

MUTHOOT FINANCE

Purple patch continues

India Equity Research | Banking and Financial Services

Muthoot Finance (Muthoot) beat Q1FY21 earnings estimates due to a strong top line and opex savings. Gold loan AUM saw a marginal, but nevertheless less-than-expected, dip QoQ (6% QoQ fall in gold holdings nearly mitigated by an equivalent rise in AUM/gm). However, superior NIM (normalised for lower penal collections) supported revenue traction. GNPL rose to 2.6% (2.2% in FY20) given lower auctions. Other businesses—home finance, Belstar and insurance broking—understandably decelerated due to adverse circumstances. The current environment offers unique growth and asset safety tailwinds to gold financing—a rarity amongst lenders. Super-normal profitability (RoE potential of >25%), strengthening gold price tailwind and low asset quality risks compel us to increase target multiple to 3.1x FY22E P/B (2.5x earlier). This represents the very upper-end of our comfort zone—gold financing is after all a mature credit category. Simultaneously, we see little competitive threat from banks being allowed to increase gold loan LTV to 90% from 75% due to non-overlapping customer base and operational challenges of processing gold loans at scale. Overhang of non-core businesses (~12% of AUM) remains the key risk. Maintain 'BUY' with revised TP of INR1,450 (earlier INR1,160).

Growth steady; tailwinds in place as gold price dazzles

Gold loan AUM came in at INR405bn (marginally down QoQ), but still better than our estimate. Gold price tailwind helped, reflected in >22% YoY/6% QoQ rise in AUM per gram. The company has already gained strong business momentum and expects to maintain 15% growth for FY21, which we believe will be surpassed given gold price tailwinds. We have built in 23%/21% loan growth estimates for FY21/FY22.

Core momentum to sustain

Despite lower penal interest and a negative carry of higher liquidity, ~14% margin underscore pricing power, with paucity of competition from in-group (other gold jewellery financiers) as well as substitute products. We estimate core NIM to expand by ~50bps by FY22. Operating economies should support an impressive earnings trajectory.

Outlook and valuation: Richly valued; maintain 'BUY'

We see a unique medium-term combination of strong growth and an impressive RoE of 28%, not to mention the low asset quality risk—the biggest draw in current circumstances. Valuations do materially reflect this robustness. We maintain 'BUY/SP'.

Financials

	(INR mn)							
Year to March	Q1FY21	Q1FY20	Growth (%)	Q4FY20	Growth (%)	FY20E	FY21E	FY22E
Net revenue	15,139	12,171	24.4	16,326	(7.3)	59,226	71,309	85,982
Net profit	8,407	5,300	58.6	8,151	3.1	30,115	37,099	46,437
Dil. EPS (INR)	20.9	13.2	58.6	20.3	3.1	75.3	92.8	116.1
Adj. BV (INR)						275.1	349.5	446.2
Price/ Adj book (x)						4.6	3.6	2.8
Price/ Earnings (x)						16.7	13.5	10.8

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: MUTT.BO, B: MUTH IN)

CMP	: INR 1,238
Target Price	: INR 1,450
52-week range (INR)	: 1,406 / 477
Share in issue (mn)	: 401.1
M cap (INR bn/USD mn)	: 497 / 2,444
Avg. Daily Vol.BSE/NSE('000)	: 1,410.4

SHARE HOLDING PATTERN (%)

	Current	Q4FY20	Q3FY20
Promoters *	73.4	73.4	73.4
MF's, FI's & BK's	7.3	7.1	7.8
FII's	14.6	14.4	14.5
Others	4.7	5.1	4.2
* Promoters pledged shares (% of share in issue)	:	NIL	

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Banks and Financial Services Index
1 month	12.4	2.7	(3.5)
3 months	49.3	10.5	(3.2)
12 months	107.3	(1.0)	(25.0)

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Performance of subsidiaries

- **Muthoot Homefin:** Growth moderated during the quarter amid the challenging business environment—loan book was flat QoQ at ~INR19.8bn. The focus within this vertical continues to be on extending affordable housing finance, particularly to economically weaker section (EWS) and lower income group (LIG) customers. Given the challenging environment, focus on other businesses is likely to be muted.
- **Belstar Investment and Finance's** loan portfolio stood at INR25.7bn (down >2% QoQ) with 603 branches spread across Tamil Nadu, Karnataka, Madhya Pradesh, Maharashtra, Kerala, Chattisgarh, Odisha, Gujarat, Rajasthan, Bihar, Uttar Pradesh, and one Union Territory (Puducherry). Revenue for the quarter stood at INR1.2bn, which translated into PAT of INR145mn (INR221mn in Q4FY20).
- **Muthoot Insurance Brokers** clocked softer growth with premium collection of INR443mn (down >25% YoY).
- **Asia Asset Finance's** loan portfolio contracted 3% QoQ to LKR13.5bn with 29 branches across Sri Lanka. Revenue came in at LKR697mn (down >12% YoY); however, it reported a loss of LKR17mn.

