

REPCO HOME FINANCE

Modest core performance; valuation comfortable

India Equity Research | Banking and Financial Services

Repco Home Finance (RHF) posted in-line Q2FY20 PAT of INR1bn (up >50% YoY/QoQ), buoyed by lower tax and DTA mark-up while core performance was modest. Loan growth is soft and NIM is under pressure, but this was offset by lower credit cost that led to flat PBT. Key highlights: i) Soft disbursements – down ~10% YoY – led to sub-par AUM growth of about 11%. ii) Despite a seasonally strong quarter, GNPLs were flat QoQ at 4.2% (with rise in NPLs in non-salaried segment and weaker recovery). That said, decline in coverage (to 28% from 31% in Q1FY20) led to lower credit cost. Though asset quality trend remained soft, over past few years, underlying has been improving – SMA + GNPLs down to 10-11% (from 15-20% range earlier). A sluggish recovery in home market and systemic risk aversion would persist, but likely to be offset by momentum in non-home markets. The stock is trading at 0.9x FY21E P/BV, factoring in modest growth and weak real estate sentiment. Maintain 'BUY/SP' with a TP of INR460.

Growth soft as home market not out of woods; improvement key

Growth continued to be a challenge amid persistent pressure on AUM (grew sub-11%). This is largely attributable to Tamil Nadu, up merely 7% YoY (56% of book), which indicates slower recovery. That said, the non-home market is maintaining traction—Maharashtra up 23% YoY and Gujarat up 34% YoY; however, its proportion is still minuscule and sustained growth momentum is key.

GNPLs steady despite seasonally strong quarter; recovery soft

Contrary to historical trend wherein Q2 sees a dip in headline GNPLs, Q2FY20 marked steady GNPLs at 4.2% – salaried segment NPLs were flat at 1.5% but non-salaried segment saw a further rise to 6.5%. Management attributed this to delayed recovery trend (INR350mn recovered in October), and expects trend to correct in Q3FY20. While management has been highlighting sharpened recovery focus (ramping up collection team), the benefits haven't yet come through and volatility remains concerning.

Outlook and valuation: Risk reward favourable; maintain 'BUY'

We are positive on RHF's presence in an under-served market and grip on the self-employed segment. However, current challenges are likely to reset its near-term growth, which will moderate EPS growth. That said, post-correction, the stock is trading at 0.9 FY21E P/BV, rendering risk-reward favourable. Maintain 'BUY/SP'.

Financials		(INR mn)						
Year to March	Q2FY20	Q2FY19	Growth (%)	Q1FY20	Growth (%)	FY19	FY20E	FY21E
Net revenue	1,270	1,205	5.4	1,270	0.0	4,752	5,350	6,193
Net profit	1,006	666	51.1	624	61.3	2,346	3,187	3,463
Dil. EPS (INR)	16.1	10.7	50.3	10.0	61.3	37.5	50.9	55.4
Adj. BV (INR)						220.8	260.7	312.0
Price/ Adj book (x)						1.3	1.1	1.0
Price/ Earnings (x)						7.9	5.8	5.4

EDELWEISS 4D RATINGS

Absolute Rating	BUY
Rating Relative to Sector	Performer
Risk Rating Relative to Sector	Medium
Sector Relative to Market	Overweight

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

CMP	: INR 296
Target Price	: INR 460
52-week range (INR)	: 482 / 269
Share in issue (mn)	: 62.6
M cap (INR bn/USD mn)	: 19 / 259
Avg. Daily Vol.BSE/NSE('000)	: 527.4

SHARE HOLDING PATTERN (%)

	Current	Q1FY20	Q4FY19
Promoters *	37.1	37.1	37.1
MF's, FI's & BK's	26.1	51.0	25.4
FII's	26.8	0.6	23.4
Others	9.9	11.3	14.0
* Promoters pledged shares (% of share in issue)	:		NIL

