

DEWAN HOUSING FINANCE

Opportune prospects; concerns waning

India Equity Research | Banking and Financial Services

Dewan Housing Finance (DHFL) is a dominant player in niche markets (Tier II & III cities) with strong foothold in the limited competition low and middle income (LMI) segment. The company has built a lucrative model (bolstered by strategic inorganic expansion) that caters to a gamut of potential customer base, portending humungous growth opportunities. We estimate it to sustain loan CAGR of 20% plus, which along with improving NIMs (aided by recent rating upgrade), will lead to an impressive 23% PAT CAGR and improve RoE to over 19% in FY17E. Initiate coverage with 'BUY' and TP of INR642 (assigning 1.75x FY16E P/Adj. B), implying >50% upside.

Niche business model portends humungous scalability opportunity

DHFL has carved a niche in terms of presence across customer segments—bottom end—Aadhar, middle segment—DHFL and higher end—First Blue. This, in conjunction with pan-India presence, offers a huge opportunity landscape in an underpenetrated market. Moreover, the company has gained expertise in the LMI and self employed class—>50% of India's work force, which is largely under serviced. DHFL has attained a commendable feat of maintaining benign asset quality despite operating in tougher segments by virtue of following stringent in-house appraisal systems. Focused approach on retail loans with <6% of exposure to developer loans also lends comfort.

Rating upgrade + Higher pricing power = Margin improvement

The recent rating upgrade (AAA by CARE) paves the way for wider access to debt borrowing at relatively lower cost and shift from high cost bank borrowing (at 11%). This, along with active sell-downs (>75% of book qualifies for PSL), will provide ~15bps delta to funding cost. Moreover, higher yields—a derivative of higher pricing power—will trigger NIM (calc) improvement to ~2.6% by FY17E.

Outlook and valuations: Rerating on cards; initiate with 'BUY'

Despite triggers for sustainable improvement in RoEs, DHFL trades at a huge discount to other mortgage financiers due to higher cost structure. Management's conscious efforts to rectify the same, along with ebbing investor concerns on a few other risks will lead to re-rating of mortgage business to fair value of 1.75x P/ABV (FY16E) based on Gordon growth model. Insurance business with intrinsic value of INR38/ share will provide further leg up. We initiate coverage with 'BUY/Sector Outperformer'.

Financials

Year to March	FY14	FY15E	FY16E	FY17E
Net revenues (INR mn)	11,871	14,660	17,701	21,499
Net profit (INR mn)	5,304.2	6,339.3	7,898.8	9,794.1
Diluted EPS (INR)	41.1	49.3	61.4	76.1
EPS growth (%)	7.3	19.8	24.6	24.0
Diluted P/E (x)	10.4	8.7	6.9	5.6
P/Adj. book (x)	1.6	1.4	1.2	1.1
ROAE (%)	15.6	16.6	18.1	19.4

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: DWNH.BO, B: DEWH IN)

CMP	: INR 427
Target Price	: INR 642
52-week range (INR)	: 442 / 199
Share in issue (mn)	: 128.7
M cap (INR bn/USD mn)	: 55 / 880
Avg. Daily Vol.BSE/NSE('000)	: 93.3

SHARE HOLDING PATTERN (%)

	Current	Q1FY15	Q4FY14
Promoters *	39.2	39.2	39.3
MF's, FI's & BK's	1.5	1.4	1.5
FII's	28.6	29.6	30.9
Others	30.7	29.8	28.3
* Promoters pledged shares (% of share in issue)	:		Nil

RELATIVE PERFORMANCE (%)

	Sensex	Stock	Stock over Sensex
1 month	(1.3)	9.1	10.4
3 months	4.4	33.8	29.3
12 months	32.3	100.8	68.5

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Fig. 1: Comprehensive products portfolio (across space)

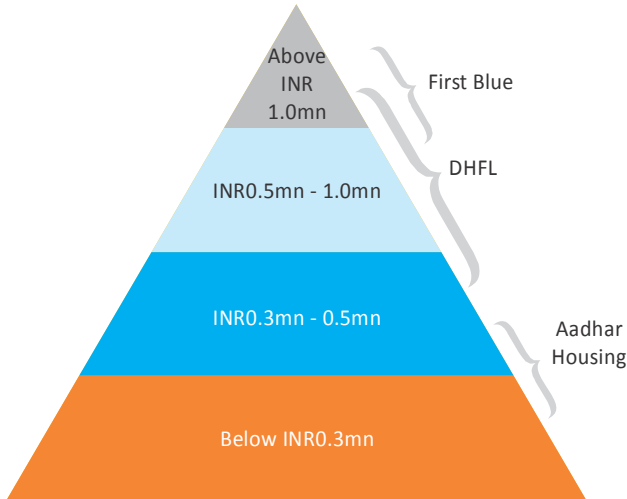


Fig. 2: Pan-India player with dominance in Tier II/III cities



Chart 1: ... will lead to higher AUM growth

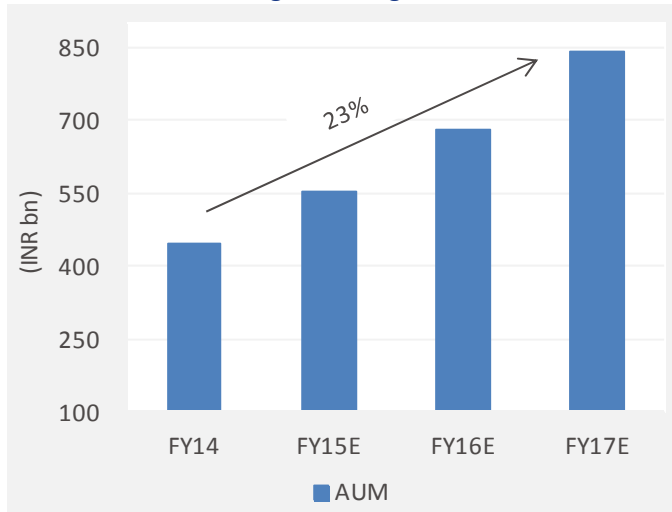


Chart 2: ... this along with triggers for NIM improvement...

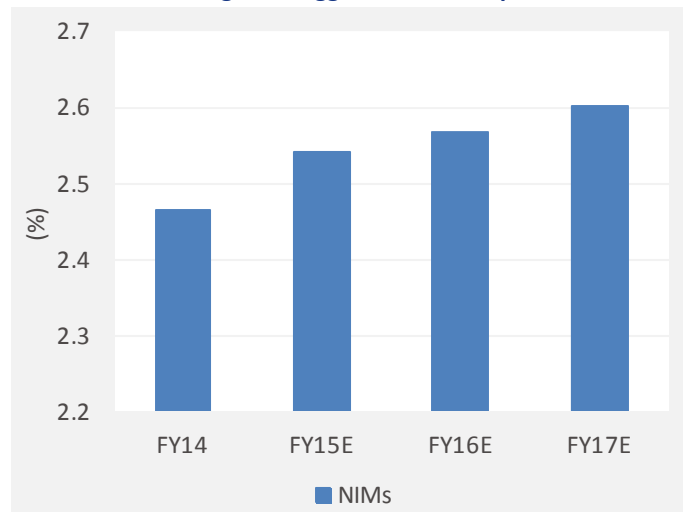


Chart 3: ...and conscious effort to improve cost/income ratio...

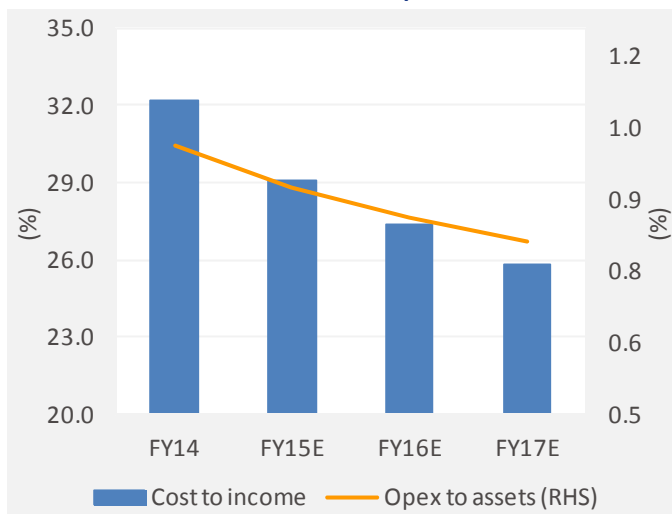
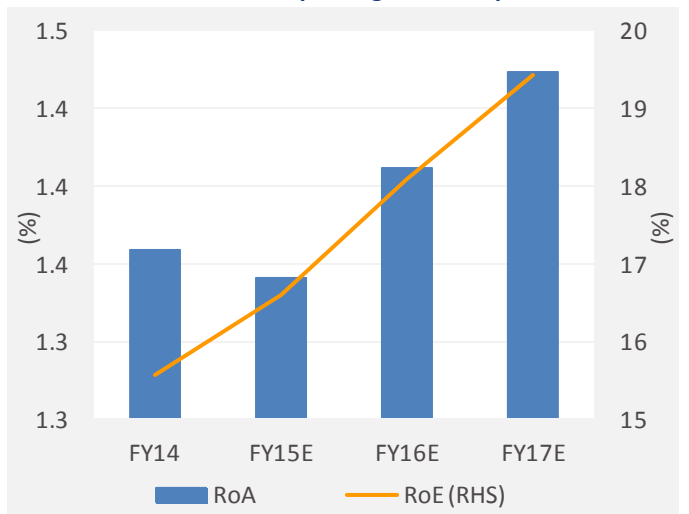


Chart 4: ...will feed into improving RoA/RoE profile



Source: Company, Edelweiss research

Investment Rationale

Ruling the roost in low and middle income segment, non-metros

DHFL has created a niche for itself by virtue of being: (1) prominent financier for low and middle income group (third largest HFC with significant AUM base of INR494bn); (2) pan-India player with dominance in Tier II/III cities; and (3) proficient in servicing the self employed segment (30% of loan book). These customer segments are largely under-served by leading HFCs/banks, offering humungous growth opportunity, imparting DHFL adequate pricing power as well.

DHFL has created a niche for itself by virtue of being prominent financier for low and middle income group, pan-India player with dominance in Tier II/III cities and proficient in servicing self employed segment

Prominent financier for low and middle income group

DHFL has positioned itself as a prominent financier for low and middle income group, creating significant AUM base of INR494bn (third largest HFC). The opportunity to grow is tremendous given that the Indian housing market is characterised by huge housing shortage and that too concentrated in low income group (LIG). As per a National Housing Bank (NHB) report, 90% of rural housing shortage and 95% of urban housing shortage is in economically weaker sections (EWS)/LIG. Further, 80% of borrowers in EWS/ LIG do not have access to institutional sources of housing finance. Banks, over the past few years, have also focused more on high ticket loans, thereby throwing up huge opportunity for a LIG player like DHFL.

Chart 5: Caters to relatively low ticket size customers...

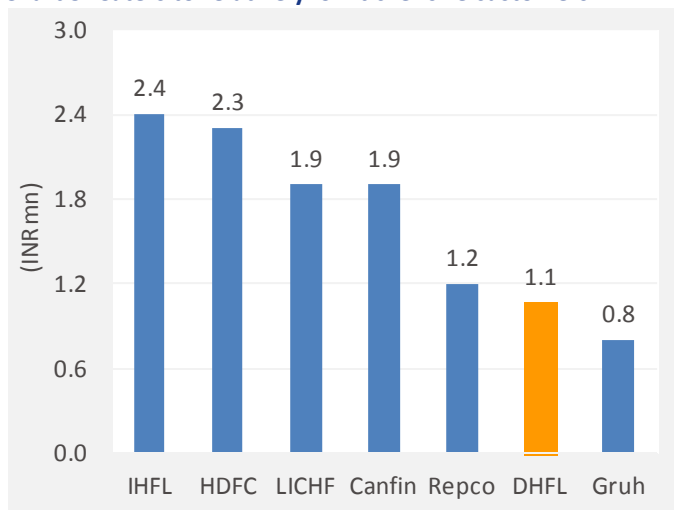
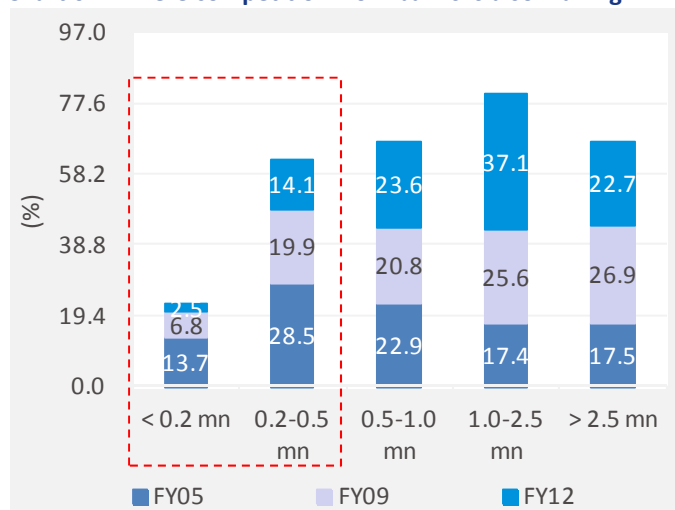


Chart 6: ...where competition from banks is also waning



Source: NHB, Company

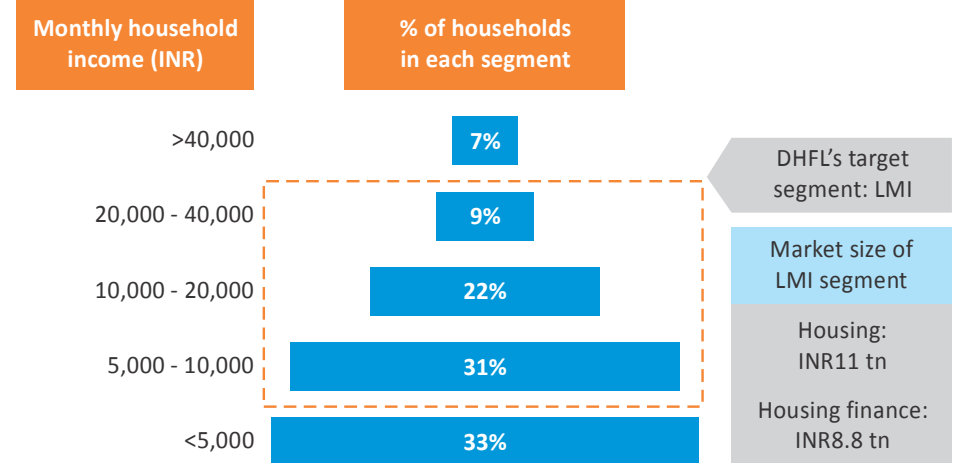


“DHFL has primarily been focused on the lower and the middle income segment since the time it was formed.