Table 1: Q1FY21 earnings--Key takeaways

(INR mn)	Q1FY21	Q1FY20	YoY (%)	Q4FY20	QoQ (%)	Comments
Interest income	23,160	18,274	26.7	23,506	(1.5)	
Interest expense	8,715	6,416	35.8	7,700	13.2	
Net interest income	14,445	11,858	21.8	15,806	(8.6)	
Non-interest income	694	313	121.8	520	33.4	
Net revenues	15,139	12,171	24.4	16,326	(7.3)	Revenue traction continued following strong growth and superior NIIIMs
Operating expenses	3,738	3,972	(5.9)	5,304	(29.5)	
-Staff expense	2,362	2,295	2.9	3,088	(23.5)	
-Depreciation	99	96	3.5	122	(18.9)	
-Other opex	1,277	1,581	(19.2)	2,094	(39.0)	
Operating profit	11,400	8,199	39.0	11,021	3.4	
Provisions	146	33	NM	48	205.3	Asset quality continues to be steady
Profit before tax	11,255	8,166	37.8	10,974	2.6	
Tax expense	2,847	2,866	(0.7)	2,822	0.9	
Profit after tax	8,408	5,300	58.6	8,152	3.1	
EPS (INR)	20.9	13.2	58.6	20.3	3.1	

Source: Company, Edelweiss research

Table 1: Q1FY21 earnings--Key takeaways (Contd...)

(INR mn)	Q1FY21	Q1FY20	YoY (%)	Q4FY20	QoQ (%)	Comments
Key Metrics						
Gross retail loan AUM	4,12,957	3,58,159	15.3	4,16,106	(0.8)	AUM growth picked up sharply following gold price tailwinds
Gold loans	4,04,949	3,51,708	15.1	4,07,724	(0.7)	
Other loans	8,008	6,451	24.1	8,382	(4.5)	
Gold holding (tonnes)	165	176	(6.3)	176	(6.3)	
Subsidiaries						
Asia Asset Finance						
Loan portfolio (LKR)	13,481	12,904	4.5	13,839	(2.6)	
PAT (LKR)	(17)	25	(168.0)	(20)	(15.0)	
Muthoot Homefin						
Loan portfolio	19,787	19,875	(0.4)	19,769	0.1	
PAT	4	62	(93.5)	12	(66.7)	
Muthoot Insurance Brokers						
Premium collection	443	606	(26.9)	1,063	(58.3)	
PAT	42	27	55.6	(14)	(400.0)	
Belstar Investment & Finance						
Loan portfolio	25,754	19,385	32.9	26,310	(2.1)	
PAT	145	229	(36.7)	221	(34.4)	

Source: Company, Edelweiss research

Table 2: Trades at 2.7x FY22E P/BV for RoE (consol) at 25% plus

	Standalone				Consolidated			
	FY19	FY20E	FY21E	FY22E	FY19	FY20E	FY21E	FY22E
Net profit (INR mn)	19,721	30,115	37,099	46,437	21,157	31,598	38,743	48,360
Networth (INR mn)	91,709	1,14,804	1,45,117	1,84,184	93,145	1,16,288	1,46,762	1,86,106
RoAUM (%)	6.3	8.1	8.1	8.3	5.2	5.0	6.2	6.3
RoE (%)	23.3	29.2	28.5	28.2	24.6	30.2	29.5	29.1
EPS (INR)	49.3	75.3	92.8	116.1	52.9	79.0	96.9	120.9
Book value (INR)	229.6	287.4	363.2	461.0	232.9	290.7	366.9	465.3
Diluted P/E	25.5	16.7	13.5	10.8	14.1	9.5	13.0	10.4
P/BV	5.5	4.4	3.5	2.7	3.2	2.6	3.4	2.7

Source: Company, Edelweiss research

Table 3: Asset quality remains benign

(INR mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Stage 3 loan asset	11,474	12,267	9,769	8,992	10,553
% Stage 3 asset on gross loan asset	3.2	3.4	2.5	2.2	2.6
ECL provision	6,896	7,014	7,178	5,427	5,538
ECL provision as % of gross loan assets	1.9	2.0	1.9	1.3	1.3
Excess provision outstanding in books	1,199	1,199	1,191	2,954	2,954