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Banks and Financial Services Index
1 month	0.9	7.0	11.0
3 months	(0.9)	7.9	9.5
12 months	(25.8)	12.4	20.0

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November 13, 2019

Table 1: Key takeaways from Q2FY20 earnings

(INR mn)	Q2FY20	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	Comments
Interest income	3,317	2,909	14.0	3,282	1.1	
Interest expense	2,085	1,755	18.8	2,015	3.5	
Net interest income	1,232	1,154	6.8	1,267	(2.8)	
Non-interest income	38	51	(25.3)	3	NA	
Net revenues	1,270	1,205	5.4	1,270	0.0	Revenue momentum moderated due to subdued loan growth and NIM
Operating expenses	249	236	5.7	235	6.0	
-Staff expense	156	138	13.1	147	6.2	
-Depreciation	32	15	116.3	30	6.0	
-Other opex	62	83	(26.0)	58	5.5	
Operating profit	1,021	970	5.3	1,035	(1.3)	
Provisions	1	(35)	NA	75	(98.1)	Credit cost declined given reduction in coverage ratio
Profit before tax	1,020	1,004	1.6	960	6.2	
Tax expense	14	338	(96.0)	336	(96.0)	Lower tax expense due to DTA mark-up of ~INR140mn
Profit after tax	1,006	666	51.1	624	61.3	
EPS (INR)	16.1	10.7	50.3	10.0	61.3	
Key Metrics						
Loan book	1,14,959	1,03,820	10.7	1,13,421	1.4	Loan growth was softer, as home market continues to remain soft
Individual home loans	93,692	84,821	10.5	92,438	1.4	
Loans against property	21,267	18,999	11.9	20,983	1.4	
Disbursements	7,018	7,766	(9.6)	6,674	5.2	
Sanctions	6,945	8,340	(16.7)	6,981	(0.5)	
GNPA (%)	4.2	3.6		4.2		Asset quality did not improve despite Q2 being seasonally strong indicating weak recoveries
Housing loan	3.6	2.9		3.6		
LAP	6.8	6.2		6.9		

Source: Company, Edelweiss research

Table 2: Higher contribution from non-salaried—RHF's forte

Loan composition (%)	Q119	Q219	Q319	Q419	Q120	Q220
- Non Salaried	57.3	56.0	55.1	54.1	54.2	53.4
- Salaried	42.7	44.0	44.9	45.9	45.8	46.6
Loan mix (%)						
- Individual Home Loans	81.8	81.7	81.6	81.6	81.5	81.5
- Loans against Property	18.2	18.3	18.4	18.4	18.5	18.5

Source: Company

Table 3: NIMs under pressure; stability key

(%)	Q119	Q219	Q319	Q419	Q120	Q220
Yield on assets	11.4	11.4	11.4	11.3	11.7	11.6
Cost of funds	8.2	8.2	8.4	8.4	8.6	8.5
Spread	3.2	3.1	3.0	2.9	3.1	3.1
NIM	4.6	4.5	4.4	4.3	4.5	4.3

Source: Company

Table 4: Borrowing mix continues to be tilted towards banks borrowings

(%)	Q119	Q219	Q319	Q419	Q120	Q220
Banks	64.1	69.3	75.0	72.7	70.9	74.5
National Housing Bank	8.8	7.9	7.2	9.7	10.9	10.1
Repco Bank	7.5	7.5	7.9	8.6	7.9	7.9
NCDs	14.9	10.2	9.9	8.9	8.6	7.5
CPs	4.8	5.2	-	-	1.6	-

Source: Company

Financial snapshot

(INR mn)