Way the government's focus is tilted towards affordable housing (that is a space which we are currently occupying through our large distribution network), it is a fairly big market out there.”

—Kapil Wadhawan,
Chairman & Managing Director
Dewan Housing Finance

Fig. 3: Large untapped potential in LMI segment



Source: Company

Pan-India player with dominance in Tier II, III cities

DHFL has focused on under-served areas in Tier II/III cities and peripheral areas of Tier I cities with pan-India presence (not restricted to any particular region). DHFL is rapidly expanding its presence (added >75 branches in H1FY15 to take network to 367 branches, apart from 151 alliance centers). It is an opportunistic strategy given that banks and leading HFCs' portfolios continue to be dominated by urban areas, with lower focus on low-ticket segments.

Chart 7: Lower branch presence of banks in semi-urban areas

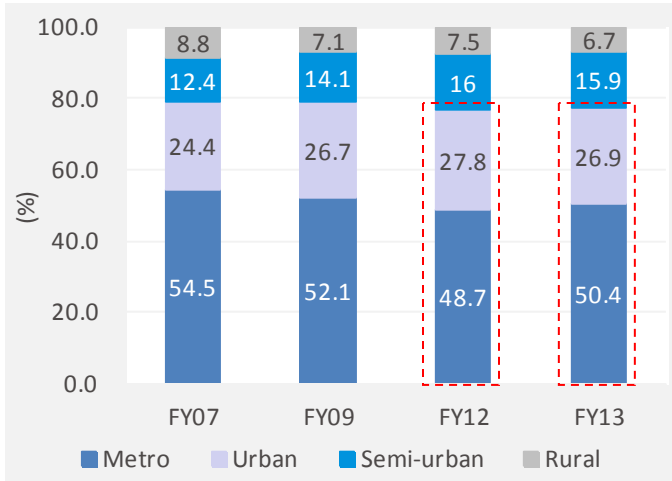
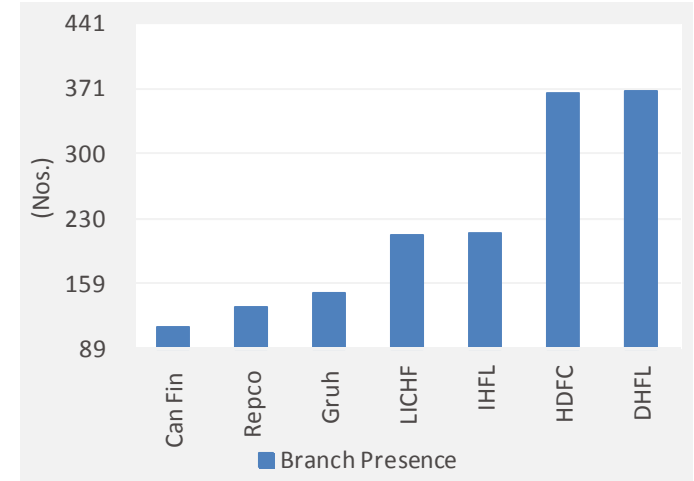


Chart 8: DHFL is ramping up franchise aggressively



Source: NHB

The company has, besides a strong network in West and South India, also tied up with banks in an endeavour to widen its reach.

Table 1: Tie up with banks enhances coverage area

Banking partner	Regions
Punjab and Sindh Bank	Chandigarh, Punjab and Delhi NCR
United Bank	West Bengal
Central Bank of India	Madhya Pradesh
Yes Bank	All India

Source: Company

Company has a balanced composition with exposure to the highly competitive salaried segment restricted at 70%

It has strategically planned a 2-pronged strategy to double pan-India presence by FY17 and set up branches in untapped LMI markets.

- **Deepen penetration in existing geographies:** This will enable DHFL leverage its experience in those regions and also generate greater brand awareness and word-of-mouth referrals.
- **Expand footprint in unexplored territories** in a phased manner.

Proficiency in servicing self employed category

Even within the customer segment, the company has a balanced composition with exposure to the highly competitive salaried segment restricted at 70% (compared to LICHF's and HDFC's >80%). It has mastered the skills of in-house customised appraisal, personal evaluation processes and employee engagements from loan origination to disbursement, which helps assess the credit quality of this segment.

Chart 9: Focused on retail mortgages

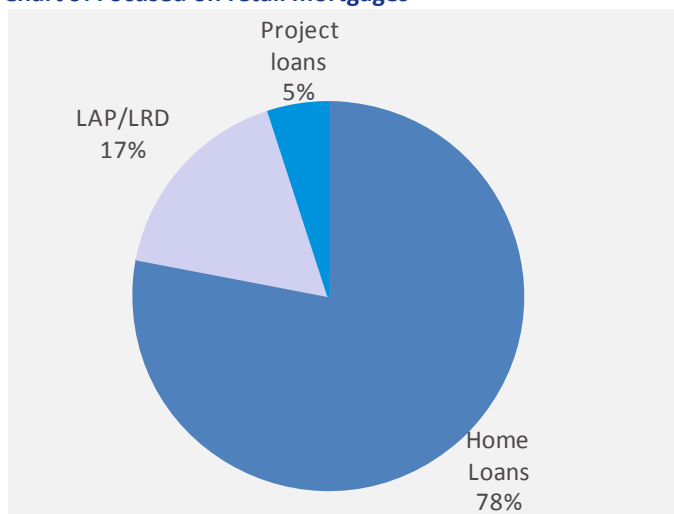


Chart 10: Optimal mix of self employed and salaried class

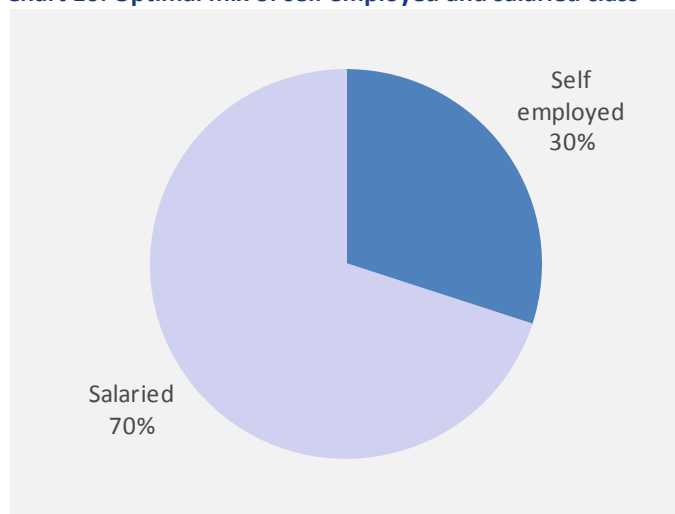
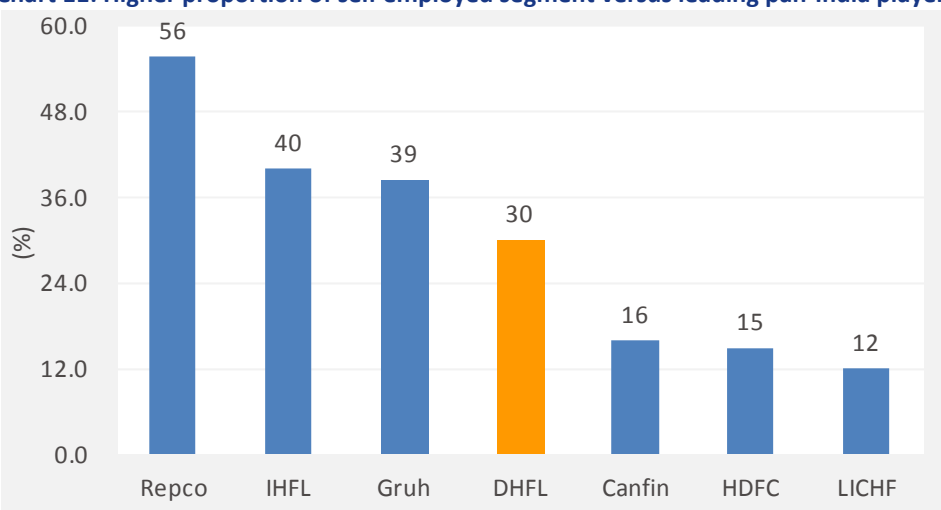


Chart 11: Higher proportion of self employed segment versus leading pan-India player



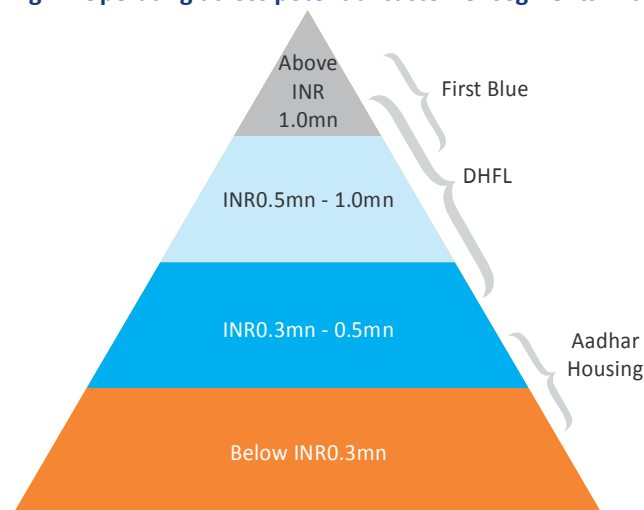
Source: Company

Comprehensive model (aided by strategic inorganic expansion) catering to entire gamut of potential customer base

Reinforcing capabilities to build comprehensive model

What's more commendable is that DHFL, over the past few years, has built a comprehensive model (aided by strategic inorganic expansion) catering to entire gamut of potential customer base: (1) *First Blue*—caters to the affluent class; (2) *DHFL*—caters to the LMI group; and (3) *Aadhar Housing*—low income group.

Fig. 4: Operating across potential customer segments with minimal overlap in each segment offering huge opportunities



Price / dwelling unit	Estimated Market size
Between INR 0.3 - 1.0 mn	INR13tn
Between INR 1.0 - 2.5 mn	INR9tn
Above INR 2.5 mn	INR5tn

First Blue Homes: Caters to high-end customers

In 2010, DHFL acquired a majority stake (67.5%) in Deutsche Postbank's (DPHFL) mortgage business (later named First Blue Home Finance) with an AUM base of INR55bn for about INR7.7bn. This acquisition enabled DHFL access a new category of consumers and also strengthened its geographical presence as DPHFL conducted majority of its business in North India, where DHFL has minimal presence.

Aadhar Housing Finance: Caters to bottom end of the pyramid

Aadhar Housing Finance is promoted by DHFL in partnership with International Finance Corporation (IFC), Washington, to serve lower-end customers. It provides housing loans up to INR0.6mn to the low income segment in 7 states—Uttar Pradesh, Madhya Pradesh, Bihar, Chhattisgarh, Jharkhand, West Bengal and Orissa.

DHFL Vysya Housing Finance: Caters to LMI

This arm primarily caters to LMI with average ticket size of INR0.7mn (as on FY14). It primarily operates in South India viz., Karnataka, Andhra Pradesh, Tamil Nadu and Kerala.

Table 2: Snapshot of key housing subsidiaries

	First Blue Homes	Dewan Housing	Aadhar Housing	DHFL Vysya Housing Finance
Acquisition/Established	2013	1984	2010	2002
Target segment	Upper-mid income	LMI segment	LIG & EWS Segment	LMI segment
Geographical presence	North India	Pan India with North and West being large contributors	UP, MP, Bihar, Chhattisgarh, Jharkhand, West Bengal and Orissa	South India (Karnataka, Andhra Pradesh, Tamil Nadu & Kerala)
Average ticket size	INR1.5-1.6mn	INR1.1mn	INR0.6mn	INR0.7mn
AUM	INR494bn (DHFL + First Blue)		INR5.19bn	INR11.25bn

Source: Company

Recent rating upgrade (AAA by CARE) will provide wider access to debt borrowing at relatively lower cost and manage ALM better

NIM expansion cycle about to kick start

Access to cheaper borrowing avenues; scope to diversify borrowing profile further

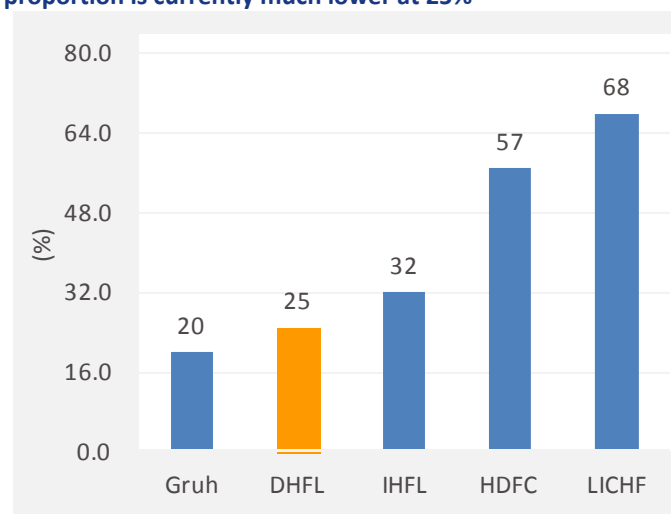
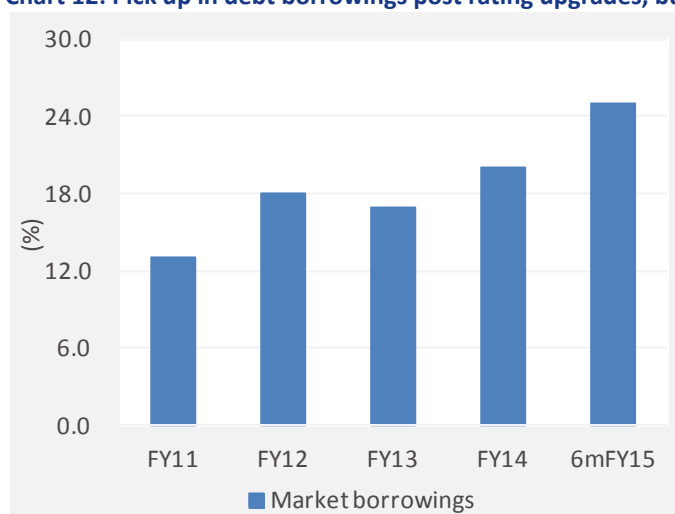
Recent rating upgrade (AAA by CARE) will provide wider access to debt borrowing at relatively lower cost and enable DHFL to shift from high cost bank borrowing (current cost at 11% forms about 64% of borrowing). This, we believe, will provide ~15bps delta to funding cost. These rating upgrades will also help the company manage ALM better with access to relatively long-term resources.