Source: Company

Chart 1: Superior NIM helps sustain revenue traction

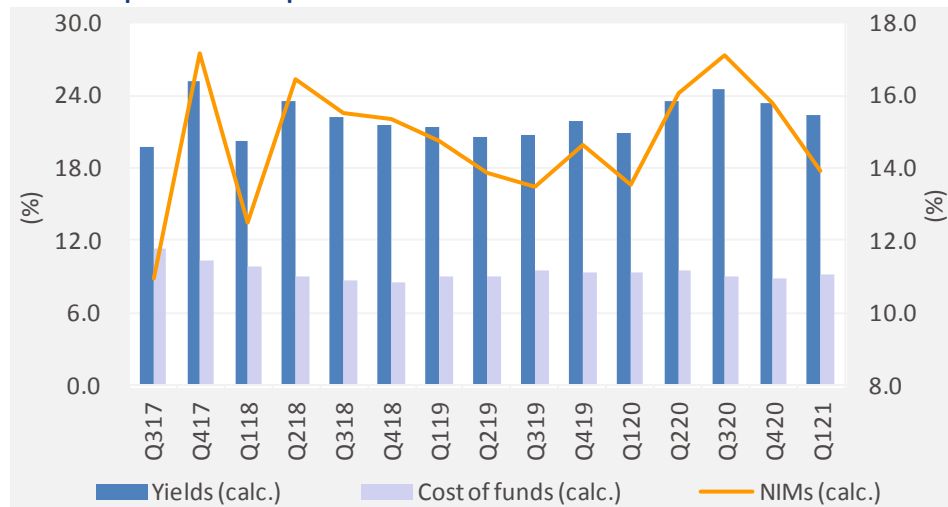


Chart 2: Borrowings composition

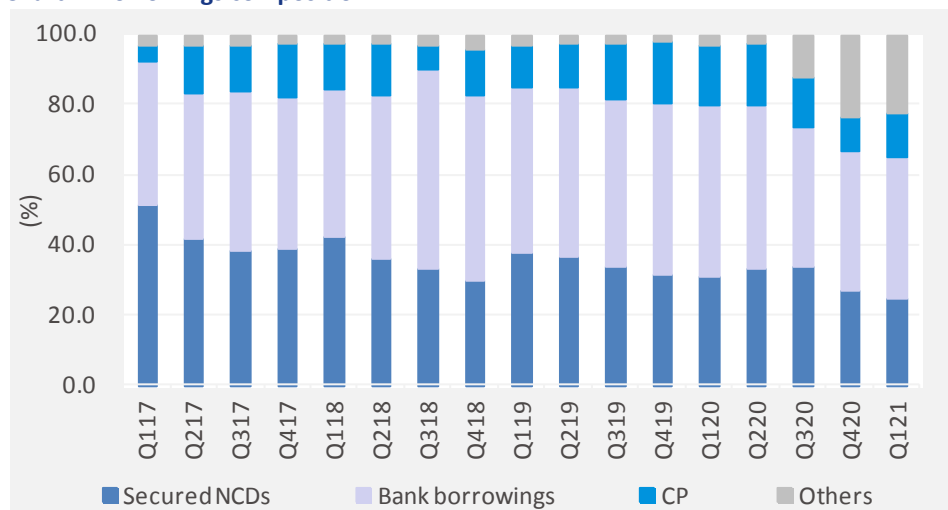