Year to March	Q2FY20	Q2FY19	% change	Q1FY20	% change	YTD20	FY20E	FY21E
Interest income	3,317	2,909	14.0	3,282	1.1	6,598	13,263	15,343
Interest exp	2,085	1,755	18.8	2,015	3.5	4,100	8,320	9,602
Net int. inc. (INR mn)	1,232	1,154	6.8	1,267	(2.8)	2,498	4,944	5,742
Net revenues	1,270	1,205	5.4	1,270	0.0	2,540	5,350	6,193
Operating expenses	217	221	(1.6)	205	6.0	422	1,006	1,136
Staff costs	156	138	13.1	147	6.2	302	598	676
Other operating expenses	62	83	(26.0)	58	5.5	120	356	403
Provisions	1	(35)	NA	75	(98.1)	76	279	438
Depreciation	32	15	116.3	30	6.0	62	51	58
Profit before tax	1,020	1,004	1.6	960	6.2	1,980	4,065	4,618
Tax	14	338	(96.0)	336	(96.0)	350	878	1,154
PAT	1,006	666	51.1	624	61.3	1,630	3,187	3,463
Diluted EPS (INR)	16.1	10.7	50.3	10.0	61.3	26.1	50.9	55.4
Balance sheet data (INR mn)								
Loan book	114,959	103,820	10.7	113,421	1.4	114,959	125,718	145,696
Sanctions	6,945	8,340	(16.7)	6,981	(0.5)	13,926	48,114	60,143
Disbursements	7,018	7,766	(9.6)	6,674	5.2	13,692	30,802	37,578
GNPLs (%)	4.2	3.6		4.2		4.2	3.3	3.0
Valuation metrics								
B/V per share							291.5	341.3
Adj book value / share							260.7	312.0
Price/ Book (x)							1.0	0.9
Price/ Adj. book (x)							1.1	1.0
Price/ Earnings (x)							5.8	5.4

Q1FY20 earnings concall takeaway

With respect to asset quality

- While there has been quite some volatility in asset quality, the company is taking care to address it (having fully transitioned into IND-AS will also help).
 - Looking to address the issue by taking measures like some tie up with builders, diversification in other states/geographies etc.
- The company believe that the asset quality issue is more driven by behavioural factors of customers than deterioration in credit quality (~2,200 customer counts in NPA which is not significant) – have increased aggressiveness in recovery to influence customer behaviour.
- The recoveries under SARFAESI have been quite encouraging (~INR2bn till now, ~INR400mn in Q1FY20) – SARFAESI has been initiated for ~70% of the NPAs.
 - Recoveries due to sale of properties in ~INR450mn in FY19, ~INR10mn in Q1FY20.
- ~25% of the NPAs are INR10mn+ in ticket size which are mostly from southern geographies.
- For Tamil Nadu, the NPA stands at ~4.4% (56% of the book is in TN) - which translates to ~70% of overall NPAs.
- Overall net NPA is 2.7%.

With respect to liquidity/borrowings/margins

- The liquidity situation for the company is very comfortable and believes that its ready to meet any liquidity requirements, however costs have gone up given the broader risk aversion in the system.
- It maintains ~INR2bn worth of liquid assets on balance sheet (as lenders demand it – expect it to remain at similar levels) and has additional ~INR13bn+ utilities bank lines available (discussions on for more).
- The company believe that the cost of borrowings has peaked out and the benefit of having 90% book as PSL compliant will start flowing in.
- The average bank borrowing rate is ~8.8% (vs. 8.2% YoY) with funding available from large banks as well and the increased costs have been passed on to the customers.
 - The minimum lending rate has gone up to 9.35% vs. 8.3% in April 2018.
- Funding through commercial paper has also been availed at cost of ~7% for short duration paper.
- Based on 30 days inflows/outflows, the LCR stands more than 200%.
- The company has not availed the sell-down under partial credit guarantee scheme as the costs are higher than average borrowing costs and the overall economics is not attractive.
- Incremental spreads for Q1FY20 were ~2.63% and are currently at similar level. The company has target of 3% +/- 10bps spread target and is confident of achieving it (may be by adjusting product mix).
- Incremental yields are – 10.6% for home loans, 13.3% for LAP, 11.2% blended.

