

# LIC HOUSING FINANCE

## A mixed bag: NIMs surprise, asset quality disappoints

India Equity Research | Banking and Financial Services

LIC Housing Finance (LICHF) reported a mixed Q4FY19. NIM spiked (>20bps to 2.54%) supported by the strong core and outperformance in PAT (INR6.9bn, up 17% YoY). However, contrary to the historical trend in Q4, asset quality disappointed (transition from stage 2 to stage 3 led to a 33bps rise in stage 3 assets to 1.58%). Key highlights: a) NIM surprised positively owing to the full effect of the lending rate hike and steady funding cost. Sustaining NIM around current levels would be key. b) Stage 3 assets spiked due to deterioration in both individual and corporate segments. We are monitoring weak real estate sentiment and tight liquidity. c) Disbursements grew 7% YoY driven by 18% YoY jump in core home loans, and, traction in project loans sustained (>INR20bn). We believe slackening competition and systemic risk aversion will benefit LICHF. Rolling forward, we are raising the TP to INR570 (from INR555); maintain 'BUY'.

### Growth steady; leveraging slackening competition

Disbursements came in along expected lines (~INR186bn) supported by an uptick in core home loans (18% YoY from sub-10% earlier). That said, project loans' disbursement remains high (INR20bn, although down 10% YoY on a high base). As we anticipated, LICHF would leverage slackening competition and weak sentiment to shore up growth.

### Strong NIM performance drives core operating growth

NIM rose 21bps QoQ to 2.54% due to better yields driven by: a) full effect of the lending rate hike; and b) a rise in the proportion of higher-yielding products (LAP/LRD/projects), which now form >20% of loan book. This uptick was despite the interest income reversal on incremental stress, which is commendable. We expect NIM to be steady in FY20/21.

### Higher Q4 slippages surprising

GNPLs rose to 1.53% from 1.26% in Q3FY19 with individual GNPLs rising to 1.14% (0.93% in Q3FY19) and developer GNPLs to 6.94% (6.21% in Q3FY19). Moreover, the resolution of developer loans is stretching given weakness in real estate, which is a key challenge.

### Outlook and valuation: Relatively safe bet; maintain 'BUY'

Despite concerns, LICHF has been able to deliver a steady core operating performance over FY19. Besides, strong parentage and comfortable liquidity lend it an edge vis-à-vis peers. Visibility is improving on asset growth and better margin, but asset quality risk in the current environment must be watched out for. We maintain 'BUY/SP'.

#### Financials

(INR mn)

Year to March	Q4FY19	Q4FY18	% Growth	Q3FY19	% Growth	FY19	FY20E	FY21E
Net revenue	12,570	10,381	21.1	11,093	13.3	47,367	54,551	63,113
Net profit	6,936	5,943	16.7	5,964	16.3	24,311	27,942	32,105
Dil. EPS (INR)	13.7	11.8	16.6	11.8	16.2	44.3	50.5	58.2
Adj. BV (INR)						293.3	330.9	372.3
Price/ Adj book (x)						1.7	1.5	1.3
Price/ Earnings (x)						10.9	9.6	8.3

#### EDELWEISS 4D RATINGS

<b>Absolute Rating</b>	<b>BUY</b>
Rating Relative to Sector	Performer
Risk Rating Relative to Sector	Medium
Sector Relative to Market	Overweight

#### MARKET DATA (R: LICH.BO, B: LICHF IN)

CMP	: INR 484
Target Price	: INR 570
52-week range (INR)	: 584 / 388
Share in issue (mn)	: 504.7
M cap (INR bn/USD mn)	: 244 / 3,521
Avg. Daily Vol.BSE/NSE('000)	: 2,119.9

#### SHARE HOLDING PATTERN (%)

	Current	Q3FY19	Q2FY19
Promoters *	40.3	40.3	40.3
MF's, FI's & BK's	11.0	11.0	9.5
FII's	28.8	28.8	30.8
Others	19.9	19.9	19.5
* Promoters pledged shares (% of share in issue)	:		NIL

#### PRICE PERFORMANCE (%)

	Stock	Nifty	EW Banks and Financial Services Index
1 month	12.4	6.2	9.7
3 months	12.2	6.5	10.4
12 months	0.6	12.8	21.6