Table 3: DHFL's credit rating upgraded by CARE and Brickworks

Nature of Borrowing	Rating / Outlook			
	CARE	Brickworks	ICRA	CRISIL
Short-Term Debt / CP			ICRAA1+	CRISILA1+
Fixed Deposits	CARE AA+ (FD)	BWR FAAA		
Subordinated Debt	CARE AA	BWR AAA		
NCDs	CARE AAA	BWR AAA		
Perpetual Debenture	CARE AA-	BWR AAA		
Long-term Bank Loans	CARE AA+			
Structured Obligations	CARE AAA(SO)		ICRA AAA(SO)	CRISIL AAA(SO)

Source: Company

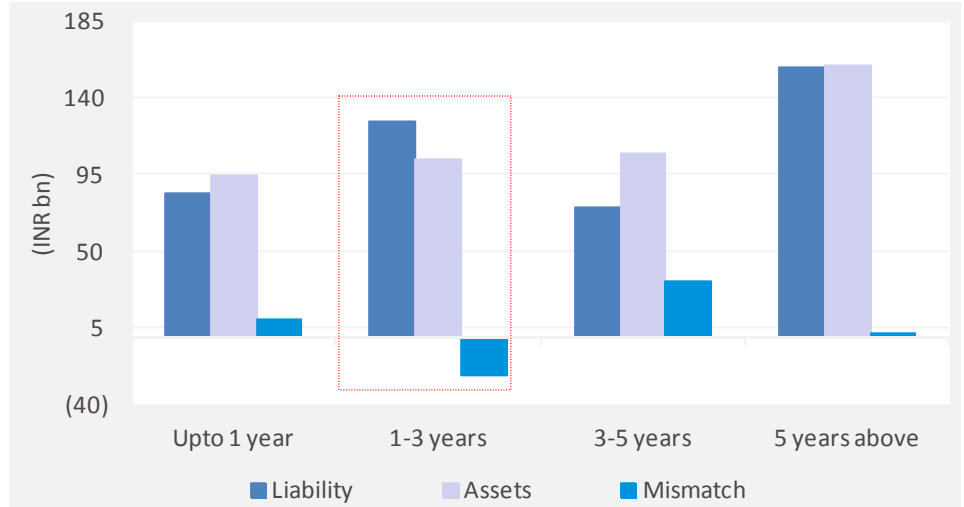
Chart 12: Pick up in debt borrowings post rating upgrades, but the proportion is currently much lower at 25%



Source: Company

DHFL has been actively utilising the securitisation market given that more than 75% book qualifies for priority sector

Chart 13: Rating upgrade will help it rectify ALM mismatch in 1-3 years category



Source: Company

Higher securitisation to provide further leg up to funding cost

DHFL has been actively utilising the securitisation market. Given that more than 75% book qualifies for priority sector, the company has tied up with investors such as Axis Bank, Corporation Bank, ICICI Bank, SCB and IDBI Bank. While the reliance on securitised AUMs is contingent on demand from banks, the company plans to increase the proportion of off-balance sheet book to 15% (9% currently), which will provide further leg up to funding cost.

Sustainable yields due to presence in niche segment without undue risk

By virtue of an optimal mix of non-salaried segment and presence in less penetrated Tier II/ III cities, where it can charge relatively higher, DHFL is able to sustain yields of 12% plus. Also, it has optimally leveraged loan against property (17% of portfolio), enabling it to earn higher yield without compromising on quality. As a result of the lower funding cost and higher pricing power, we expect NIMs to expand from 2.4% in FY14 to 2.6% in FY17E.

Chart 14: Active sell-downs to provide further leg up

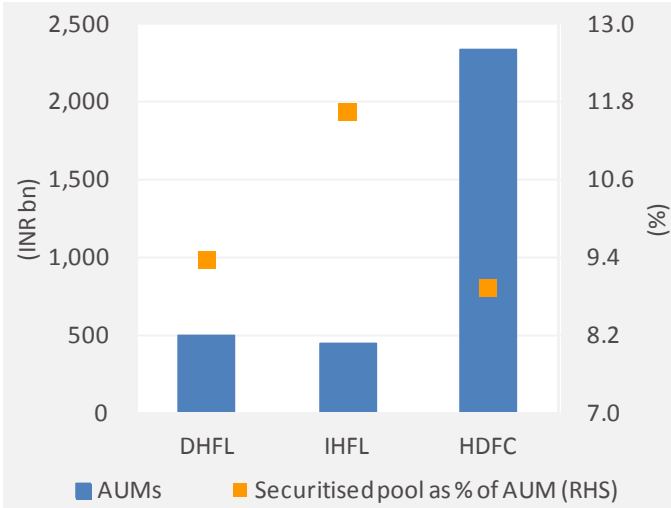
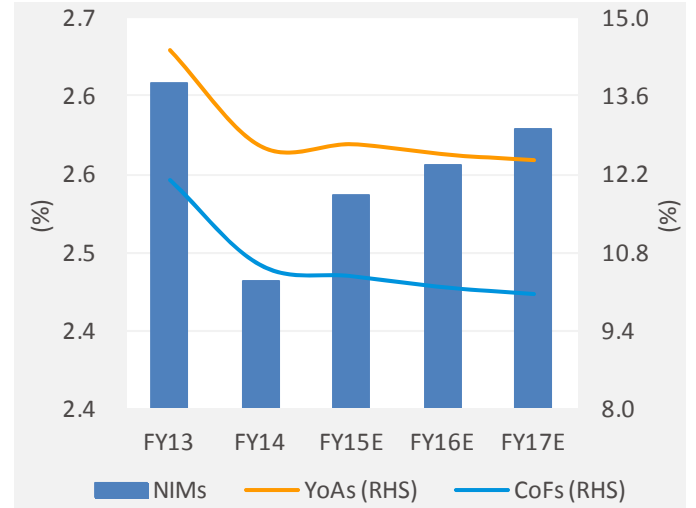


Chart 15: Funding cost advantage to improve NIM profile



Source: Company, Edelweiss research

The company has intentionally abstained from using marketing intermediaries to a larger extent

Maintained LTV <60% at all times, providing cushion against fall in asset price

In-house operations sustain benign asset quality

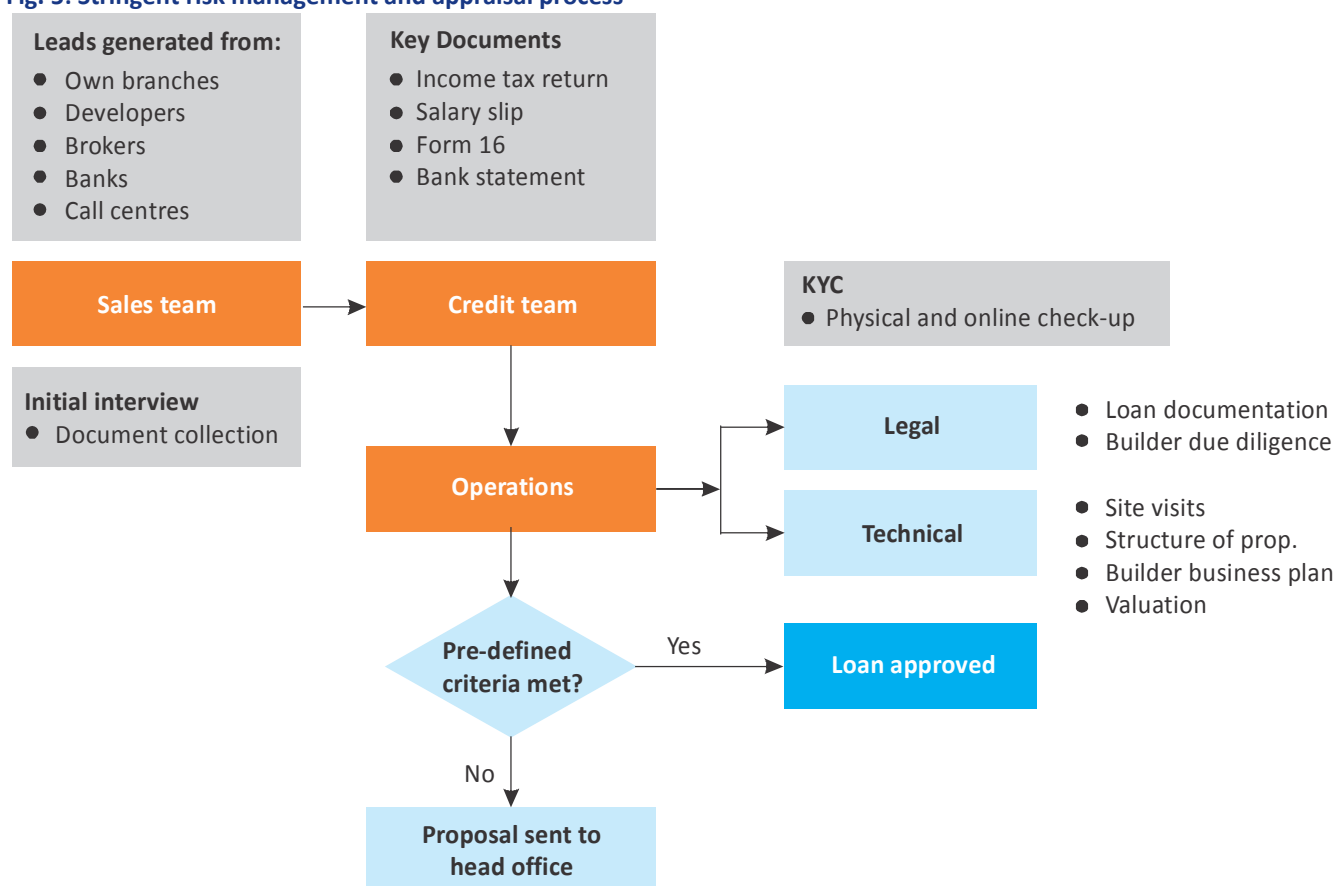
Despite focus on lending to the LMI segment, whose credit quality is relatively difficult to assess, DHFL has been able to maintain benign asset quality across cycles, indeed a commendable feat. This is a function of:

Lower dependence on marketing intermediaries: The company has intentionally abstained from using marketing intermediaries to a large extent and more than 70% leads are generated from the in-house employee base. This imparts DHFL direct control over customers and reduces probability of default.

Lower loan-to-value (LTV) and installment-to-income ratio (IIR): DHFL has maintained steady LTV at <50% at all times, providing cushion against fall in asset price. Also, a <40% IIR ensures loan servicing on part of the customer.

Stringent risk management: Personalised appraisal expertise along with robust risk management systems and processes in place across all areas of operations, viz., loan origination, credit appraisal, loan disbursement and collection and recovery, help maintain healthy asset quality.

Fig. 5: Stringent risk management and appraisal process



Source: Company

Chart 16: Lower dependence on marketing intermediaries'

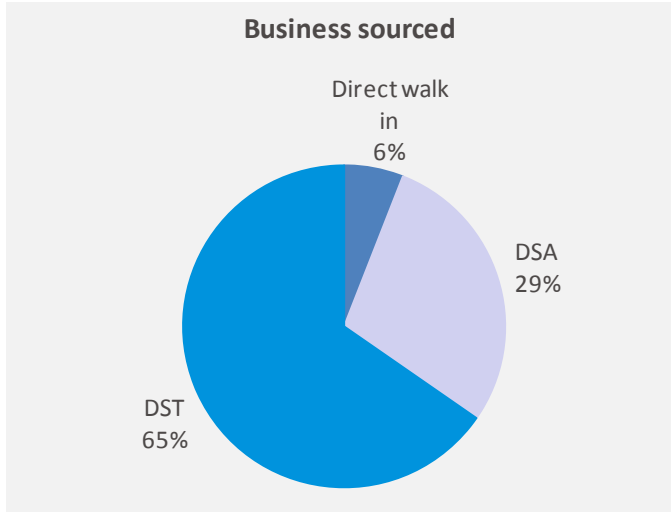
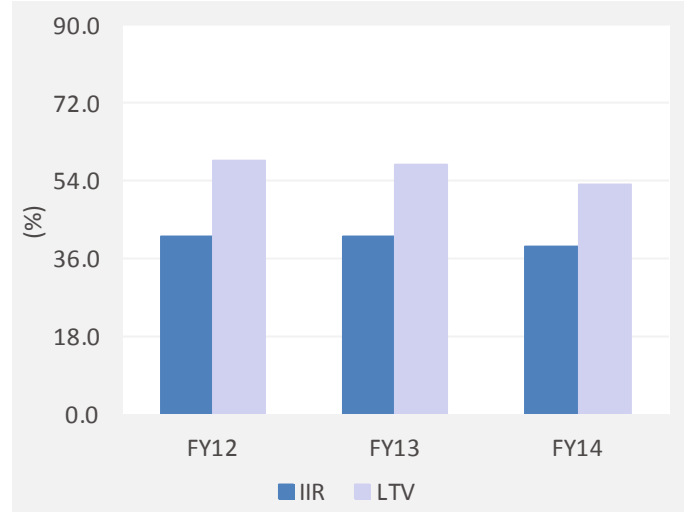
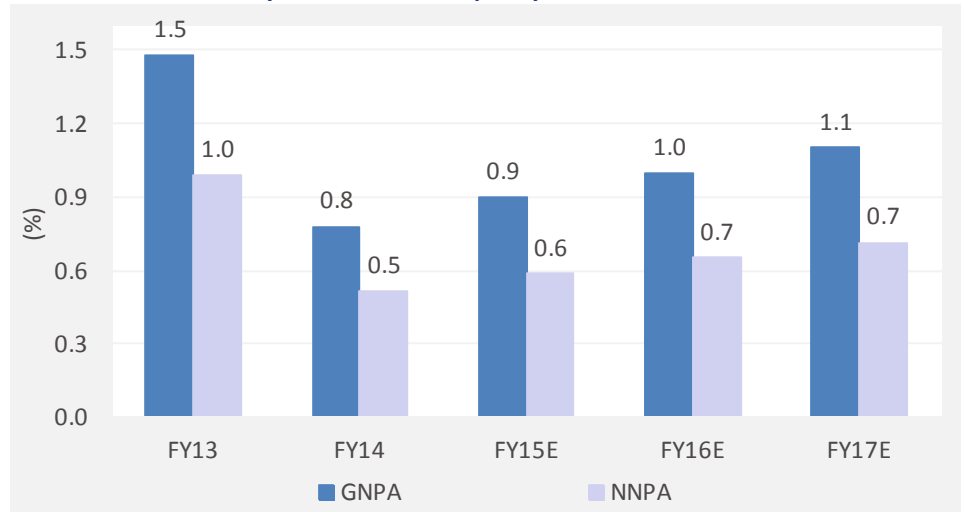


Chart 17: Lower LTV and IIR lends comfort...