With respect to growth and strategy

- While there are macro headwinds, the company aims to grow at 13% to 15% in FY20 – expecting repayments and disbursements to pick up in coming quarters.
 - It factors in sub-10% growth for Tamil Nadu. Kerala is also facing slow-down but the company has not yet gone slow here.
- The state of TN (56% book) is facing slow-down (autos, real estate, etc.) but the company expect the situation to improve (need government intervention).
- The company believes that it is one of the better placed players in the sector given its 100% retail book, comfortable liquidity, strong management team, etc.
- It remains confident of overall credit picking up in coming quarters) and would meanwhile focus on strengthening the balance sheet.
- The competition from other housing finance companies has reduced significantly, however, banks have gone quite aggressive in the segment. But the company remains confident of its pricing power.

With respect to other highlights

- Disbursement split between home loans and LAP – INR5.2bn and INR1.5bn respectively.
- New branches are opened with 2-3 employees – so employee expense does not get impacted much – will look to maintain it at current levels (in terms of %).
 - Target of maintain cost-income ratio below 20%.
 - ~15% sourcing is through DSAs.

Company Description

RHF is a housing finance company registered with the NHB and headquartered in Chennai, Tamil Nadu. It is promoted by the Government of India-owned The Repatriates Cooperative Finance and Development Bank (Repco Bank) and was incorporated in April 2000. As of September 2019, RHF had 148 branches and 27 satellite centres located in 12 states and 1 Union Territory, including Tamil Nadu, Karnataka, Andhra Pradesh, Kerala, Maharashtra, Odisha, West Bengal, Gujarat, Madhya Pradesh, Jharkhand, Rajasthan and the Union Territory of Puducherry. Further, two-thirds of its centres are located in Tier II/III cities. The company's marketing strategy consists of advertising via loan camps and word-of-mouth referrals from existing customers. As a result, most of its customers are walk-ins and the company does not use marketing intermediaries. Branches source loans and carry out the preliminary checks on credit worthiness of the borrower, post which the application is sent to the centralised processing unit for approval. Branches are also responsible for assistance in documentation, disbursing loans and in monitoring repayments and collections.

Investment Theme

We are positive on RHF's presence in an under-served market and grip on the self-employed segment. However, current challenges are likely to reset its near-term growth, which will moderate EPS growth. That said, post-correction, the stock is trading at 0.9 FY21E P/BV, rendering risk-reward favourable. Maintain **'BUY/SP'**.

Key Risks

- **Slowdown in real estate sector:** RHF is present in 12 states. Currently, Tamil Nadu contributes over >55% to its loan book. Any further slowdown in the real estate sector, especially in Tamil Nadu, will negatively impact growth and earnings.
- **Regulatory risk:** RHF is regulated by the National Housing Bank (NHB), a wholly-owned subsidiary of the Reserve Bank of India (RBI). Adverse regulatory change will negatively impact growth and profitability of the company.

Financial Statements

Key Assumptions

Year to March	FY18	FY19	FY20E	FY21E
Macro				
GDP(Y-o-Y %)	7.2	6.8	6.3	6.8
Inflation (Avg)	3.6	3.4	3.7	4.0
Repo rate (exit rate)	6.0	6.3	4.5	4.5
USD/INR (Avg)	64.5	70.0	71.0	71.0
Sector				
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
Company				
Operating metric assumptions (%)				
Yield on advances	11.4	11.1	11.2	11.3
Cost of funds	8.3	8.3	8.4	8.4
Spread	3.1	2.9	2.9	2.9
Employee cost growth	13.1	20.0	2.2	13.0
Other opex growth	25.6	32.9	2.2	13.0
Tax rate (%)	34.4	34.8	21.6	25.0
Dividend payout	6.8	6.7	7.0	10.0
Balance sheet assumption (%)				
Disbursement growth	6.2	7.6	2.0	22.0
Repayment/prepay. rate	21.1	18.7	14.0	14.0
Gross NPLs	2.9	3.0	3.3	3.0
Net NPLs	1.3	1.9	2.2	1.8