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**Table 1: Summary of Q4FY19 results**

(INR mn)	Q4FY19	Q4FY18	YoY (%)	Q3FY19	QoQ (%)	Comments
Net revenues	12,570	10,381	21.1	11,093	13.3	Revenue traction was better than expectations driven by steady loan growth and NIM expansion
Operating expenses	1,656	1,554	6.5	1,173	41.2	
-Staff expense	734	656	11.9	693	6.0	
-Depreciation	32	27	20.0	30	6.7	
-Other opex	890	872	2.1	450	97.7	
Operating profit	10,915	8,827	23.7	9,921	10.0	
Provisions	1,052	691	52.4	1,324	(20.5)	Despite higher GNPLs, provisioning was curtailed given lower coverage on Stage 3 assets
Profit before tax	9,862	8,136	21.2	8,596	14.7	
Tax expense	2,927	2,193	33.5	2,633	11.2	
Profit after tax	6,936	5,943	16.7	5,964	16.3	
EPS (INR)	13.7	11.8	16.6	11.8	16.2	
<b>Key Metrics</b>						
Loan book	1,946,460	1,674,670	16.2	1,816,980	7.1	
Individual	1,815,690	1,593,500	13.9	1,703,330	6.6	Growth in individual segment showed an uptick, sustainability key
Non-Individual	130,770	81,160	61.1	113,650	15.1	
Disbursements	186,490	174,020	7.2	127,780	45.9	
Individual	166,180	151,360	9.8	115,400	44.0	Individual disbursements regained momentum, core home loan key driver
Non-Individual	20,310	22,660	(10.4)	12,380	64.1	Project loan disbursements steady aided by slackening competition
GNPAs (%)	1.5	0.8		1.3		
Individual	1.1	0.4		0.9		Asset quality disappoints as assets slipped from Stage 2 to Stage 3; a key monitorable
Non-Individual	6.9	7.8		6.2		2-3 developer accounts slipped during the quarter, recoveries would be key
NIMs (%)	2.5	2.4		2.3		NIM expansion a positive surprise, sustenance would be key

Source: Company, Edelweiss research

**Table 2: Asset quality slips – assets moved from Stage 2 to Stage 3**

(%)	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19
Stage 1	94.6	95.3	95.0	94.6	93.8	94.1
Stage 2	4.5	3.9	3.8	4.2	4.9	4.4
Stage 3	0.9	0.8	1.2	1.3	1.3	1.6
Total	100.0	100.0	100.0	100.0	100.0	100.0
ECL Provisions (INR mn)						
Stage 1	519	1,163	1,899	2,788	47	239
Stage 2	31	60	740	1,110	19	1,115
Stage 3	8,146	9,084	6,524	11,697	15,487	15,240
ECL Provisions (%)						
Stage 1	0.0	0.1	0.1	0.2	0.0	0.0
Stage 2	0.0	0.1	1.1	1.5	0.0	1.3
Stage 3	57.3	67.0	32.0	52.3	68.2	49.6