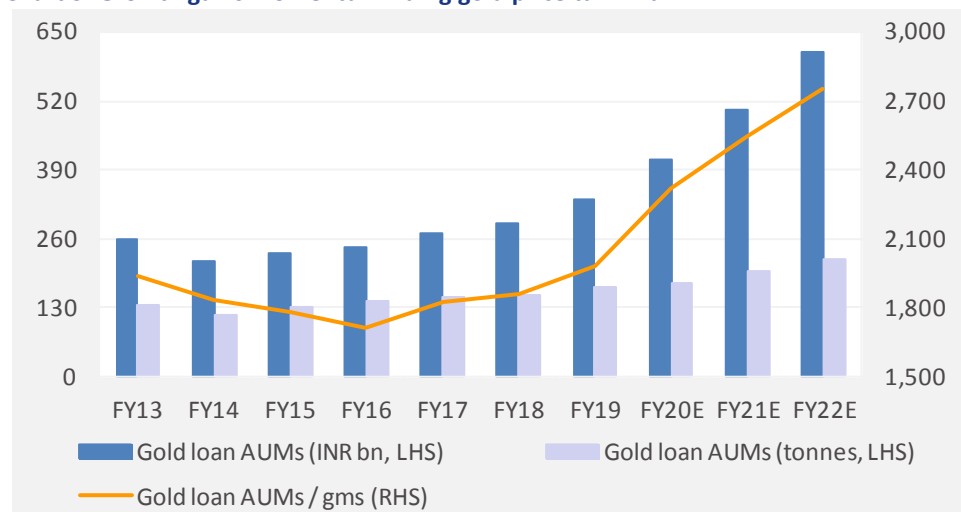
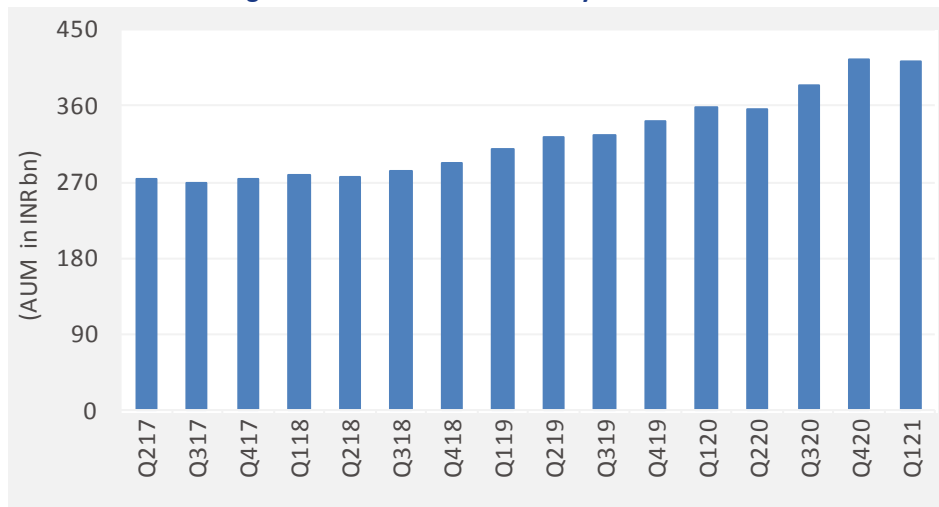
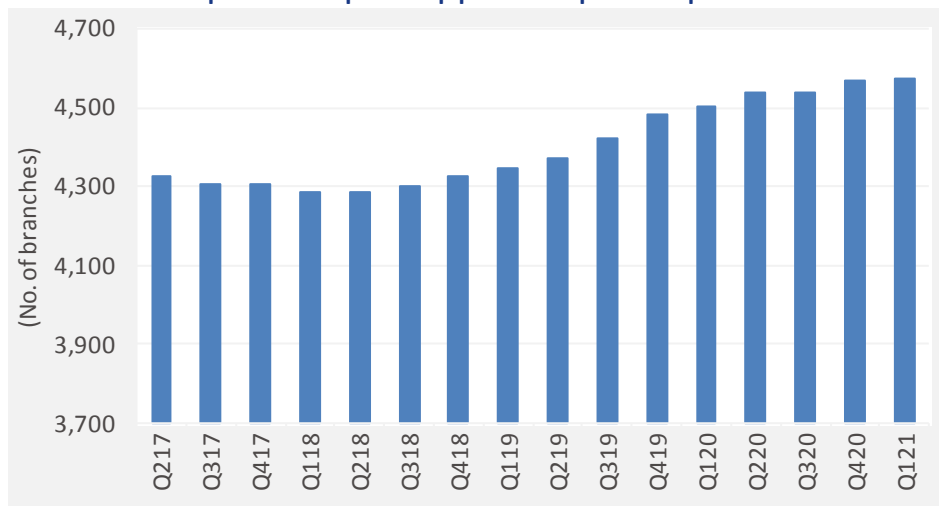
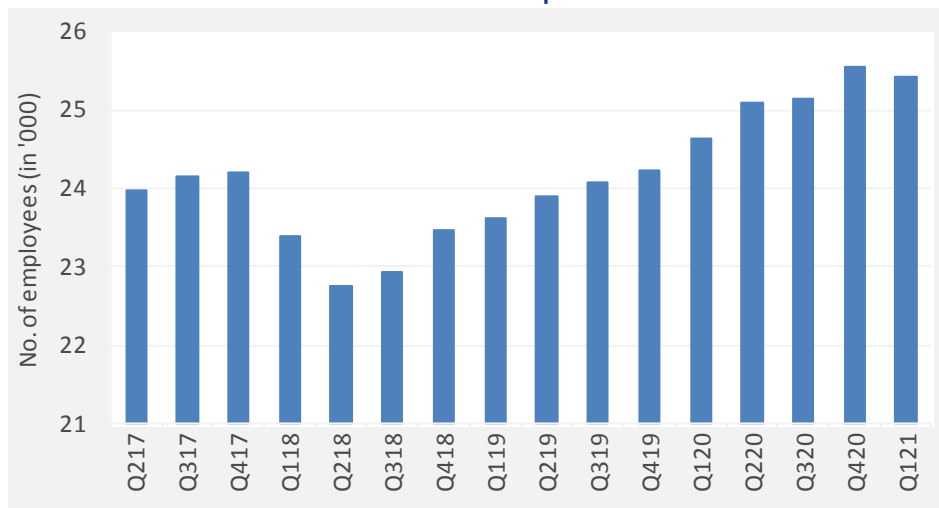