Source: Company

Chart 18: ...evidenced by controlled asset quality



Source: Company

Higher operating cost structure: A key monitorable

DHFL has a relatively high cost structure with opex to asset ratio at 1x (versus peers' 0.4-0.8x). Even after factoring in the low ticket size and extra operational requirements of catering to the self employed, the company's operating cost metrics appear higher. Delving deeper indicates that DHFL has relatively higher per employee cost despite operating in tier II and III cities and higher other operating expenses (particularly in rent, legal, advertisement and travel, among others) contributing ~90% to overall opex. To elucidate the intricacies, we look into different line items.

Employee expenses: Employee expenses are higher as DHFL maintains an in-house operation team, credit team and legal team and sources 60% of loans through own branches. Despite factoring in the inherent advantages of the rational, the company's employee spends look higher and we expect some rationalisation on this front over the next 3 years.



Advertisement cost, discretionary in nature: DHFL's advertisement expenses are way higher vis-à-vis peers as it has put in considerable effort to establish its brand in areas of presence. In a bid to further enhance its brand presence, the company has roped in high cost celebrity (Shahrukh Khan, who has higher brand recall among tier II & III customers) and has key marketing partner of a IPL team as well. However, this cost item can be reined in significantly as it is discretionary in nature. We do not expect any major delta in FY15; however, some traction over FY16 and FY17 is likely.

Chart 19: High employee expense partially on in-house teams

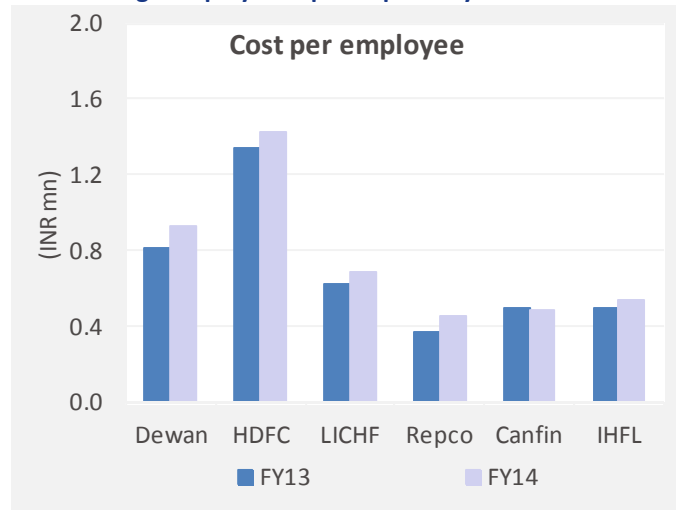
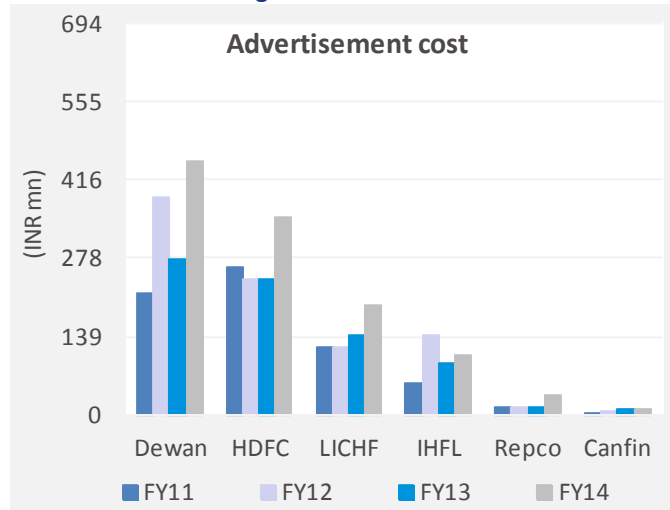
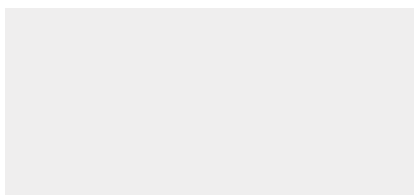


Chart 20: Non-recurring cost which can be controlled



Source: Company



Legal and professional cost: Legal and professional fees have been high as the company has incurred non-recurring expenditure pertaining to advisory on a few deals cracked in the past 2-3 years. DHFL incurred higher professional charges with regard to consultancy for these acquisitions. In absence of any major M&A deal, we expect this cost to dip going forward.

Chart 21: Legal cost rising due to inorganic expansion

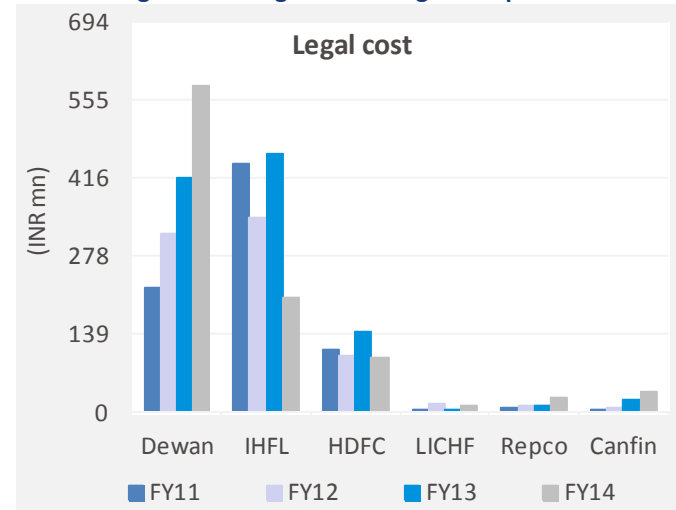
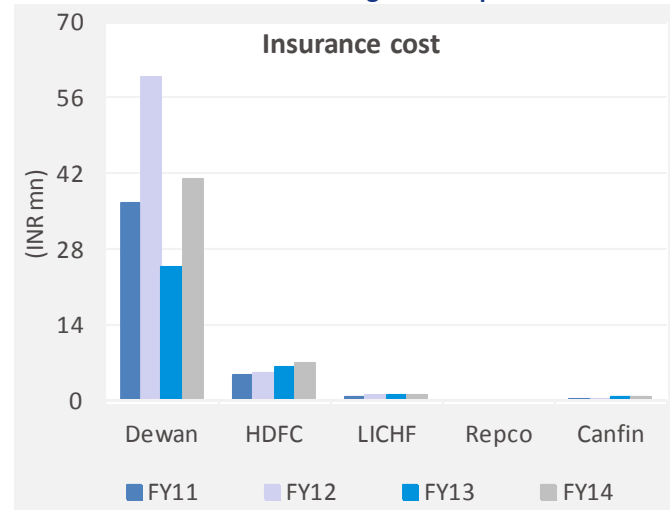


Chart 22: Insurance cost much higher than peers



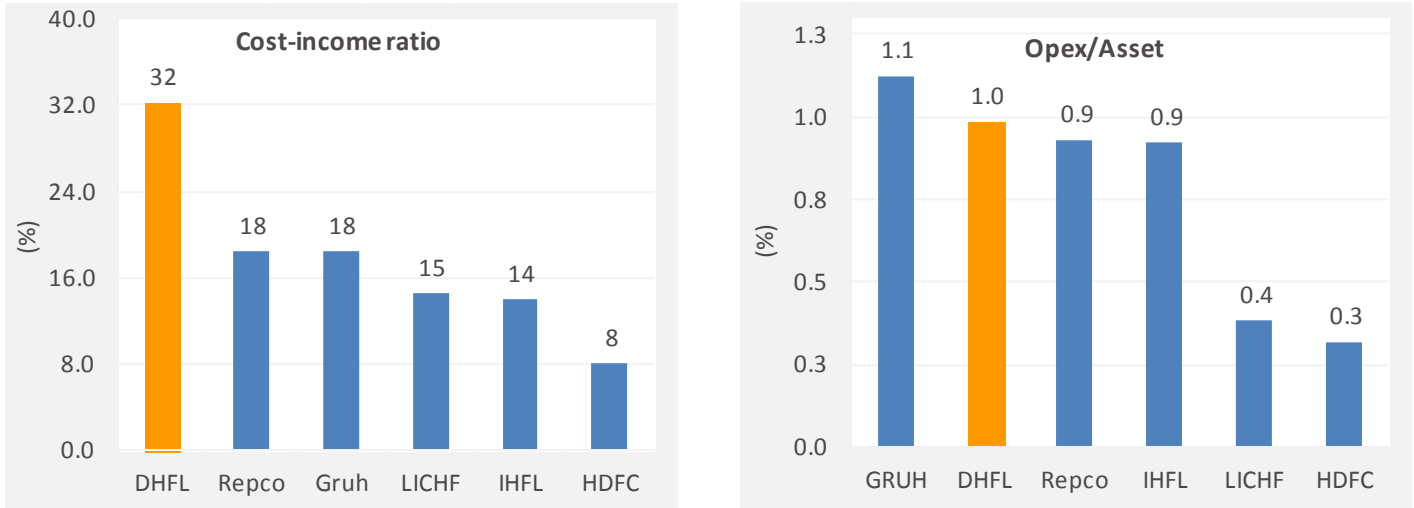
Source: Company

Banking and Financial Services

Higher operating cost remains the primary culprit behind RoE remaining at 17% despite the company's higher growth and superior credit track record

Higher operating cost remains the primary culprit behind RoE remaining at 17% despite the company's higher growth and superior credit track record. Management has identified operating expenses as potential area of improvement and has initiated efforts to rein in the same. It has guided to lower the cost-to-income ratio to mid 20s over the next couple of years and to late teens subsequently. However, we are building in relatively higher cost-income ratio of 26% over FY17 (from current 33%).

Chart 23: DHFL runs a high cost operating structure, which in turn has bearing on return ratios

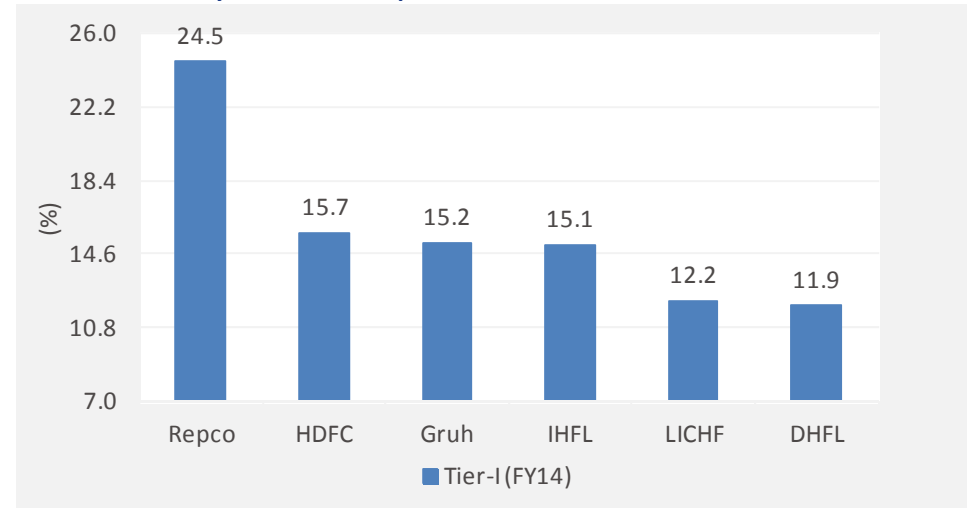


Source: Company

Focus on lower risk weighted home loans provides capital cushion

Average loan outstanding per unit is ~INR1.1mn and average loan to value ratio is at sub 50% level. This implies that risk weights assigned on most home loans will be around 50-55%. This lower capital requirement provides DHFL the leeway to grow without any major dilution risk. Currently, DHFL's Tier 1 stands at 11.6% (H1FY15).

Chart 24: Relatively lower Tier-1 capital ratio

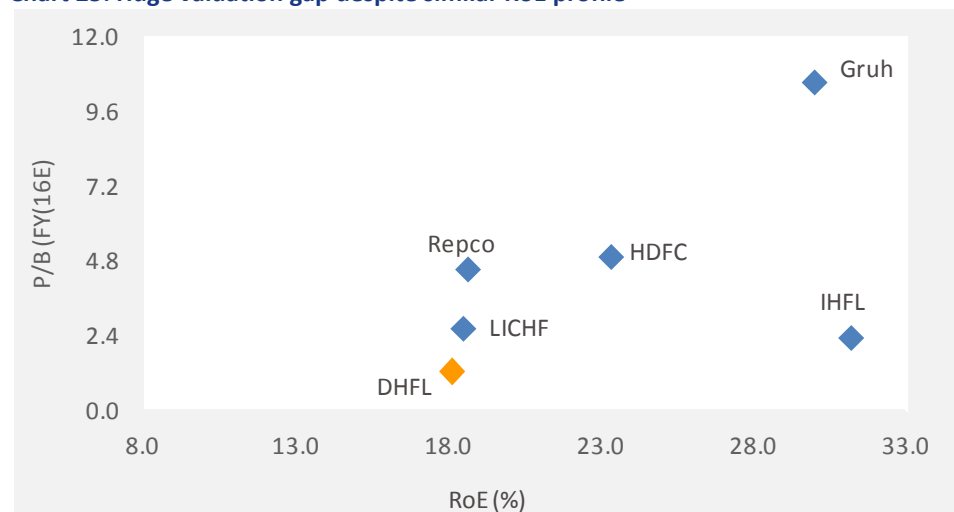


Source: Company

Valuations

Despite visible triggers for sustainable improvement in return ratios (RoE to rise closer to 20% in FY17E) it is perplexing that DHFL trades at a huge discount to other mortgage financiers (1.1x FY17E adjusted book compared to peers on an average trading in excess of 2.0x). This is due to the company's higher cost structure, low margin profile and a few perceived risks (highlighted in 'Key Risks' section).