Source: Company

**Table 3: P&L reconciliation under IND-AS**

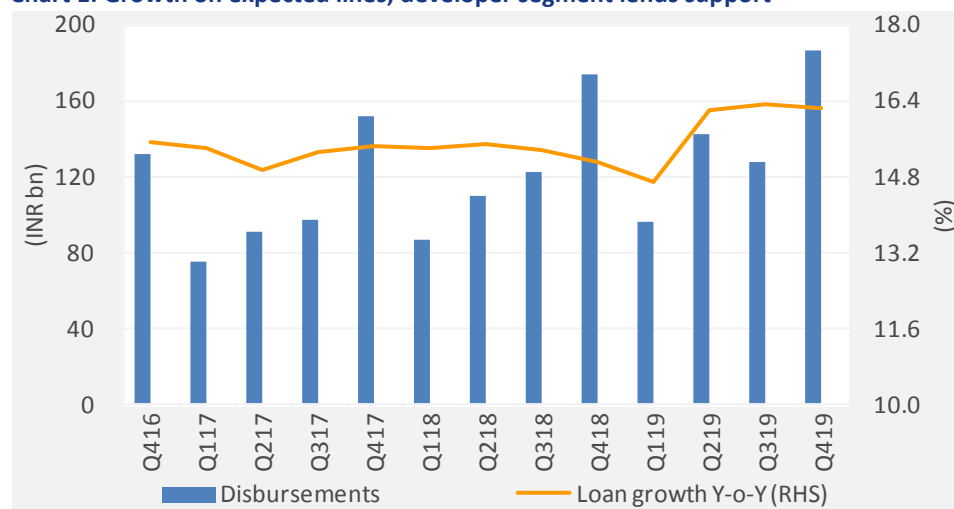
(INR mn)	Q4FY18
<b>Net profit after tax as per Previous GAAP</b>	5,393
Add/ (Less) : Adjustments as per IND AS on account of:	
Adjustment on account of Effective Interest Rate (EIR) on financial assets and liabilities recognized at amortized cost/net interest on credit	112
Adjustment on account of Expected Credit Loss (ECL)	(368)
Reclassification of actuarial gains and losses on employee benefit plans to other comprehensive income	(20)
Reversal of Deferred Tax liability (DTL) on 36(1)(viii) for the quarter	801
Adjustment on account of Modification Gain/Loss on Financial Instruments	(27)
Adjustment on account of derecognition of Financial Instruments	56
Other Adjustments	(5)
<b>Net Profit after Tax as per IND-AS</b>	<b>5,943</b>
Other Comprehensive Income (Net of Tax)	13
<b>Total Comprehensive Income (Net of Tax as per IndAS)</b>	<b>5,956</b>

Source: Company

**Table 4: Asset quality slipped in both individual and corporate segments**

	INR mn					(% )				
Gross NPLs	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19
Individual	6,647	12,981	13,373	15,841	20,699	0.4	0.8	0.8	0.9	1.1
Project	6,393	7,379	7,741	7,053	9,082	7.9	8.8	7.1	6.2	6.9
<b>Total</b>	<b>13,040</b>	<b>20,360</b>	<b>21,114</b>	<b>22,894</b>	<b>29,781</b>	<b>0.8</b>	<b>1.2</b>	<b>1.2</b>	<b>1.3</b>	<b>1.5</b>

Source: Company

**Chart 1: Growth on expected lines; developer segment lends support**

Source: Company

## Financial snapshot

(INR mn)

Year to March	Q4FY19	Q4FY18	% change	Q3FY19	% change	FY19E	FY20E	FY21E
Interest income	46,213	38,605	19.7	43,722	5.7	173,531	206,239	247,051
Interest exp	33,981	28,495	19.3	33,299	2.0	128,924	155,151	187,937
Net int. inc. (INR mn)	12,232	10,110	21.0	10,423	17.4	44,607	51,089	59,114
Non interest income	339	271	25.0	670	(49.5)	2,760	3,462	3,999
Net revenues	12,570	10,381	21.1	11,093	13.3	47,367	54,551	63,113
Operating expenses	1,656	1,554	6.5	1,173	41.2	6,875	7,465	8,109
Operating profit	10,915	8,827	23.7	9,921	10.0	40,492	47,086	55,004
Provisions	1,052	691	52.4	1,324	(20.5)	6,167	7,169	8,135
Profit before tax	9,862	8,136	21.2	8,596	14.7	34,325	39,917	46,869
Provision for taxes	2,927	2,193	33.5	2,633	11.2	10,014	11,975	14,764
PAT	6,936	5,943	16.7	5,964	16.3	24,311	27,942	32,105
Diluted EPS (INR)	13.7	11.8	16.6	11.8	16.2	44.3	50.5	58.2

## Ratios

NII/GII (%)	26.5	26.2		23.8		25.7	24.8	23.9
Cost/income (%)	13.2	15.0		10.6		14.5	13.7	12.8
Tax rate (%)	29.7	27.0		30.6		29.2	30.0	31.5

## Bal. sheet data (INR mn)

Loan book	1,946,460	1,674,670	16.2	1,816,980	7.1	1,946,475	2,272,240	2,667,172
Disbursements	186,490	174,020	7.2	127,780	45.9	552,935	646,934	769,851