Chart 3: Growth gains momentum riding gold price tailwind



Source: Company, Edelweiss research

Chart 4: Consolidated growth traction to be relatively softer for other businesses

Chart 5: Branch expansion has picked up pace since past few quarters

Chart 6: Headcount moves in line with branch expansion


Source: Company, Edelweiss research

Financial snapshot

(INR mn)

Year to March	Q1FY21	Q1FY20	% change	Q4FY20	% change	FY20	FY21E	FY22E
Operating income	23,160	18,274	26.7	23,506	(1.5)	85,650	102,300	122,958
Interest expanded	8,715	6,416	35.8	7,700	13.2	28,008	32,653	38,723
Other income	694	313	121.8	520	33.4	1,584	1,663	1,746
Net revenues	15,139	12,171	24.4	16,326	(7.3)	59,226	71,309	85,982
Operating expenses	3,639	3,876	(6.1)	5,182	(29.8)	17,360	19,158	21,261
Pre-provision profit	11,499	8,295	38.6	11,143	3.2	41,865	52,151	64,721
Provisions & write-offs	146	33	342.5	48	205.3	956	1,811	1,895
Operating profit	11,354	8,262	37.4	11,096	2.3	40,909	50,340	62,826
Depreciation	99	96	3.5	122	(18.9)	433	543	495
Profit before tax	11,254	8,166	37.8	10,973	2.6	40,477	49,797	62,331
Tax	2,847	2,866	(0.7)	2,822	0.9	10,362	12,698	15,895
PAT	8,407	5,300	58.6	8,151	3.1	30,115	37,099	46,437
Diluted EPS (INR)	20.9	13.2	58.6	20.3	3.1	75.3	92.8	116.1
Branches (No.)	4,573	4,502		4,567		4,567	4,667	4,767
Employees (No.)	25,430	24,644		25,554		25,224	25,776	26,329
AUM	404,949	351,708		407,724		407,724	504,148	611,761

Ratios

Gross NPA - Gold loan(%)	-	-		-		8,806.8	10,083.0	11,011.7
Tax rate (%)	25.3	35.1		25.7		25.6	25.5	25.5
B/V per share (INR)	-	-		-		287.4	363.2	461.0
Adj book value / share	-	-		-		275.1	349.5	446.2
Price/ Book (x)	-	-		-		4.4	3.5	2.7
Price/ Adj. book (x)	-	-		-		4.6	3.6	2.8
Price/ Earnings	-	-		-		16.7	13.5	10.8

Q1FY21 Earnings Call Takeaway

With respect to current performance

Aspires to achieve a 15% growth in AUM in FY21

- Gold loan will be growing well while other lines have low prospects for this year
- Disbursements are almost nil in all other lines of business except gold loans; Only collections are happening in non-gold business lines
- Plan to open around 250 branches in the next 12 months as the company remains bullish on the growth prospects of gold loans
- Competition for gold loans from Banks and other lenders has always existed; Management is not very worried as these small ticket businesses take time to specialize
- Not in favor of auctioning gold and returning money to customers (even where due amount is pending for 12 months)
 - It hurts customer relationship and
 - The company is protected by the value of gold
- Digital conversion of customers is gaining traction as share of transacting customers is up from 19% to 40% post-pandemic
- Linked 10 lakh customer bank accounts with the systems of the company in Q1FY21
- Launched a new product called gold unlock – where the company values gold, keeps it in a locker and provided loans against the same, if required; The storage of gold is fully insured
- Offering a Covid-19 cover of INR1lakh to customers at a nominal cost of Re 1; This also helps in building loyalty
- Comfortable liquidity position maintained since IL&FS crisis and all debt commitments are being fulfilled on time. Not opted for moratoriums from any lenders
 - Liquidity buffer of INR85mn
 - No major repayments due in the next 6 months
- Collection efficiency has consistently increased on a month on month basis; For July, it was 76%
- Top ups have been higher compared to earlier scenario; However, there is sufficient room to grow with the current LTV level of 54%
- Repeat customers are close to 80% in Q1FY21; These are not customers renewing their loans but taking new loans. For example, an existing customer who does not have any active loan may decide to take a fresh loan
- For fresh loans, demand is from both new customers as well as existing ones
- Tonnage is lesser as new customers require lesser gold to borrow the same amount as before; Tonnage is also a function of the gold price
- Range of interest rate charges is 11.99% to 23% with overall book more tilted towards higher end of range
- Average duration of loans is 3-5 months