Chart 25: Huge valuation gap despite similar RoE profile



Source: Company

Management's sharpened focus to bring down cost structure, which along with visibility of limited risk/challenge to any of the operating metrics in the near term will lead to RoA/RoE improving

Over the past decade, DHFL has built an optimal, comprehensive and scalable business model focused on retail mortgages and having very low exposure of ~5% to high yielding, high risk developer loans. The recent upgrade in the company's rating profile (AAA by CARE) will enable it to reap benefit of lower funding cost, which along with higher yields (as it caters to an under-served higher yielding segment) will provide further leg up to margin. Though it has been able to maintain stable asset quality metrics, the only pain point is the higher operating cost structure, which has dampened return ratios. However, given the discretionary nature of some of these expenses and management's sharpened focus on the same, we expect this to rectify over a period of time, which along with visibility of limited risk/challenge to any of the operating metrics in the near term will lead to RoA/RoE improving to 1.4%/19% over the next 3 years.

This, along with ebbing investor concerns will pave way for the stock's rerating. We foresee consistent loan book accretion (FY14-17E CAGR of 23%) and impressive earnings CAGR of 23% (while the stock trades at <6x FY17E earnings). We, therefore, initiate coverage on DHFL with target price of INR642, assigning 1.75x FY16E adjusted book multiple based on Gordon growth model (upside of > 50% and further INR38 to the life insurance business).

Table 4: Gordon growth model assumptions

Risk free rate	8.0
Equity risk premium	4.0
Beta	1.3
Cost of equity	13.4

Growth assumptions	Years	Rate
Explicit forecast period	2	
Time to reach HG period/End of explicit period ROE	3	19.4
High economic return period & ROE	3	18.0
Transitory period	5	
Time to reach stable period	13	
Stable ROE		16.5
Terminal growth rate (RI)		6.0

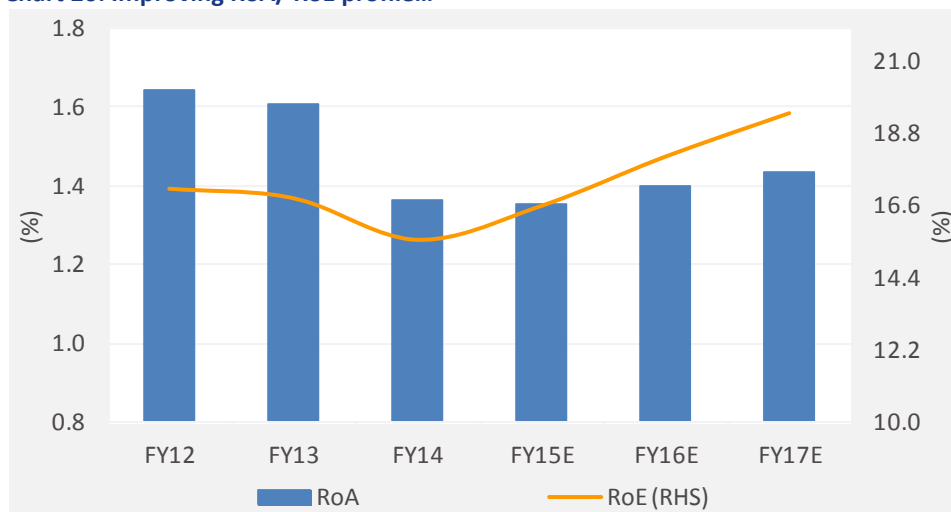
Source: Edelweiss research

Table 5: Intrinsic value calculation

Intrinsic value	(INR mn)
Book value (FY15E)	40,608
Sum of discounted residual income	21,875
PV of continuing value	15,081
Equity value	77,564
No. of shares outstanding (mn)	128
Intrinsic value/share (INR)	604

Source: Edelweiss research

Chart 26: Improving RoA/ RoE profile...

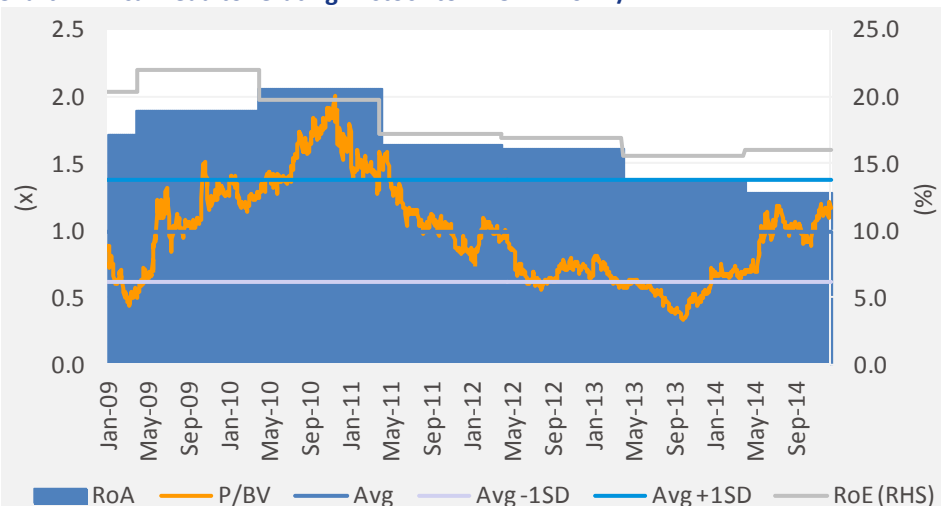


Source: Company, Edelweiss research

Table 6: ...with over 20% PAT CAGR over FY14-17E...

	Edelweiss estimates				Consensus estimates			
	FY15E	FY16E	FY17E	CAGR (%)	FY15E	FY16E	FY17E	CAGR (%)
Diluted EPS (INR)	49.3	61.4	76.1	24.3	49.4	60.2	76.6	24.5
PAT (INRmn)	6,339	7,899	9,794	24.3	6,390	7,790	9,910	24.5
BVPS (INR)	316	364	422	15.5	311.7	357.9	421.8	16.3
RoE (%)	16.6	18.1	19.4		16.6	17.9	18.0	

Chart 27: ...can lead to rerating in stock to 1.75x FY16E P/ABV



Source: Bloomberg, Edelweiss research

Table 7: Peer comparison

Company	CMP (INR)	Mcap (INR bn)	AUMs/Loans (H1FY15- INR bn)					FY15 (x)		FY16 (x)	
			CAR	ROA	ROE	GNPA	P/E	P/B	P/E	P/B	
HDFC	1,113	1,750	2,326	17.9	2.8	30.0#	0.7	25.3	5.9	21.6	4.9
LICHF	473	239	975	16.3	1.6	19.9	0.6	17.3	3.0	15.3	2.6
Indiabulls Housing	496	176	450	19.1	4.0	28.0	0.9	9.4	2.6	8.0	2.3
Dewan Housing Finance	427	55	494	16.2	1.4	16.0	0.8	8.7	1.3	6.9	1.2
Gruh Finance	294	107	79	16.7	3.0	32.0	0.4	37.6	14.1	30.1	10.5
Repc Home Finance	698	44	52	21.9	2.6	16.8	1.7	33.5	5.3	26.3	4.5
GIC Housing Finance	271	15	59	17.3*	1.7	17.0	1.4	13.5	2.1	11.6	1.9
Can Fin Homes	657	13	70	13.8*	1.5	17.0	0.3	15.3	2.5	12.1	2.1

Source: Bloomberg, Edelweiss research

Note: # core RoEs and * As of FY14

The opportunity lies in the vast customer base that comes to DHFL for mortgage loans and are offered the bundled product for the same (management highlighted the conversion rate of 65-70%).

Life insurance arm to provide further leg up to valuation

DHFL acquired 50% stake in addition to another 24% stake acquired by its promoters (through 2 group companies, Yardstick Developers and Resources Reality) in DLF Pramerica Life Insurance (DLF sold its 74% stake and exited the JV). The 24% stake was bought by promoters as according to NHB regulations, DHFL cannot hold more than 50% shareholding in the life insurance business.

Contours of the deal: The contours of the deal were such that the DHFL Group had to infuse minimal equity as its franchise was valued at INR7.3bn. Therefore, for 50% holding, it had to infuse INR220mn over 2 years (of which INR80mn has been infused already). On the other hand, JV partner Prudential Financial (which does business under Pramerica brand) had infused INR7.5bn.

DHFL Pramerica performance to get a kicker: FY15 be first full year of operations of the life insurance company after been taken over by DHFL. This, coupled with healthy capital infusion (H1FY15 solvency at 1242%) and improving outlook for life insurance industry, sets the platform for DHFL Pramerica to cash in on growth opportunities. The opportunity lies in the vast customer base that comes to DHFL for mortgage loans and are offered bundled products for the same (management highlighted the conversion rate of 65-70%). The company reported gross written premium (GWP) growth of more than 150% in H1FY15. In this back drop, we expect it to report GWP growth of ~160% in FY15. The consistent growth outlook supported by higher investment gains (healthy solvency ratio) will enable it to report consistent profitability.

Valuations: We value the life insurance business (DHFL Pramerica) at ~INR12bn, using the appraisal value method. We are assigning multiple of 12x to new business premium, arriving at structural value of INR3bn. DHFL's 50% interest translates into value of ~INR6bn. Assigning a holding company discount of 15%, this is equivalent to ~INR38 per share.

DHFL Pramerica Asset Managers: DHFL, in October 2014, agreed to form an asset management joint venture, with DHFL acquiring a 50% stake in Pramerica Asset Managers (PFI's asset management business in India). As per the JV agreement, DHFL will acquire 50% stake in Pramerica Asset Managers (Pramerica AMC), PFI's asset management arm in India, and the JV will be named as DHFL Pramerica Asset Managers. It will also acquire 50% stake in Pramerica Trustees (trustee for the mutual fund unit). The twin deal is for cash worth ~INR245mn.

Key Risks

We herein enlist potential investor concerns and attempt to address them:

Inter-group transactions and link with HDIL Group

According to the management, DHFL now has NIL exposure to the HDIL Group. Post the separation of promoters of DHFL and HDIL into two discrete groups (Rakesh Wadhawan Group and Rajesh Wadhawan Group), currently there is no cross holding between group entities nor is there a possibility of any business opportunities between the two.

However, the Rajesh Wadhawan Group (DHFL group) has diversified business interests in real estate (Dheeraj Builders), hospitality sector etc. HFCs with related companies in real estate development space are viewed with scepticism by investors. What lends comfort over here is that the regulator is incrementally becoming more vigilant on corporate governance issues.

Structure of past deals where promoter has picked up stake with DHFL

DHFL has made some acquisitions in the past few years, wherein the promoter has also picked up equity stake in acquired companies at the promoter group entity level, thereby drawing a thin line on contours of the deal. We highlight the current structure for the company and nuances of the Deutsche Post merger and DLF Pramerica stake acquisition:

- First Blue Home (FBH):** The total deal was valued at INR10.79bn (1.8x book of INR5.5bn), of which INR7.7bn was contributed by DHFL, INR1.4bn by promoters and INR1.5bn by Caledonia (private equity entity). Later, FBH was merged with DHFL w.e.f. January 31, 2013, but the swap ratio and dilution in DHFL was to the benefit of minority shareholders. Based on swap ratio of 10:97, the cost of acquisition for the promoter and Caledonia was INR320 of DHFL shares (versus trading price of INR180 at the time), leading us to believe that this was not in favour of promoters.
- DHFL Pramerica:** DHFL and its promoter entity acquired DLF's 74% stake in DLF Pramerica, valuing the entire life insurance business at INR15bn. The contours of the deal were such that the DHFL Group had to infuse minimal equity as its franchise was valued at INR7.3bn. Therefore, for 50% holding, it was required to infuse INR220mn over 2 years (of which INR80mn has been infused already). On the other hand, JV partner Prudential Financial (which does business under Pramerica brand) had infused INR7.5bn. The deal structure was in favour of DHFL's minority shareholders.

Sharp rise in capital work in progress (CWIP)

Our annual report analysis over the past few years drew our attention to surge in capital work in progress over 3 years, which further jumped substantially in FY14 (from INR1.7bn in FY10 to INR8.0bn in FY14). Management highlighted that this was on account of an office premise that the company bought to house all its teams (viz., life insurance, AMC, among others) under one roof. It also indicated that all contractual obligations pertaining to this have been met and no further investment is expected. Additionally, management highlighted that ~50% of the property will be used by the DHFL Group and balance will either be sold or rented (which will provide fillip to earnings). Further, current office premise at HDIL Towers (value of ~INR1.5-1.75bn) will be sold.

Post the separation of promoters of DHFL and HDIL into two discrete groups (Rakesh Wadhawan Group and Rajesh Wadhawan Group) currently there is no cross holding between group entities

DHFL has made some acquisitions in the past few years, wherein the promoter has also picked up equity stake in acquired companies at the promoter group entity level,

Surge in capital work in progress over 3 years, which further jumped substantially in FY14 (from INR1.7bn in FY10 to INR8.0bn in FY14).

Slowdown in real estate sector

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.

Regulatory risk

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.

Presence in self-employed category with volatile income streams

DHFL, with ~30% of loan book from self-employed category, is susceptible to the volatile income stream of this borrower segment.

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 INR494bn as on September 2014, after HDFC and LIC Housing Finance. As of Q2FY15, DHFL is present in 367 locations across India via branches, subsidiaries and alliances with public sector banks.