Income statement

(INR mn)

Year to March	FY18	FY19	FY20E	FY21E
Interest income	10,731	11,634	13,263	15,343
Interest expended	6,484	7,200	8,320	9,602
Net interest income	4,247	4,434	4,944	5,742
- Fee & forex income	347	318	407	451
Net revenues	4,594	4,752	5,350	6,193
Operating expense	781	984	1,006	1,136
- Employee exp	488	585	598	676
- Depn /amortisation	31	50	51	58
- Other opex	262	349	356	403
Preprovision profit	3,813	3,768	4,344	5,056
Provisions	670	170	279	438
Profit Before Tax	3,143	3,598	4,065	4,618
Less: Provision for Tax	1,082	1,252	878	1,154
Profit After Tax	2,061	2,346	3,187	3,463
Reported Profit	2,061	2,346	3,187	3,463
Shares o /s (mn)	63	63	63	63
Basic EPS (INR)	32.9	37.5	50.9	55.4
Diluted shares o/s (mn)	63	63	63	63
Adj. Diluted EPS (INR)	32.9	37.5	50.9	55.4
Dividend per share (DPS)	2.2	2.5	3.6	5.5
Dividend Payout Ratio (%)	6.8	6.7	7.0	10.0

Growth ratios (%)

Year to March	FY18	FY19	FY20E	FY21E
Revenues	15.0	3.4	12.6	15.7
NII growth	15.3	4.4	11.5	16.1
Opex growth	15.6	26.0	2.2	13.0
PPP growth	14.8	(1.2)	15.3	16.4
Provisions growth	29.2	(74.7)	64.4	57.1
Adjusted Profit	13.1	13.8	35.8	8.7

Operating ratios

Year to March	FY18	FY19	FY20E	FY21E
Yield on advances	11.4	11.1	11.2	11.3
Cost of funds	8.3	8.3	8.4	8.4
Net interest margins	4.7	4.4	4.3	4.3
Spread	3.1	2.9	2.9	2.9
Cost-income	17.0	20.7	18.8	18.4
Tax rate	34.4	34.8	21.6	25.0

Balance sheet		(INR mn)			
As on 31st March	FY18	FY19	FY20E	FY21E	
Share capital	626	626	626	626	
Reserves & Surplus	12,657	14,648	17,612	20,729	
Shareholders' funds	13,283	15,274	18,238	21,355	
Long term borrowings	62,044	70,752	81,182	93,628	
Short term borrowings	19,326	22,038	25,286	29,163	
Total Borrowings	81,370	92,790	106,468	122,791	
Long Term Liabilities	2,381	2,265	1,207	1,399	
Def. Tax Liability (net)	497	(520)	(260)	38	
Sources of funds	97,531	109,809	125,652	145,582	
Gross Block	179	179	179	179	
Net Block	104	120	120	120	
Intangible Assets	31	35	35	35	
Total Fixed Assets	135	155	155	155	
Non current investments	156	220	81	81	
Cash and Equivalents	259	576	503	583	
Loans & Advances	98,568	110,368	125,718	145,696	
Other Current Liab	1,587	1,510	805	932	
Total Current Liab	1,587	1,510	805	932	
Net Curr Assets-ex cash	(1,587)	(1,510)	(805)	(932)	
Uses of funds	97,531	109,809	125,652	145,582	
BVPS (INR)	212.3	244.1	291.5	341.3	

RoE decomposition (%)

Year to March	FY18	FY19	FY20E	FY21E
Net int. income/assets	4.7	4.4	4.3	4.3
Net revenues/assets	5.0	4.7	4.6	4.6
Operating expense/assets	0.9	1.0	0.9	0.8
Provisions/assets	0.7	0.2	0.2	0.3
Taxes/assets	1.2	1.2	0.8	0.9
Total costs/assets	2.8	2.4	1.9	2.0
ROA	2.3	2.3	2.8	2.6
Equity/assets	13.5	14.1	14.5	14.8
ROAE (%)	16.7	16.4	19.0	17.5