## Ratios

B/V per share (INR)						322.0	365.7	415.8
Adj book value / share						293.3	330.9	372.3
Price/ Book (x)						1.5	1.3	1.2
Price/ Adj. book (x)						1.7	1.5	1.3
Price/ Earnings						10.9	9.6	8.3

## Q4FY19 earnings conference call - key takeaways

### With respect to asset quality

- **Asset quality GS-3 has increased 1.25% to 1.58%, largely due to flow through from stage 2 to stage 3 assets.** The management is confident of improvement over next couple of quarters (expects upgrades in GS-3 assets)
  - **Within the developer book - there were 2-3 account of INR1.5bn have slipped during the quarter –** couple of them were from south (no slippages in NCR portfolio during the quarter).
  - The retail rise has been surprising (shifting from Stage 2 to stage 3 rather than new slippages), usually such trends are not seen. **The company feels this to be industry phenomenon (there is no specific geography bias).**
  - **GNPLs composition within retail: Core home 0.9% (versus 0.76% in Q3FY19, 0.4% in Q4FY18) and non-core home loan was 1.4% (versus 1.38% in Q3FY19 and 0.56% in Q4FY18).**
  - Stage -2 composition between individual / non—individual segment would mirror the proportion in stage-3 asset of individual / non—individual segment
- Currently the company doesn't have any account with NCLT.
- While recovery in developer book is time stretched , the management is confident that security under each developer NPL is adequate, and will be able to make entire recovery (as and when it happens)

### With respect to operating metrics

- **Disbursement grew 7% YoY , with disbursements growth in core home loan at 18% YoY** (one of the best quarters for this segment).
  - Project loans disbursements at INR20bn (out of this 60% was takeover, and 40% was fresh), the company have continued to take selective exposure of higher quality nature. The management stated that they will continue to be very selective, that said developer financing will not be out of focus ( disbursement in FY20 likely to be in INR80-90bn range versus INR70bn in FY19).
  - Average ticket size in developer book is INR450-500mn (steady from Q3FY19 to Q4FY19)
- **Going forward the management is targeting loan growth of 15% levels ,** largely supported by network expansion.
- NIMs at 2.54% ( versus 2.33% in Q3FY19). The management expects further 5bps improvement in margins.
  - The funding cost was by and large stable ( up 4bps QoQ), that said the company took PLR hike of 10 bps during the quarter (thus cumulatively taking this to 70bps during the fiscal). Consequent to these the incremental spreads has improved to 22bps.
  - For the quarter - CoF 8.53% (incremental funding cost lower by 20-25bps for market borrowing piece) and Yield was 10.37%.
  - In terms of rate hikes the effective dates were - 1<sup>st</sup> April,2018 of – 20bps; August,2018 of – 20bps, October,2018 of – 20bps and Jan,2019 of -10bps

- In terms of accounting under IND-AS, the company recognizes interest income on NPLs while also making higher provisions, thus higher NPLs doesn't affect NIMs under IND-AS.
- PMAY continues to see strong traction the company has received subsidiary of INR10bn (38k accounts), the management expects this traction to continue with focus on network expansion
- INR20bn approval from NHB. While haven't discussed on rates on this, the management expects rates on them should to lower by 20-25bps

### Other highlight

- Siddhartha Mohanty has joined as COO , a fortnight back

## Q3FY19 earnings conference call - key takeaways

### With respect to growth

- Disbursements were INR 128 bn – 4% YoY – **Mix was Home loan (INR 91.7 bn), LAP (INR 20 bn) & Builder loans (INR 12.4 bn)**
- **8,500 accounts disbursed (INR 16.5 bn) under PMAY scheme** – 17% in number and 14% in value term
- It is cautious with regard to takeovers and though competition is slackening, it is not seeing too many balance transfer cases.
- **Targeting a loan growth of ~15% in Q4FY19**, will look for in growth in home loans segment in Tier1 and Tier2 cities