Fig. 6: Company structure

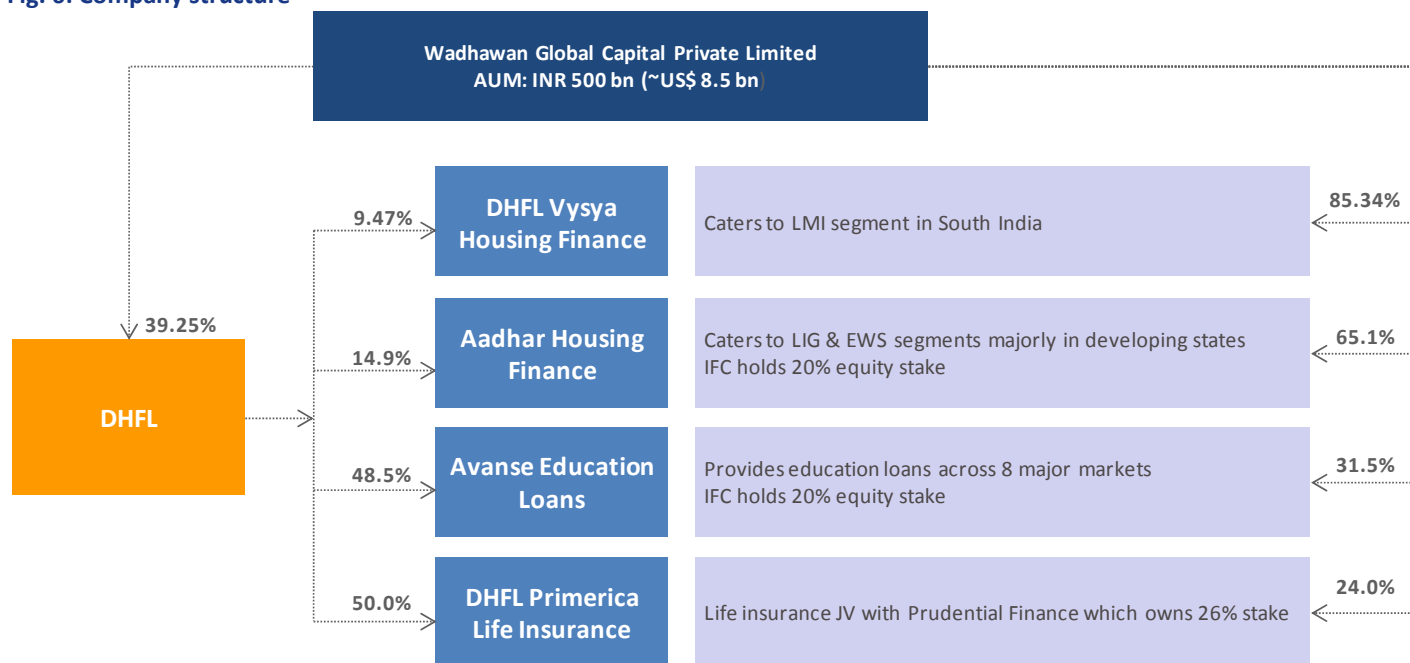
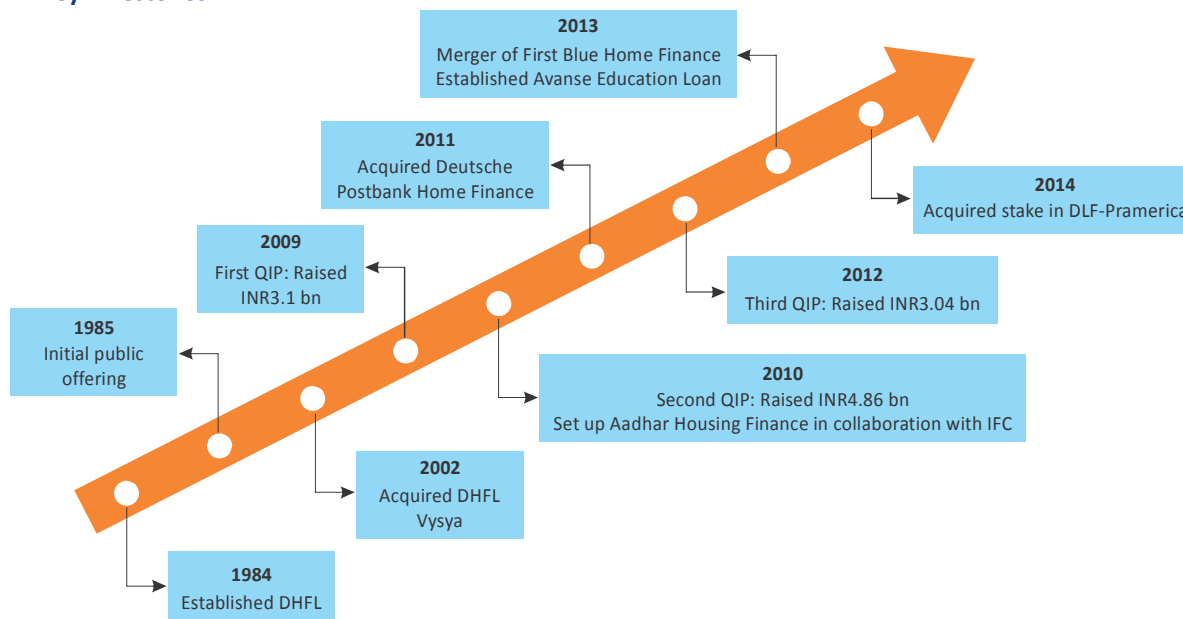


Fig. 7: Key milestones





Source: Company


Fig. 8: Management overview





Board of Directors


- 

Mr. Kapil Wadhawan - Chairman & Managing Director
 He has been with DHFL for over 18 years and CMD for over 5 years. He spearheaded the acquisition of the housing finance arm of ING Vysya Bank in 2003 and the acquisition of First Blue Home Finance in 2011. Mr. Wadhawan is MBA in Finance from Edith Cowan University, Australia.
- 

Mr. Dheeraj Wadhawan - Non-Executive Director
 He has over 13 years of experience in the real estate and construction industry and has been a board member for over 6 years. Mr. Wadhawan has graduated in construction management from the University of London.
- 

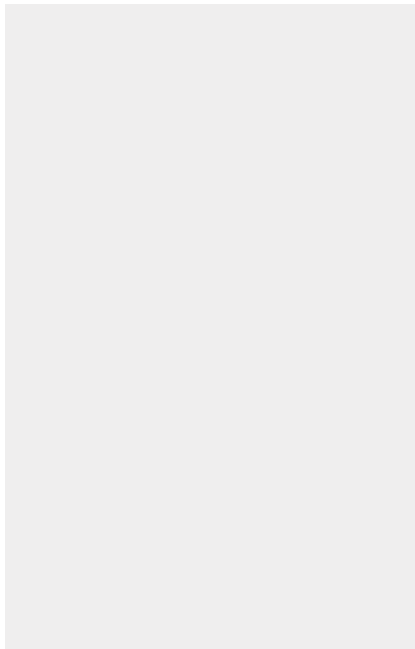
Mr. G. P. Kohli - Non-Executive Independent Director
 Mr. Kohli was the former Managing Director of LIC with vast experience in insurance, housing, human resource development, information technology and marketing. He has been an independent director for over 14 years now.
- 

Mr. V. K. Chopra - Non-Executive Independent Director
 Mr. V. K. Chopra has over 37 years experience in banking. Previously he was CMD of Corporation Bank and SIDBI and ED of OBC. His last assignment was with SEBI as a whole-time member. He has been an independent director for over 6 years.
- 

Mr. M. Venugopalan - Non-Executive Independent Director
 Mr. Venugopalan has worked as a commercial banker for nearly four and a half decades. He served as ED of Union Bank, CMD of BOI, as well as MD & CEO of Federal Bank. He has been an independent director for close to 2 years now.
- 

Ms. Vijaya Sampath - Additional Director (Non-Executive Director)
 Ms. Vijaya is a reputed senior legal professional with over thirty years of corporate and legal experience. She has worked both as a Partner in a law firm and as an in-house Legal Counsel and Company Secretary for large Indian corporations.

Source: Company



Industry Overview

Fig. 9: Mortgage Finance - A space to be in

Characteristics of mortgage space	<ul style="list-style-type: none"> ✓ Salaried segment over serviced leading to high competition ✓ No switching costs resulting in thin lending rate differential ✓ Lending concentrated in few states and cities within respective states
New growth catalysts	<ul style="list-style-type: none"> ✓ Opportunities galore in under-serviced segments: Self-employed (50% of India's workforce) and LAP ✓ Deeper penetration into tier II/III cities; states like MP, Rajasthan, Chattisgarh, WB, UP offer huge potential
Government & regulatory incentives	<ul style="list-style-type: none"> ✓ Government support: Housing for all by 2022, 100 smart cities, REITs ✓ Regulatory incentives: Viability gap funding, limit raised for PSL credit/affordable housing, NHB refinancing
Game of scale	<ul style="list-style-type: none"> ✓ With no swiching cost, cost advantage becomes critical determinant in housing finance ✓ Prefer players that can leverage on opportunity to build scale in low-ticket segments

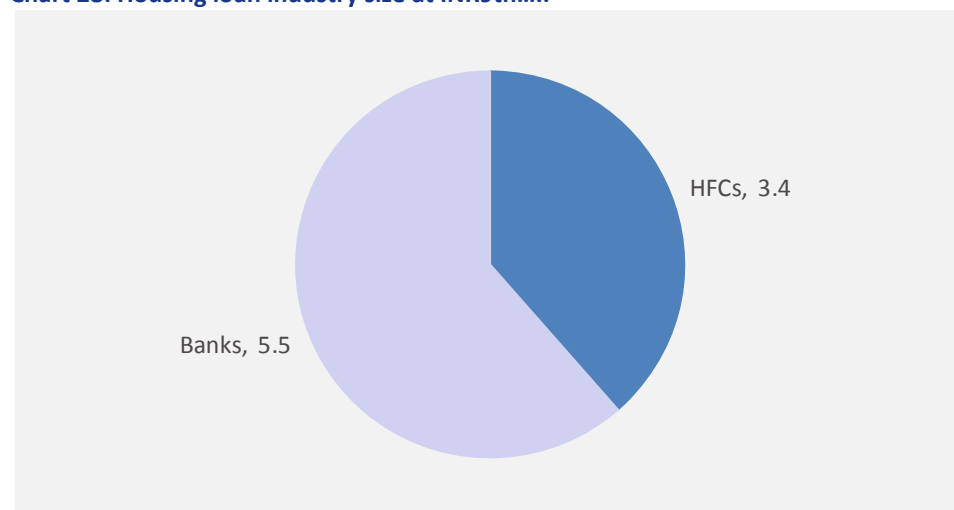
Source: Edelweiss research

Mortgage finance: Continuously evolving space

Mortgage finance space has been continuously evolving over the past decade. The key characteristics that shaped up the mortgage financing space over FY03-14 were

- Salaried segment was over serviced, leading to higher competition
- Banks' incremental focus led to aggressive pricing
- With waiver of prepayment penalty, lending rate differential between financiers became thin (less than 50bps)

Chart 28: Housing loan industry size at INR9tn.....



Source: NHB, RBI

Chart 29: HFCs outpaced overall banking growth

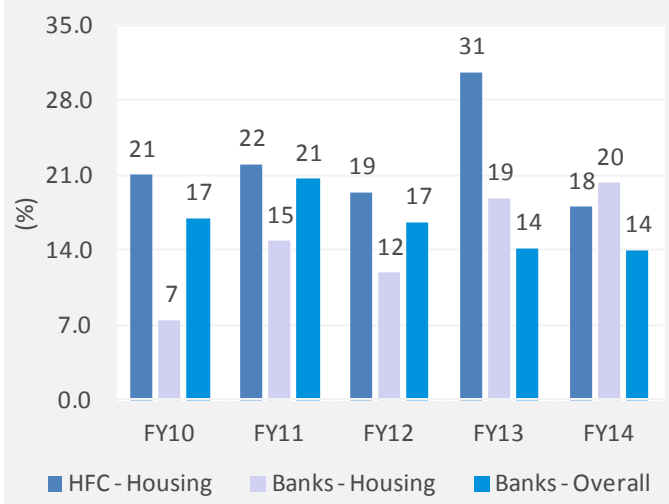
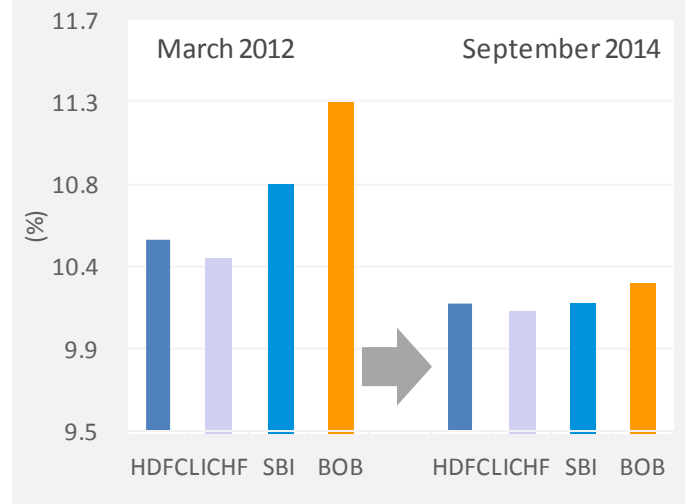


Chart 30: Intense competition lowering yield differential



Source: NHB, RBI, Company

Structural growth drivers

Mortgage finance market offers a large opportunity landscape for both banks as well as HFCs – largely a derivative of 1) lower penetration level of mortgage financing vis-à-vis other countries 2) rising urbanization 3) Acute housing shortage 4) favorable demographics and 5) Regulatory/ government support among others.