Valuation parameters

Year to March	FY18	FY19	FY20E	FY21E
Adj. Diluted EPS (INR)	32.9	37.5	50.9	55.4
Y-o-Y growth (%)	13.1	13.8	35.8	8.7
BV per share (INR)	212.3	244.1	291.5	341.3
Adj. BV per share (INR)	198.1	220.8	260.7	312.0
Diluted P/E (x)	9.0	7.9	5.8	5.4
P/B (x)	1.4	1.2	1.0	0.9
Price/ Adj. BV (x)	1.5	1.3	1.1	1.0
Dividend Yield (%)	0.8	0.8	1.2	1.9

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		P/B (X)		ROAE (%)	
		FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Repco Home Finance	259	5.8	5.4	1.0	0.9	19.0	17.5
Aavas Financiers	1,680	45.9	35.3	5.7	4.9	13.3	15.0
HDFC	53,822	23.7	18.2	2.7	2.5	16.6	15.8
Indiabulls Housing Finance	1,423	4.3	4.4	0.7	0.6	15.9	14.8
L&T Finance Holdings	2,761	9.3	6.6	1.3	1.2	15.3	18.8
LIC Housing Finance	3,107	8.6	6.6	1.2	1.1	15.0	17.2
Magma Fincorp	179	7.8	3.2	0.4	0.3	5.1	11.4
Mahindra & Mahindra Financial Services	2,871	16.6	11.5	1.8	1.7	11.2	15.2
Manappuram Finance	1,969	14.1	11.1	2.8	2.3	21.4	22.7
Muthoot Finance	3,743	12.2	10.8	2.5	2.1	22.1	21.3
Power Finance Corp	4,154	5.1	4.3	0.6	0.6	13.1	13.9
REC	3,871	5.0	4.4	0.7	0.7	15.4	16.3
Shriram City Union Finance	1,221	7.2	6.3	1.2	1.0	17.7	17.4
Shriram Transport Finance	3,545	8.4	7.2	1.5	1.2	18.7	18.6
Median	-	8.5	6.6	1.3	1.1	15.7	16.8
AVERAGE	-	12.8	10.3	1.9	1.6	15.7	16.9

Source: Edelweiss research

Additional Data

Directors Data

T.S. KrishnaMurthy	Chairman	Yashpal Gupta	Managing Director
G.R. Sundaravadivel	Director	V. Nadasabapathy	Director
L. Munishwar Ganesan	Director	R.S. Isabella	Director
Dinesh Ponraj Oliver	Director	K.Sridhar	Director
Sumithra Ravichandran	Director		

Auditors - S.R. Batliboi & Associates LLP

**as per last annual report*

Holding - Top 10

	Perc. Holding		Perc. Holding
HDFC Asset Management	6.70	Franklin Templeton Asset Management	6.18
Aditya Birla Sun Life	5.96	India Capital Fund	5.92
AXA SA	5.01	DSP Investment Managers	4.44
Pabrai Investment Funds	4.31	AllianceBernstein	3.00
Dimensional Fund Advisors	2.25	Apax Global Alpha	2.12

**as per last available data*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
30 Nov 2018	THE PABRAI INVESTMENT FUND IV LP	SELL	684000	338.17
29 Nov 2018	THE PABRAI INVESTMENT FUND IV LP	SELL	948535	335.92