With respect to subsidiary

For all subsidiaries, fresh capital injection should not be needed in FY21 as the company will not push for aggressive growth opportunities

- Growth prospects are dim for FY21
- Disbursement policy will be calibrated after taking into account the on ground situation, once moratorium is over

Company Description

Muthoot is the largest gold-financing NBFC with an operating history of more than 70 years when M George Muthoot (father of promoters) founded a gold loan business in 1939. At present, it is a closely held family-owned business with promoters (sons of M. George Muthoot and their family) continuing to hold a substantial stake. Headquartered in Kerala, the gold loan NBFC has a network of 5,190 branches, with majority located in southern India. Muthoot has created a leadership position in lending against gold jewellery with AUMs of ~INR357bn.

The Muthoot group has interests in diversified businesses in areas of hospitality, media, education, healthcare, information technology, etc. However, gold loans continue to be the mainstay; hence Muthoot Finance continues to be the flagship company.

Investment Theme

Muthoot's outlook supported by a gold price tailwind promises accelerated earnings momentum. We see a unique medium term combination of strong growth and an impressive RoE of 28%, not to mention the low asset quality risk. Retain 'BUY/SO'.

Key Risks

Gold loan dynamics in regions beyond South India are different.

Growth might come under pressure in case of slower ramp-up of branches or decline in gold price.

Financial Statements

Key Assumptions

Year to March	FY19	FY20	FY21E	FY22E
Macro				
GDP(Y-o-Y %)	6.8	5.0	(4.0)	7.0
Inflation (Avg)	3.4	4.3	4.8	5.0
Repo rate (exit rate)	6.3	5.2	4.5	5.0
USD/INR (Avg)	70.0	71.5	71.0	70.0
Sector				
Credit growth	14.0	11.0	13.0	15.0
Deposit growth	13.0	12.0	14.0	15.0
Bank's base rate (%)	9.0	8.7	8.5	8.5
Wholesale borr. cost (%)	8.5	8.5	8.3	8.1
G-sec yield	7.0	7.1	7.1	7.1
Company				
Yield on advances	21.7	23.0	22.4	22.0
Cost of funds	9.5	9.9	9.6	9.6
Net interest margins	14.3	15.0	14.9	14.8
- employee cost	9.4	12.4	12.0	12.0
- advertisement	5.0	30.0	10.0	7.0
- rent	1.2	6.0	5.0	4.0
Tax rate (%)	35.9	25.6	25.5	25.5
Number of branches	4,480	4,567	4,667	4,767
Gold loan tenure	2.6	2.6	2.6	2.6
AUMs (in tonnes)/branch	37.8	38.5	42.4	46.6
Average INR per gm	1,983.1	2,316.6	2,548.3	2,752.1
Average LTV	70.8	71.0	71.0	71.0
Gross NPLs	2.7	2.2	2.0	1.8
Prov Cov	20.0	20.2	22.0	23.0

Income statement

(INR mn)

Year to March	FY19	FY20	FY21E	FY22E
Interest income	67,857	85,650	102,300	122,958
Interest expended	22,368	28,008	32,653	38,723
Net interest income	45,489	57,642	69,646	84,235
- Fee & forex income	950	1,584	1,663	1,746
Net revenues	46,439	59,226	71,309	85,982
Operating expense	15,396	17,793	19,701	21,756
- Employee exp	8,414	9,641	11,035	12,624
- Depn /amortisation	421	433	543	495
- Other opex	6,560	7,719	8,123	8,637
Preprovision profit	31,043	41,433	51,608	64,226
Provisions	275	956	1,811	1,895
Profit Before Tax	30,768	40,477	49,797	62,331
Less: Provision for Tax	11,047	10,362	12,698	15,895
Profit After Tax	19,721	30,115	37,099	46,437
Reported Profit	19,721	30,115	37,099	46,437
Shares o /s (mn)	400	400	400	400
Basic EPS (INR)	49.3	75.3	92.8	116.1
Diluted shares o/s (mn)	400	400	400	400
Adj. Diluted EPS (INR)	49.3	75.3	92.8	116.1
Dividend per share (DPS)	12.0	15.0	14.5	15.8
Dividend Payout Ratio(%)	24.3	19.9	15.6	13.6

Growth ratios (%)