### With respect to NIMs

- YTD in this fiscal since July, it **increased retail home loan rates by 70 bps**. In Jan, it increased it by 10 bps (post similar hike in October) and it raised 20 bps in LRD/LAP & builder
- Cost of funds was contained to a considerable extent – increased 15 bps which was offset by passing on the hike.
- Raised INR 200 bn of NCD, CPs of INR 90 bn and retail deposits of INR 10 bn. INR150-180bn of borrowings repaid during the quarter.
- Despite tightness, have raised bonds in every tenor. CPs have been bought down to 5%. Working on ECB.
- **NCDs short term 2-year paper of 8.5% and 10 year paper at 8.7%. Bank borrowing rate is 8.5%.**
- Incremental cost of funds 8.38% & incremental yields 9.95%
- Entire off-take is now happening on floating rate side; very small of conversion is left (less than couple of %)

### With respect to asset quality

- **Asset quality was stable – 1.25. Individual NPLs risen by 12 bps to 0.93%** - largely due to delay but no chronic delinquency (no trend across geographies or customer profile or home loan or LAP)
- Corporate book – **recoveries in 5-6 small accounts of INR 700 mn – no slippages during the quarter**
- Currently it has 256 number of accounts in developer book – during the year added 38 developer accounts (6-7 in current quarter)

### Others

- All loans treated as financial instruments and any modification happens, then gain or loss needs to be booked in that particular quarter. When interest rate trajectory were on downside – as customers bargained for lower rates, the accounting happened in Q3FY18

### Company Description

LICHF is the fourth-largest mortgage finance company in India. It provides loans for homes, construction activities and corporate housing schemes. Almost ~94% of the company's loans are to retail customers and the balance >6% are to project developers. It has loan outstanding of ~INR1.9tn as at Q4FY19. It has nine regional offices, 23 back offices and 273 marketing offices covering over 450 locations. LIC India is its majority shareholder with 40% equity holding, followed by FIIs.

### Investment Theme

Despite concerns, LICHF has been able to deliver a steady core operating performance over FY19. Besides, strong parentage and comfortable liquidity lend it an edge vis-à-vis peers. Visibility is improving on asset growth and better margin, but asset quality risk in the current environment must be watched out for. We maintain 'BUY/SP'.

### Key Risks

Disbursements losing traction in individual loans.

NIMs may come under pressure if unable to pass on the pressure of increased funding cost.

Further stress in corporate developer segment in tough macro environment.



## Financial Statements

### Key Assumptions

Year to March	FY18	FY19E	FY20E	FY21E
<b>Macro</b>				
GDP(Y-o-Y %)	6.7	7.1	7.1	7.3
Inflation (Avg)	3.6	3.7	4.0	4.5
Repo rate (exit rate)	6.0	6.3	5.8	5.8
USD/INR (Avg)	64.5	70.0	72.0	72.0
<b>Sector</b>				
Credit growth	12.0	14.0	17.0	17.0
Bank's base rate (%)	9.0	9.0	9.0	9.0
Wholesale borr. cost (%)	8.5	8.5	8.5	8.5
G-sec yield	6.5	7.0	7.1	7.1
<b>Company</b>				
Yield on advances	9.6	9.6	9.5	9.5
Yield on investments	8.0	8.0	8.0	8.0
Cost of funds	8.2	8.2	8.4	8.6
Net interest margins	2.5	2.6	2.5	2.5
Employee cost growth	13.0	3.0	5.0	5.0
Other opex growth	8.0	5.0	10.0	10.0
Tax rate (%)	35.0	29.2	30.0	31.5
Disbursement growth	18.9	12.0	17.0	19.0
Disb. to sanction ratio	85.0	85.0	85.0	85.0
Repayment/prepay. rate	18.0	16.2	16.5	16.5
Ind. loans/total loans	95.0	92.8	92.3	92.3
Incremental slippage	1.3	1.3	1.3	1.3
Gross NPLs	0.8	1.5	1.7	1.9
Net NPLs	0.4	1.1	1.1	1.2
Provision coverage	45.4	30.5	35.0	38.5

### Income statement

(INR mn)