**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
Aavas Financiers	HOLD	SP	M	Aditya Birla Capital	BUY	SO	H
Axis Bank	BUY	SO	M	Bajaj Finserv	REDUCE	SU	L
Bank of Baroda	REDUCE	SU	M	DCB Bank	HOLD	SP	M
Equitas Holdings	BUY	SO	M	Federal Bank	BUY	SO	L
HDFC	BUY	SO	L	HDFC Bank	BUY	SO	L
ICICI Bank	BUY	SO	L	IDFC FIRST Bank	BUY	SP	L
Indiabulls Housing Finance	HOLD	SU	M	IndusInd Bank	BUY	SO	L
Kotak Mahindra Bank	BUY	SP	M	L&T Finance Holdings	HOLD	SP	M
LIC Housing Finance	BUY	SO	M	Magma Fincorp	BUY	SP	M
Mahindra & Mahindra Financial Services	BUY	SP	M	Manappuram Finance	HOLD	SU	H
Max Financial Services	BUY	SO	L	Multi Commodity Exchange of India	HOLD	SU	M
Muthoot Finance	BUY	SO	M	Power Finance Corp	BUY	SP	M
Punjab National Bank	REDUCE	SU	M	Repco Home Finance	BUY	SP	M
REC	HOLD	SU	M	Shriram City Union Finance	BUY	SP	M
Shriram Transport Finance	BUY	SO	M	South Indian Bank	BUY	SP	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

Aavas Financiers, Aditya Birla Capital, AU Small Finance Bank Ltd, Axis Bank, Bajaj Finserv, Bank of Baroda, DCB Bank, Equitas Holdings, Federal Bank, HDFC, HDFC Bank, HDFC Life Insurance Company Ltd, ICICI Bank, ICICI Lombard General Insurance Company Ltd, IDFC FIRST BANK, Indiabulls Housing Finance, IndusInd Bank, ICICI Prudential Life Insurance Company Ltd, Kotak Mahindra Bank, LIC Housing Finance, L&T Finance Holdings, Max Financial Services, Multi Commodity Exchange of India, Manappuram Finance, Magma Fincorp, Mahindra & Mahindra Financial Services, Muthoot Finance, Punjab National Bank, Power Finance Corp, REC, Repco Home Finance, SBI Life Insurance Company Ltd, 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
08-Nov-19	Bank of Baroda	Long road ahead; <i>Result Update</i>	94	Reduce
08-Nov-19	Magma Fincorp	Tough quarter; valuation comfort; <i>Result Update</i>	47	Buy
07-Nov-19	Aditya Birla Capital	Systemic concerns but navigating well; <i>Result Update</i>	85	Buy

Distribution of Ratings / Market Cap

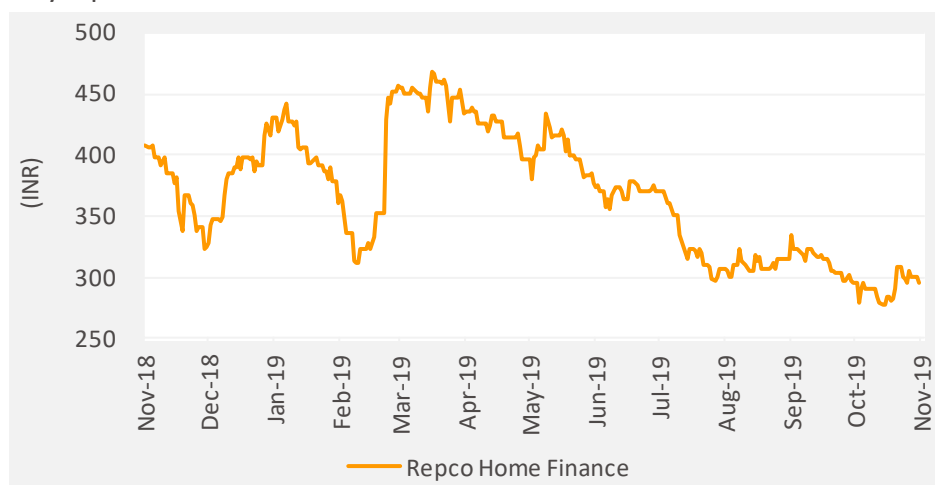
Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240
* 1stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	156	62	11	

Rating Interpretation

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

One year price chart



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