Year to March	FY19	FY20	FY21E	FY22E
Revenues	7.9	27.5	20.4	20.6
NII growth	7.4	26.7	20.8	20.9
Opex growth	17.9	15.6	10.7	10.4
PPP growth	3.6	33.5	24.6	24.4
Provisions growth	(88.5)	247.7	89.5	4.6
Adjusted Profit	14.6	52.7	23.2	25.2

Operating ratios

Year to March	FY19	FY20	FY21E	FY22E
Yield on advances	21.7	23.0	22.4	22.0
Cost of funds	9.5	9.9	9.6	9.6
Net interest margins	14.3	15.0	14.9	14.8
Spread	11.9	12.4	12.3	12.1
Cost-income	33.2	30.0	27.6	25.3
Tax rate	35.9	25.6	25.5	25.5

Banking and Financial Services

Balance sheet		(INR mn)			
As on 31st March	FY19	FY20	FY21E	FY22E	
Share capital	4,000	4,000	4,000	4,000	
Reserves & Surplus	87,709	110,804	141,118	180,184	
Shareholders' funds	91,709	114,804	145,117	184,184	
Long term borrowings	77,610	91,742	111,469	131,754	
Short term borrowings	181,090	214,066	260,094	307,425	
Total Borrowings	258,700	305,808	371,563	439,179	
Long Term Liabilities	15,114	16,851	17,934	20,569	
Def. Tax Liability (net)	(340)	(340)	(340)	(340)	
Sources of funds	365,183	437,124	534,274	643,592	
Gross Block	6,757	7,064	7,418	7,771	
Net Block	2,082	1,957	1,767	1,625	
Intangible Assets	44	41	37	34	
Total Fixed Assets	2,126	1,998	1,805	1,660	
Non current investments	4,138	4,438	4,738	5,038	
Cash and Equivalents	16,919	15,977	16,500	16,500	
Loans & Advances	335,853	407,724	504,148	611,761	
Current assets (ex cash)	11,184	12,604	13,061	15,489	
Trade payable	806	899	957	1,097	
Other Current Liab	4,232	4,718	5,022	5,759	
Total Current Liab	5,038	5,617	5,978	6,856	
Net Curr Assets-ex cash	6,146	6,987	7,083	8,633	
Uses of funds	365,183	437,124	534,274	643,592	
BVPS (INR)	229.6	287.4	363.2	461.0	

RoE decomposition (%)					
Year to March	FY19	FY20	FY21E	FY22E	
Net int. income/assets	14.3	15.0	14.9	14.8	
Non int. income/assets	0.3	0.4	0.4	0.3	
Net revenues/assets	14.6	15.5	15.3	15.1	
Operating expense/assets	(4.8)	(4.6)	(4.2)	(3.8)	
Provisions/assets	(0.1)	(0.2)	(0.4)	(0.3)	
Taxes/assets	(3.5)	(2.7)	(2.7)	(2.8)	
Total costs/assets	(8.4)	(7.6)	(7.3)	(7.0)	
ROA	6.2	7.9	8.0	8.2	
Equity/assets	26.6	27.0	27.9	29.0	
ROAE (%)	23.3	29.2	28.5	28.2	

Valuation parameters					
Year to March	FY19	FY20	FY21E	FY22E	
Adj. Diluted EPS (INR)	49.3	75.3	92.8	116.1	
Y-o-Y growth (%)	14.6	52.7	23.2	25.2	
BV per share (INR)	229.6	287.4	363.2	461.0	

Name	Diluted P/E (X)		P/B (X)		ROAE (%)	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Muthoot Finance	13.5	10.8	3.5	2.7	28.5	28.2
HDFC	-	-	2.6	2.4	12.2	12.0
Indiabulls Housing Finance	4.9	3.8	0.6	0.6	12.9	15.5
LIC Housing Finance	4.8	4.2	0.7	0.6	14.9	15.3
Mahindra & Mahindra Financial Services	10.9	8.8	0.9	0.9	8.7	10.4
Manappuram Finance	8.9	7.7	2.2	1.9	26.8	26.9
Aavas	51.9	38.1	4.8	4.2	9.6	11.8
Repco Home Finance	2.3	2.0	0.4	0.3	17.2	17.1
Shriram City Union Finance	4.8	4.7	-	-	12.1	11.3
Shriram Transport Finance	4.4	3.9	0.8	0.6	18.6	17.9
Median	4.8	4.0	0.7	0.6	13.9	15.4
AVERAGE	5.5	4.7	1.1	1.0	15.8	16.2

Source: Edelweiss research

Additional Data

Directors Data

M. G. George Muthoot	Chairman	George Alexander Muthoot	Managing Director
George Thomas Muthoot	Executive Director	George Jacob Muthoot	Executive Director
George Joseph	Non-Executive - Independent Director	Jacob Benjamin Koshy	Non-Executive - Independent Director
Jose Mathew	Non-Executive - Independent Director	Pamela Anna Mathew	Non-Executive - Independent Director
Alexander Muthoot George	Executive Director	K George John	Independent Non-Executive Director
Pratip Chaudhuri	Independent Director	K John Mathew	Independent Non-Executive Director

Auditors - Rangamani & Co.