Chart 31: Indian houses relatively unlevered

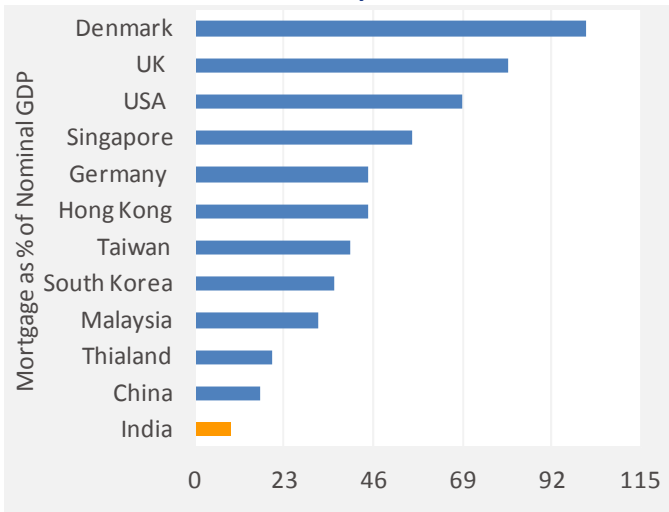
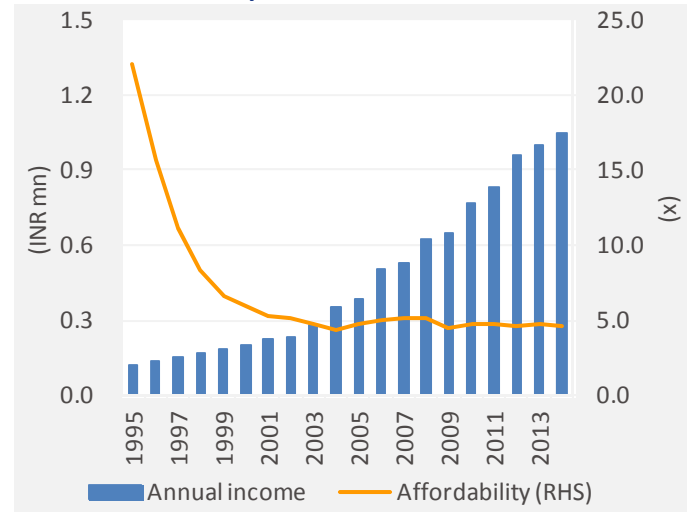


Chart 32: Affordability comfortable



Source: NHB, Company

Chart 33: Rising urbanisation to drive demand

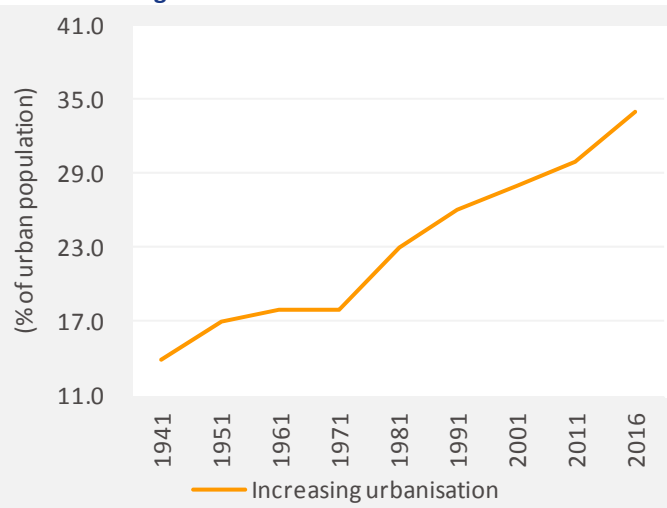
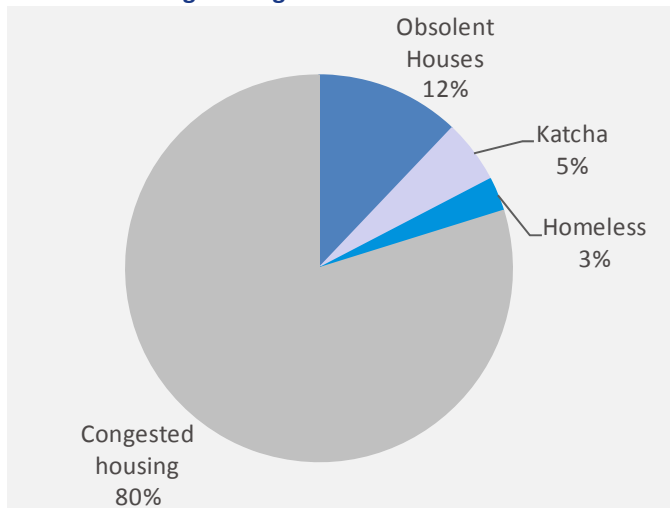


Chart 34: Housing shortage of 18.78mn units in urban areas



Source: NHB

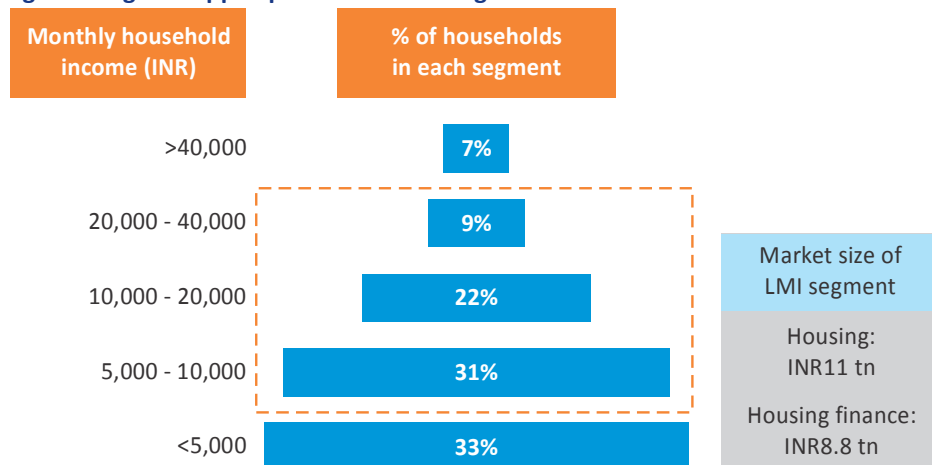
New growth catalyst in pace

In conjunction to the structural drivers in place we foresee newer growth catalyst emerging in form of 1) under penetrated locations (viz tier II / III cities) and 2) arising needs of new customer segment (self employed and LAP) will be major growth catalyst. This along with government and regulatory support will provide stable growth for mortgage finance players.

Prominent financier for low and middle income group

There has been increased thrust by government for providing housing loans to lower and middle income group – agenda of ‘housing for all by 2022’ is a testimony to that. DHFL has positioned itself as a prominent financier for low and middle income group. The opportunity to grow is tremendous given that the Indian housing market is characterised by huge housing shortage and that too concentrated in low income group. As per a NHB report, 90% of rural housing shortage and 95% of urban housing shortage is in economically weaker sections (EWS)/LIG. Further, 80% of borrowers in EWS/ LIG do not have access to institutional sources of housing finance. Banks, over the past few years, have also focused more on high ticket loans, thereby throwing up huge opportunity for a LIG player like DHFL.

Fig. 10: Large untapped potential in LMI segment



Source: Company

Financial Outlook

Huge opportunity to fuel loan CAGR of 20% plus over FY14-17E

The huge underpenetrated mortgage finance market in India along with wide footprint (in terms of customer segments and geographical reach) will feed into higher-than-industry growth for DHFL. We expect overall loan CAGR of 23% over FY14-17E to INR840bn following 24% disbursements growth over the same period.

Chart 35: 24% disbursement CAGR over next 3 years..

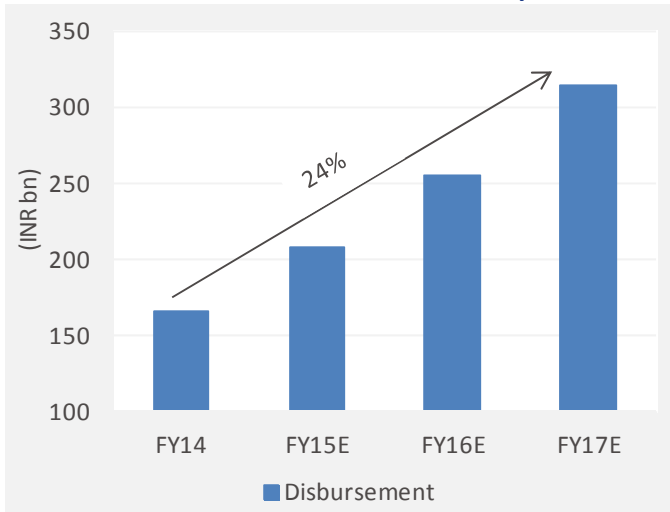
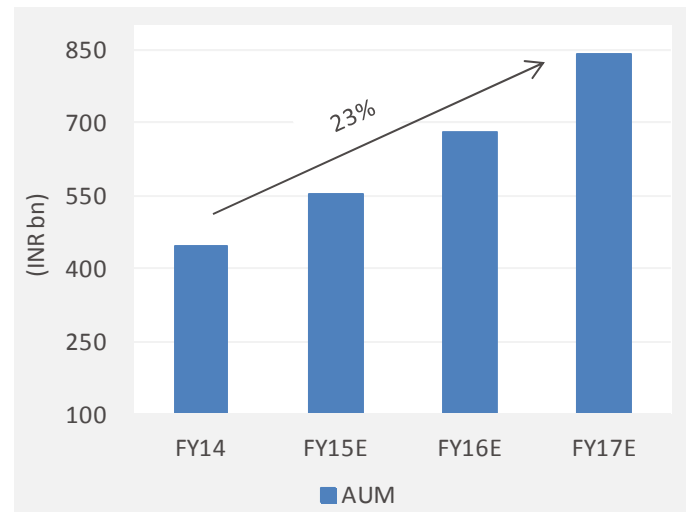


Chart 36:.. will feed into AUM CAGR of 23% over FY14-17E



Margin expansion cycle underway

Recent rating upgrade (AAA by CARE) will provide wider access to debt borrowing at relatively lower cost and enable it to avoid high cost bank borrowing (currently at 11%). This, we believe, will be able to provide ~15bps delta to the company's funding cost. Active sell-downs considering more than 75% of its book qualifies for PSL will provide further comfort to funding cost.

Chart 37: Lowering dependence on bank borrowings

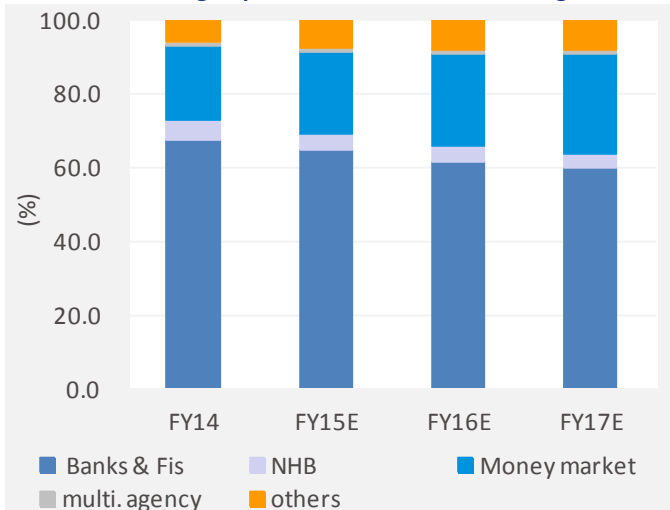
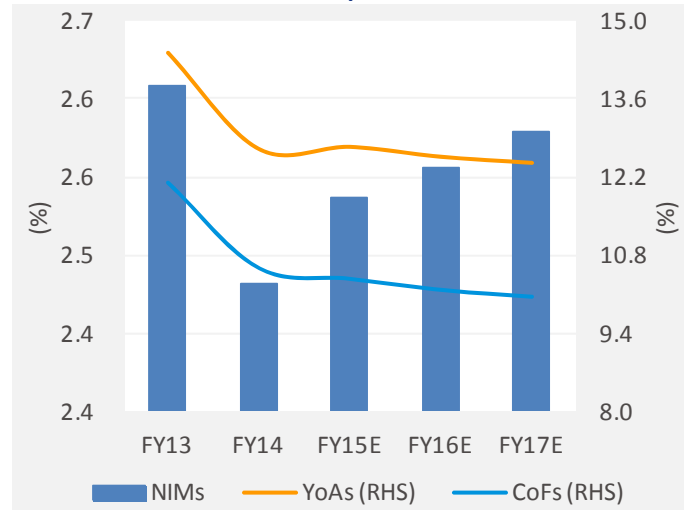


Chart 38: ...to feed into NIM expansion



Source: Company, Edelweiss research

PAT to post over 20% CAGR over FY14-17E

PAT is expected to register 23% CAGR during FY14-17E to INR9.8bn supported by above industry loan book growth of 23% and 10-15bps (to 2.6%) improvement in NIMs over the same period. Operating cost growth (on higher base) will also get some breather and we expect the company's cost-to-income ratio to moderate to 26% by FY17E. We expect return ratios to improve—RoA/RoE at 1.4% /19% (from 1.3%/15.6% in FY14).

Chart 39: Conscious effort to bring down cost structure...

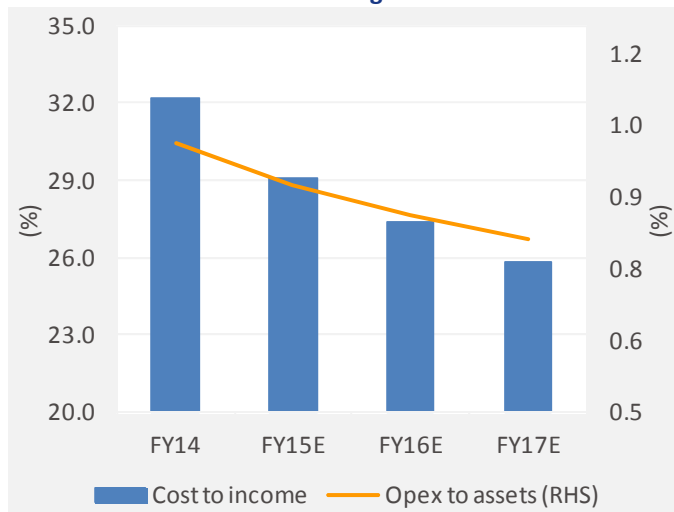


Chart 40: ...with controlled asset quality

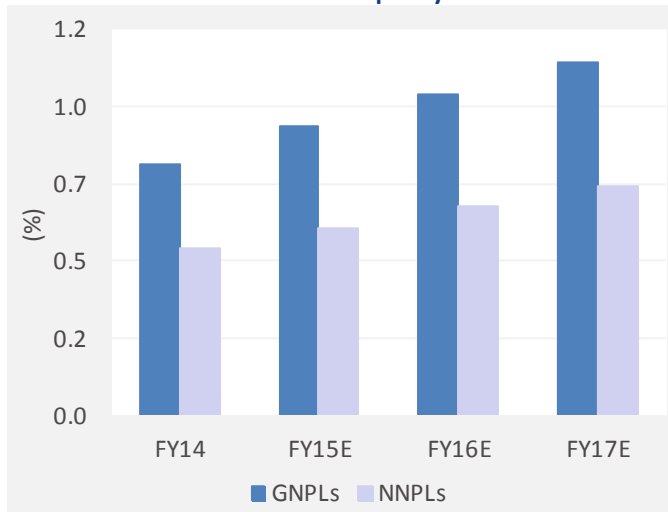


Chart 41: ...will feed into 23% PAT CAGR over FY14-17E

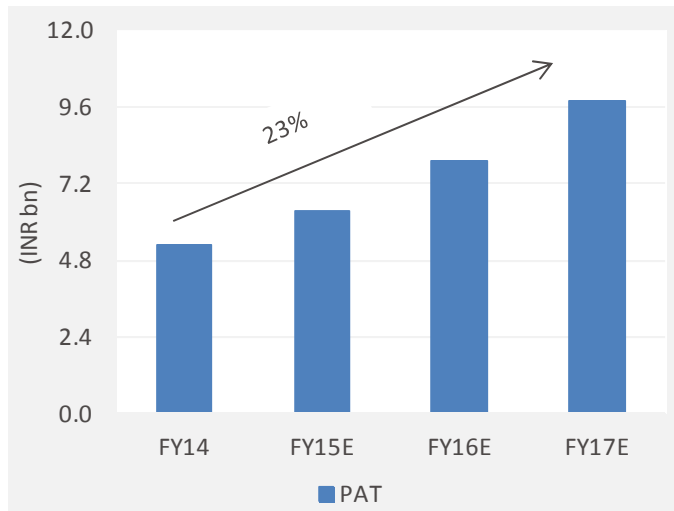
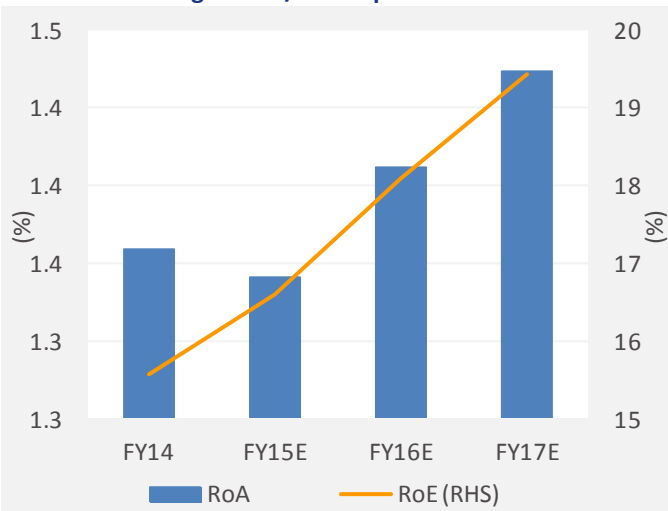