Year to March	FY18	FY19E	FY20E	FY21E
Interest income	148,259	173,531	206,239	247,051
Interest expended	111,247	128,924	155,151	187,937
Net interest income	37,012	44,607	51,089	59,114
Non interest income	2,321	2,610	3,312	3,849
- Fee & forex income	1,457	1,659	2,264	2,694
- Misc. income	864	952	1,048	1,155
Income from operations	39,333	47,217	54,401	62,963
Other income	150.00	150.00	150.00	150.00
Net revenues	39,483	47,367	54,551	63,113
Operating expense	6,475	6,875	7,465	8,109
- Employee exp	2,175	2,324	2,467	2,619
- Depn /amortisation	100	142	148	154
- Other opex	4,200	4,410	4,851	5,336
Preprovision profit	33,008	40,492	47,086	55,004
Provisions	2,389	6,167	7,169	8,135
Profit Before Tax	30,619	34,325	39,917	46,869
Less: Provision for Tax	10,723	10,014	11,975	14,764
Profit After Tax	19,896	24,311	27,942	32,105
Reported Profit	19,896	24,311	27,942	32,105
Shares o/s (mn)	505	505	505	505
Basic EPS (INR)	36.2	44.3	50.5	58.2
Diluted shares o/s (mn)	505	505	505	505
Adj. Diluted EPS (INR)	36.2	44.3	50.5	58.2
Dividend per share (DPS)	7.1	8.7	10.0	11.4
Dividend Payout Ratio(%)	21.1	21.1	21.1	21.1

### Growth ratios (%)

Year to March	FY18	FY19E	FY20E	FY21E
Revenues	2.6	20.0	15.2	15.7
NII growth	1.5	20.5	14.5	15.7
Opex growth	5.8	6.2	8.6	8.6
PPP growth	2.0	22.7	16.3	16.8
Provisions growth	(15.1)	158.2	16.3	13.5
Adjusted Profit	3.0	22.2	14.9	14.9

### Operating ratios

Year to March	FY18	FY19E	FY20E	FY21E
Yield on advances	9.6	9.6	9.5	9.5
Yield on assets	10.0	10.0	10.1	10.4
Cost of funds	8.2	8.2	8.4	8.6
Net interest margins	2.5	2.6	2.5	2.5
Spread	2.5	2.6	2.5	2.5
Cost-income	16.4	14.5	13.7	12.8
Tax rate	35.0	29.2	30.0	31.5

Balance sheet		(INR mn)			
As on 31st March	FY18	FY19E	FY20E	FY21E	
Share capital	1,010	1,010	1,010	1,010	
Reserves & Surplus	125,897	161,583	183,640	208,985	
Shareholders' funds	126,907	162,593	184,650	209,995	
Long term borrowings	1,162,712	1,364,968	1,599,697	1,882,980	
Short term borrowings	290,678	341,242	399,924	470,745	
Total Borrowings	1,453,390	1,706,210	1,999,621	2,353,725	
Long Term Liabilities	25,946	25,593	28,719	33,073	
Def. Tax Liability (net)	8,529	7,928	7,210	6,324	
<b>Sources of funds</b>	<b>1,614,773</b>	<b>1,902,324</b>	<b>2,220,201</b>	<b>2,603,118</b>	
Gross Block	1,733	1,808	1,883	1,958	
Net Block	931	901	852	780	
Intangible Assets	75	73	69	63	
Total Fixed Assets	1,006	974	921	843	
Non current investments	1,480	949	1,080	1,230	
Cash and Equivalents	37,923	39,933	42,424	45,322	
Loans & Advances	1,663,630	1,946,475	2,272,240	2,667,172	
Current assets (ex cash)	13,314	15,196	17,278	19,740	
Other assets	1,203	1,168	1,136	1,105	
Trade payable	438	432	485	558	
Other Current Liab	103,346	101,939	114,393	131,736	
Total Current Liab	103,784	102,371	114,877	132,294	
Net Curr Assets-ex cash	(90,470)	(87,175)	(97,600)	(112,554)	
<b>Uses of funds</b>	<b>1,614,773</b>	<b>1,902,324</b>	<b>2,220,201</b>	<b>2,603,118</b>	
BVPS (INR)	251.3	322.0	365.7	415.8	