**as per last annual report*

Holding - Top 10

	Perc. Holding		Perc. Holding
UTI Asset Management	1.07	Nippon Life India Asset Management	1.01
Dimensional Fund Advisors	0.98	Vanguard Group	0.84
AllianceBernstein	0.80	ICICI Prudential Asset Management	0.79
Mirae Asset Global Investments	0.68	L&T Mutual Fund	0.64
Government Pension Fund - Global	0.61	Tata Asset Management	0.55

**as per last available data*

Bulk Deals

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

**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	REDUCE	SU	M	Bajaj Finserv	REDUCE	SU	L
Axis Bank	HOLD	SO	M	DCB Bank	BUY	SP	M
Bank of Baroda	BUY	SU	M	Federal Bank	BUY	SO	L
HDFC	BUY	SO	L	HDFC Bank	BUY	SO	L
ICICI Bank	BUY	SO	L	IDFC FIRST BANK	HOLD	SP	L
Kotak Mahindra Bank	BUY	SP	M	IndusInd Bank	HOLD	SO	L
LIC Housing Finance	BUY	SO	M	Multi Commodity Exchange of India	HOLD	SP	M
Mahindra & Mahindra Financial Services	BUY	SP	M	Power Finance Corp	BUY	SP	M
Max Financial Services	BUY	SO	L	REC	BUY	SP	M
Muthoot Finance	BUY	SO	M	Shriram City Union Finance	BUY	SP	M
Punjab National Bank	UNDER REVIEW	SU	M	Shriram Transport Finance	BUY	SO	M
Repco Home Finance	BUY	SP	M	Yes Bank	UNDER REVIEW	SP	M
State Bank of India	BUY	SO	L				

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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Aditya Narain

Head of Research

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Coverage group(s) of stocks by primary analyst(s): Banking and Financial Services

Aavas Financiers, 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, IndusInd Bank, ICICI Prudential Life Insurance Company Ltd, Kotak Mahindra Bank, LIC Housing Finance, Max Financial Services, Multi Commodity Exchange of India, 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, Yes Bank

Recent Research

Date	Company	Title	Price (INR)	Recos
18-Aug-20	HDFC	Steady, but not invulnerable; <i>Post Conference Notes</i>	1,819	Buy
18-Aug-20	Kotak Mahindra Bank	Equity sanctity benchmark; growth will be watched ; <i>Post Conference Notes</i>	1,368	Buy
18-Aug-20	Shriram Transport Finance	Focus shifting from liability availability to asset outcome; <i>Post Conference Notes</i>	679	Buy

Distribution of Ratings / Market Cap

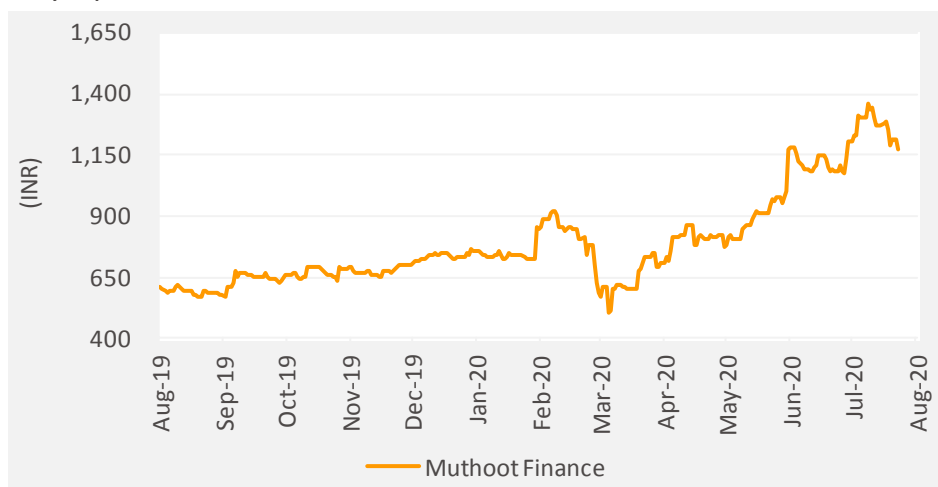
Edelweiss Research Coverage Universe

	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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