Chart 42: ...leading to RoA/RoE improvement



Source: Company, Edelweiss research

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	16.0	18.0	18.0
Bank's base rate (%)	9.7	9.5	9.3	9.2
Wholesale borrow. cost (%)	8.7	8.5	8.3	8.3
G-sec yield (%)	7.6	7.5	7.4	7.4
Oper. metric assumptions (%)				
Yield on advances	12.7	12.7	12.6	12.5
Cost of funds	10.6	10.4	10.2	10.1
Spread	2.1	2.4	2.4	2.4
Employee cost growth	25.2	18.3	18.9	18.5
Other opex growth	26.0	5.1	5.9	8.8
Tax rate	28.0	33.5	33.5	33.5
Dividend payout	19.4	20.0	20.0	20.0
B/S assumption (%)				
Disbursement growth	24.6	25.0	23.0	23.0
Repayment rate	23.4	23.0	23.0	23.0
Gross NPLs	0.8	0.9	1.0	1.1
Net NPLs	0.5	0.6	0.7	0.7
Provisioning coverage	33.7	35.0	35.0	35.0

Income statement					(INR mn)
Year to March	FY14	FY15E	FY16E	FY17E	
Interest income	47,376	57,441	68,816	82,637	
Interest charges	37,826	45,546	54,299	64,878	
Net interest income	9,550	11,895	14,517	17,759	
Fee & other income	2,321	2,766	3,184	3,740	
Net revenues	11,871	14,660	17,701	21,499	
Operating expense	3,820	4,268	4,842	5,549	
- Employee exp	1,761	2,084	2,478	2,936	
- Depreci. /amortisation	109	134	195	251	
- Other opex	1,950	2,049	2,170	2,362	
Preprovision profit	8,051	10,393	12,858	15,950	
Provisions	700	860	981	1,222	
PBT	7,351	9,533	11,878	14,728	
Taxes	2,061	3,193	3,979	4,934	
PAT	5,290	6,339	7,899	9,794	
Reported PAT	5,304	6,339	7,899	9,794	
Basic number of shares (mn)	128.3	128.3	128.3	128.3	
Basic EPS (INR)	41.2	49.4	61.6	76.3	
Diluted no. of share. (mn)	128.7	128.7	128.7	128.7	
Diluted EPS (INR)	41.1	49.3	61.4	76.1	
DPS (INR)	8.0	9.9	12.3	15.2	
Payout ratio (%)	19.4	20.0	20.0	20.0	

Growth ratios (%)				
Year to March	FY14	FY15E	FY16E	FY17E
Operating income growth	28.6	24.6	22.0	22.3
Net revenues growth	23.7	23.5	20.7	21.5
Opex growth	25.7	11.7	13.5	14.6
PPP growth	22.8	29.1	23.7	24.0
Provisions growth	55.6	22.8	14.0	24.7
PAT growth	17.1	19.8	24.6	24.0

Operating ratios (%)				
Year to March	FY14	FY15E	FY16E	FY17E
Yield on advances	12.7	12.7	12.6	12.5
Cost of funds	10.6	10.4	10.2	10.1
Spread	2.1	2.4	2.4	2.4
Net interest margins	2.5	2.5	2.6	2.6
Cost-income	32.2	29.1	27.4	25.8
Tax rate	28.0	33.5	33.5	33.5

Balance Sheet					RoE decomposition (%)				
(INR mn)									
As on 31st March	FY14	FY15E	FY16E	FY17E	Year to March	FY14	FY15E	FY16E	FY17E
Share capital	1,284	1,284	1,284	1,284	Net interest income/Assets	2.5	2.5	2.6	2.6
Revenue and surplus	34,465	39,324	45,378	52,885	Other Income/Assets	0.6	0.6	0.6	0.5
Shareholder fund	35,750	40,608	46,663	54,169	Net revenues/Assets	3.1	3.1	3.1	3.1
Long term borrowings	322,970	390,548	472,682	571,104	Operating expense/Assets	1.0	0.9	0.9	0.8
Short term borrowings	75,794	91,653	110,928	134,025	Provisions/Assets	0.2	0.2	0.2	0.2
Loan funds	398,764	482,201	583,610	705,129	Taxes/Assets	0.5	0.7	0.7	0.7
Deferred tax liability/asset	12	30	30	30	Total costs/Assets	1.7	1.8	1.7	1.7
Sources of funds	434,525	522,839	630,302	759,329	ROA	1.4	1.4	1.4	1.4
Total net fixed assets	9,877	10,743	11,548	12,297	Equity/Assets	8.8	8.2	7.7	7.4
Non current investments	3,067	3,549	3,989	4,494	ROAE	15.6	16.6	18.1	19.4
Current investments	2,692	2,904	3,263	3,677					
Cash and cash equivalents	9,832	6,882	7,570	8,328	Valuation metrics				
Loans & advances	406,284	495,135	600,104	726,527	Year to March	FY14	FY15E	FY16E	FY17E
Other assets	6,840	7,563	8,364	9,251	Diluted EPS (INR)	7.3	19.8	24.6	24.0
Total current assets (ex cash)	425,648	512,484	619,302	747,782	EPS growth (%)	7.3	19.8	24.6	24.0
Other current lia. and provi.	4,067	3,937	4,536	5,244	Book value per share (INR)	278.6	316.5	363.6	422.2
Total current lia. & provi.	4,067	3,937	4,536	5,244	Adj. BV per share (INR)	266.9	300.4	342.1	393.5
Net current assets (ex cash)	421,581	508,547	614,765	742,538	Diluted P/E (x)	10.4	8.7	6.9	5.6
Application of funds	434,525	522,839	630,302	759,329	Price/ BV (x)	1.5	1.3	1.2	1.0
Earning assets	423,785	512,096	618,754	747,032	Price/ Adj. BV (x)	1.6	1.4	1.2	1.1
Disbursements	166,475	208,093	255,955	314,824	Dividend yield (%)	1.9	2.3	2.9	3.6
AUM	448,538	553,223	681,936	839,915					
- On book	406,284	495,135	600,104	726,527					
- Off-book	42,254	58,088	81,832	113,389					
Total borrowing	440,155	540,289	665,442	818,518					
Balance sheet ratios (%)									
AUM growth	24.0	23.3	23.3	23.2					
-On Book growth	19.7	21.9	21.2	21.1					
-Off Book growth	90.8	37.5	40.9	38.6					
EA growth	20.7	20.8	20.8	20.7					
Disbursement growth	24.6	25.0	23.0	23.0					
Gross NPA ratio	0.8	0.9	1.0	1.1					
Net NPA ratio	0.5	0.6	0.7	0.7					
Gross NPAs	3,175	4,456	6,001	7,992					
Net NPAs	2,099	2,897	3,901	5,195					
Provision coverage	33.7	35.0	35.0	35.0					

Additional Data

Directors Data

Mr. Kapil Wadhawan	Chairman & Managing Director	Mr. Dheeraj Wadhawan	Non-Executive Director
Mr. G. P. Kohli	Non-Executive Independent Director	Mr. V. K. Chopra	Non-Executive Independent Director
Mr. M. Venugopalan	Non-Executive Independent Director	Ms. Vijaya Sampath	Additional Director (Non-Executive Director)

Auditors - T.R. Chadha & Co

**as per last available data*

Holding - Top10

	Perc. Holding		Perc. Holding
Hemisphere Infra India	4.17	Galaxy Infraprojects & Dev	4.06
Ironwood Investment Holdings	4.04	Silicon First Realtors Pvt Ltd	3.92
Jhunjhunwala Rakesh	3.89	Asiabridge Fund LLC	2.78
Norges Bank Investment Management	2.11	GIC Private Limited	1.70
Government Pension Fund	1.35	Lazard Emerging Markets	1.30

**as per last available data*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
6-Mar-14	Ashmore Sicav Indian Small-Cap Equity Fund	Buy	914713	229.55
6-Mar-14	The Ashmore Emm Umbrella Funds Trust	Sell	914713	229.55
21-Mar-14	Aruna Rajeshwar Wadhawan	Buy	9695167	210.25
21-Mar-14	Dheeraj Rajeshkumar Wadhawan	Buy	3947713	210.25
21-Mar-14	Kapilkumar Rajeshkumar Wadhawan	Buy	3133875	210.25
21-Mar-14	Pooja Dheeraj Wadhawan	Sell	1150000	210.25
21-Mar-14	Wadhawan Consolidated Holdings Pvt Ltd	Sell	2000000	210.25
21-Mar-14	Wadhawan Holdings Pvt Ltd	Sell	11626755	210.25
21-Mar-14	Wadhawan Retail Ventures Pvt Ltd	Sell	2000000	210.25
26-Mar-14	Wadhawan Housing Pvt Ltd	Buy	41189036	215.15
26-Mar-14	Aruna Rajeshwar Wadhawan	Sell	16475614	215.15
26-Mar-14	Dheeraj Rajeshkumar Wadhawan	Sell	12356711	215.15
26-Mar-14	Kapilkumar Rajeshkumar Wadhawan	Sell	12356711	215.15
23-May-14	Morgan Stanley Asia Singapore Pte	Buy	3778286	300
23-May-14	Caledonia Investments Plc	Sell	3800000	300.06
17-Nov-14	J P Morgan Sec Ltd A/C Copthall Mauritius Invest Ltd	Buy	900000	394
17-Nov-14	Caledonia Investments Plc	Sell	1795000	394.03
28-Nov-14	Caledonia Investments Plc	Sell	1100524	400
11-Dec-14	Db International (Asia) Ltd	Buy	1030267	402.03
11-Dec-14	Goldman Sachs Singapore Pte	Buy	650000	402.1
11-Dec-14	Caledonia Investments Plc	Sell	1398467	402.07
11-Dec-14	Caledonia Investments Plc Fdi	Sell	1588148	402.07

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
25-Mar-14	M/s Wadhawan Holdings Private Limited	Sell	11,626,755
27-May-14	Caledonia Investments Plc.	Sell	4,083,305
20-Nov-14	Wadhawan Global Capital Pvt. Ltd.	Buy	489,296
20-Nov-14	Caledonia Investments Plc	Sell	2,625,859
3-Dec-14	Caledonia Investments Plc	Sell	3,056,265
16-Dec-14	Caledonia Investments Plc	Sell	3,054,608
25-Mar-14	M/s Wadhawan Holdings Private Limited	Sell	11,626,755

**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	BUY	SO	M
Development Credit Bank	BUY	SO	M	Dewan Housing Finance	BUY	SO	L
Federal Bank	BUY	SO	L	HDFC Bank	BUY	SO	L
HDFC	HOLD	SP	L	Indiabulls Housing Finance	BUY	SO	L
IndusInd Bank	BUY	SO	L	ICICI Bank	BUY	SO	L
IDFC	BUY	SO	L	ING Vysya	BUY	SO	L
Karnataka Bank	BUY	SP	M	Kotak Mahindra Bank	HOLD	SP	M
LIC Housing Finance	BUY	SO	M	Magma Fincorp	BUY	SO	M
MMFS	HOLD	SP	M	Manappuram General Finance	BUY	SP	H
Max India	BUY	SO	L	MCX	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	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, Bajaj Finserv, Bank of Baroda, Development Credit Bank, Dewan Housing Finance, Federal Bank, HDFC, HDFC Bank, ICICI Bank, Infrastructure Development Finance Co Ltd, IndusInd Bank, Indiabulls Housing Finance, 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 Tansport Finance, South Indian Bank, Union Bank Of India, ING Vysya, Yes Bank

Recent Research

Date	Company	Title	Price (INR)	Recos
30-Dec-14	IndusInd Bank	The winning troika; <i>Visit Note</i>	792	Buy
22-Dec-14	Yes Bank	Retail franchise: Building foundation mantra to scalability; <i>Visit Note</i>	741	Buy
22-Dec-14	BFSI	HDFC sells stake in HDFC Life to Azim Premji Trust; <i>EdelFlash</i>		

Distribution of Ratings / Market Cap

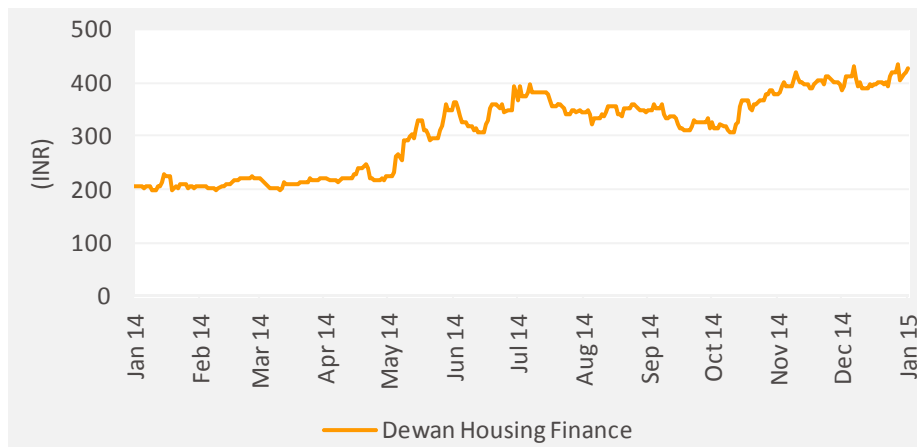
Edelweiss Research Coverage Universe

	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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