Sanctions and disbursements		FY18	FY19E	FY20E	FY21E
Year to March					
Sanctions (INR mn)		580,918	650,512	761,099	905,707
Disbursements (INR mn)		493,780	552,935	646,934	769,851
Disb. to sanction ratio		85.0	85.0	85.0	85.0
Disbursements growth (%)		18.9	12.0	17.0	19.0
Sanctions growth (%)		18.9	12.0	17.0	19.0

RoE decomposition (%)		FY18	FY19E	FY20E	FY21E
Year to March					
Net int. income/assets		2.5	2.6	2.5	2.5
Non int. income/assets		0.2	0.2	0.2	0.2
Net revenues/assets		2.7	2.7	2.7	2.7
Operating expense/assets		0.4	0.4	0.4	0.3
Provisions/assets		0.2	0.4	0.4	0.3
Taxes/assets		0.7	0.6	0.6	0.6
Total costs/assets		1.3	1.3	1.3	1.3
ROA		1.3	1.4	1.4	1.3
Equity/assets		8.0	8.4	8.5	8.3
ROAE (%)		16.7	16.8	16.1	16.3

Valuation parameters		FY18	FY19E	FY20E	FY21E
Year to March					
Adj. Diluted EPS (INR)		36.2	44.3	50.5	58.2
Y-o-Y growth (%)		1.7	22.2	14.1	15.1
BV per share (INR)		251.3	322.0	365.7	415.8
Adj. BV per share (INR)		241.4	293.3	330.9	372.3
Diluted P/E (x)		13.4	10.9	9.6	8.3
P/B (x)		1.9	1.5	1.3	1.2
Price/ Adj. BV (x)		2.0	1.7	1.5	1.3
Dividend Yield (%)		1.5	1.8	2.1	2.4

## Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		P/B (X)		ROAE (%)	
		FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
LIC Housing Finance	3,521	9.6	8.3	1.3	1.2	16.1	16.3
Dewan Housing Finance	639	4.5	3.7	0.4	0.4	10.3	11.6
HDFC	49,764	18.0	15.0	2.5	1.9	16.0	17.6
Indiabulls Housing Finance	4,346	7.4	6.6	1.8	1.5	25.7	25.2
Magma Fincorp	492	10.3	8.8	1.0	0.9	10.1	10.6
Mahindra & Mahindra Financial Services	3,579	14.9	12.6	2.2	1.9	14.8	16.2
Manappuram General Finance	1,430	11.5	10.4	2.2	1.8	20.0	19.1
Muthoot Finance	3,462	11.7	10.4	2.2	1.9	20.8	20.0
Repco Home Finance	376	9.5	8.4	1.4	1.3	16.4	16.0
Rural Electrification Corporation	4,055	5.6	5.0	0.8	0.7	14.6	14.9
Shriram City Union Finance	1,512	9.1	7.8	1.4	1.2	16.9	17.0
Shriram Transport Finance	3,529	8.4	7.0	1.4	1.2	18.2	18.6
Median	-	9.5	8.4	1.4	1.2	16.2	16.6
AVERAGE	-	11.1	9.6	1.7	1.5	16.7	16.9

Source: Edelweiss research

## Additional Data

### Directors Data

M. R. Kumar	Chairman	Vinay Sah	Managing Director & CEO
Dharmendra Bhandari	Director	Jagdish Capoor	Director
Savita Singh	Director	V. K. Kukreja	Director
Ameet Patel	Director	Koteswara Rao	Director
Hemant Bhargava	Director		

Auditors - Shah Gupta & Co.

### Holding - Top 10

	Perc. Holding		Perc. Holding
Fidelity Investments	7.51	Bank Muscat	2.28
BlackRock	2.13	ICICI Prudential Asset Management	2.12
Vanguard Group	1.89	Norges Bank Investment Management	1.85
Dimensional Fund Advisors	1.60	NPS Trust	1.48
Fidelity International	1.32	BNP Paribas	1.17

*\*as per last available data*

### Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
28 Sep 2018	BNP PARIBAS ARBITRAGE	BUY	2648530	415.95

*\*in last one year*

### Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
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No Data Available

