY17E	P/B (X) FY18E	ROAE (%) FY17E	ROAE (%) FY18E
Dewan Housing Finance	1,314	9.7	8.9	1.5	1.3	16.8	16.3
HDFC	29,054	26.1	23.0	5.6	5.0	22.4	22.9
Indiabulls Housing Finance	4,845	12.2	10.4	2.9	2.6	24.7	26.7
LIC Housing Finance	3,950	14.8	13.6	2.5	2.2	19.8	18.7
Mahindra & Mahindra Financial Services	2,486	23.7	16.3	2.6	2.3	11.3	14.9
Manappuram General Finance	990	12.3	9.2	2.2	2.0	18.9	22.5
Muthoot Finance	1,823	11.8	9.9	2.0	1.7	17.4	18.4
Power Finance Corp	5,322	5.2	5.3	0.9	0.8	18.6	16.0
Reliance Capital	1,720	11.3	9.4	0.7	0.7	6.7	7.5
Repco Home Finance	611	22.8	18.7	3.7	3.1	17.5	18.2
Rural Electrification Corporation	4,173	4.3	5.1	0.8	0.8	21.3	15.5
Shriram City Union Finance	1,801	15.5	12.5	2.4	2.0	16.3	17.7
Shriram Transport Finance	3,189	13.9	10.8	1.9	1.6	14.5	16.2
Median	-	12.3	10.4	2.2	2.0	17.5	17.7
AVERAGE	-	14.1	11.8	2.3	2.0	17.4	17.8

Source: Edelweiss research

Additional Data

Directors Data

Kapil Wadhawan	Chairman & Managing Director	Dheeraj Wadhawan	Director
G. P. Kohli	Director	V. K. Chopra	Director
Mannil Venugopalan	Director	Vijaya Sampath	Director
Dr. Rajiv Kumar	Director		

Auditors - Chaturvedi & Shah

**as per last annual report*

Holding - Top 10

	Perc. Holding		Perc. Holding
Hemisphere Infrastructure India	3.42	Galaxy Infraprojects & Developers	3.33
Silicon First Realtors	3.22	Jhunjhunwala Rakesh	3.19
Vanguard Group	1.57	Goldman Sachs Group	1.32
Franklin Resources	1.22	Lazard Emerging Markets	1.17
Dimensional Fund Advisors	1.16	Life Insurance Corporation of India	1.12

**as per last available data*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
16 Sep 2016	MV Scif Mauritius	Sell	1711435	284.20

**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	BUY	SP	L	Bank of Baroda	BUY	SP	M
Bharat Financial Inclusion	BUY	SO	M	Capital First	BUY	SO	M
DCB Bank	REDUCE	SU	M	Dewan Housing Finance	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	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 India	BUY	SO	L
Multi Commodity Exchange of India	BUY	SP	M	Muthoot Finance	BUY	SO	M
Oriental Bank Of Commerce	HOLD	SP	L	Power Finance Corp	HOLD	SP	M
Punjab National Bank	BUY	SP	M	Reliance Capital	BUY	SP	M
Repco Home Finance	BUY	SO	M	Rural Electrification Corporation	HOLD	SP	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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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, 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 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, Yes Bank

Recent Research

Date	Company	Title	Price (INR)	Recos
17-Jan-17	**LIC Housing Finance**	Retail in soft zone; asset quality on track; *Result Update*	532	Buy
16-Jan-17	**Multi Commodity Exchange**	Volumes soft, but structural tailwinds intact; *Result Update*	1,187	Buy
10-Nov-17	**IndusInd Bank**	Standing tall amidst adversities;	1,161	Buy

Distribution of Ratings / Market Cap

Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240

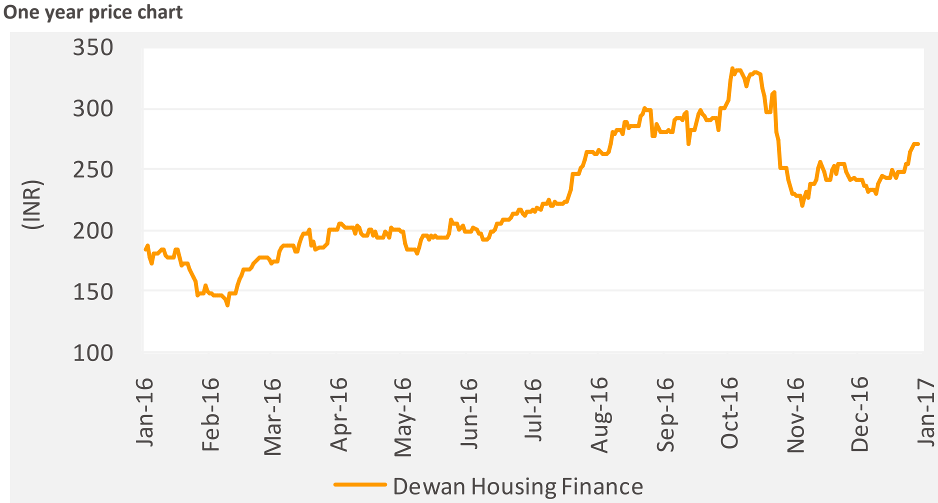
* 1 stocks under review

	> 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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