*\*in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Aavas Financiers	HOLD	SP	M	Aditya Birla Capital	BUY	SO	H
Axis Bank	HOLD	SP	M	Bajaj Finserv	HOLD	SP	L
Bank of Baroda	REDUCE	SU	M	Bharat Financial Inclusion	BUY	SO	L
Capital First	BUY	SP	M	DCB Bank	HOLD	SP	M
Dewan Housing Finance	BUY	SP	H	Equitas Holdings Ltd.	BUY	SO	M
Federal Bank	BUY	SO	L	HDFC	BUY	SO	L
HDFC Bank	BUY	SO	L	ICICI Bank	BUY	SO	L
IDFC Bank	BUY	SP	L	Indiabulls Housing Finance	BUY	SU	M
IndusInd Bank	BUY	SO	L	Karnataka Bank	BUY	SP	M
Kotak Mahindra Bank	BUY	SP	M	L&T FINANCE HOLDINGS LTD	BUY	SO	M
LIC Housing Finance	BUY	SP	M	Magma Fincorp	BUY	SO	M
Mahindra & Mahindra Financial Services	BUY	SP	M	Manappuram General Finance	BUY	SO	H
Max Financial Services	BUY	SO	L	Multi Commodity Exchange of India	HOLD	SU	M
Muthoot Finance	BUY	SO	M	Power Finance Corp	BUY	SO	M
Punjab National Bank	REDUCE	SU	M	Reliance Capital	BUY	SP	M
Repco Home Finance	HOLD	SU	M	Rural Electrification Corporation	BUY	SP	M
Shriram City Union Finance	BUY	SO	M	Shriram Transport Finance	BUY	SO	M
South Indian Bank	BUY	SO	M	State Bank of India	BUY	SO	L
Union Bank Of India	HOLD	SU	M	Yes Bank	HOLD	SU	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

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#### Recent Research

Date	Company	Title	Price (INR)	Recos
03-May-19	<b>Aavas Financiers</b>	Growth story compelling but pricey; <i>Result Update</i>	1,304	Hold
30-Apr-19	<b>Kotak Mahindra Bank</b>	FY19 ends well; armed for accelerated growth ; <i>Result Update</i>	1,387	Buy
30-Apr-19	<b>L&amp;T Finance Holdings</b>	Steady quarter; a few pockets need monitoring; <i>Result Update</i>	138	Buy

#### 1Distribution of Ratings / Market Cap

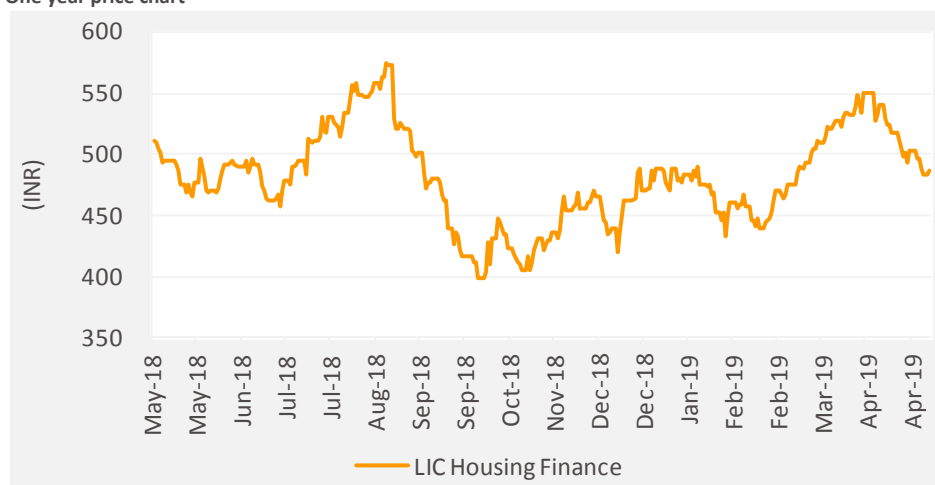
##### Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	229
* 1stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	156	62	11	

#### Rating Interpretation

Rating	Expected to
<b>Buy</b>	appreciate more than 15% over a 12-month period
<b>Hold</b>	appreciate up to 15% over a 12-month period
<b>Reduce</b>	depreciate more than 5% over a 12-month period

One year price chart



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