

DCB BANK

Core steady, tax provisions suppress profitability

India Equity Research | Banking and Financial Services

DCB Bank's (DCB) Q1FY15 PAT at INR447mn was marginally lower than our estimate as tax provisions kicked in (@ 23%), part of which (~62%) was tax on interest on income tax refund. On the other hand, profitability was supported by one-time interest on income tax refund (INR300mn corresponding to completion of tax assessment of previous years) which the bank used to make prudent provisions (based on stress loan assessment). Other highlights were: (i) core operating profitability continued to impress (NII growth, excluding one-time income, surged 30% riding 28% loan growth and improving NIMs; (ii) CASA traction improved feeding into 40bps QoQ improvement in CASA ratio at 25.4%; and (iii) opex growth was higher at 20% (versus 16% run rate) given lagged impact of branch expansion. We expect key operational parameters to continue to drive higher operating performance. Maintain 'BUY' with revised TP of INR94 (earlier INR73), assigning 1.7x FY16 ABV.

This report includes Q1FY15/Q4FY14 earnings concall highlights

Asset quality benign, outlook stable

DCB, withstanding macro headwinds, was successful in maintaining stable asset quality in Q1FY15. Headline GNPL improved from 4.67% in FY09 to 1.78% currently (albeit QoQ it inched up marginally by 10bps QoQ; more of Q1 phenomenon). Slippages were contained at 1.2%. Given the bank's relentless focus on improving underwriting process and adequate collateral cover, we expect asset quality to remain benign.

Improving cost efficiencies a key focus area

One of the major impediments to DCB delivering higher return ratios has been the high cost structure, which has been the management's key focus area. The industry operates at much efficient ratio and we believe DCB is focused on keeping a tight leash on costs with progress likely to be driven by improved productivity.

Outlook and valuations: Steady performance; maintain 'BUY'

Withstanding challenges, DCB has made a remarkable turnaround. Now, with ammunition in place—well capitalised position (Tier 1 at 12.8%), strong management, robust systems and strategic branch network—we expect it to deliver steady performance. Maintain 'BUY/SO'.

Financials

Year to March	Q1FY15	Q1FY14	Growth %	Q4FY14	Growth %	FY14	FY15E	FY16E
Net int. inc. (INR mn)	1,390	831	67.2	1,000	38.9	3,684	5,096	5,906
Net profit (INR mn)	447	428	4.3	391	14.3	1,496	1,679	1,899
B/V per share (INR)						44.0	50.7	58.3
EPS (INR)	1.8	1.7	3.5	1.6	13.5	6.0	6.7	7.6
Price/Book (x)						2.0	1.7	1.5
Price/Earnings (x)						13.8	12.3	10.9

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: DCBA.BO, B: DCBB IN)

CMP	: INR 83
Target Price	: INR 94
52-week range (INR)	: 88 / 38
Share in issue (mn)	: 250.6
M cap (INR bn/USD mn)	: 21/ 344
Avg. Daily Vol.BSE/NSE('000)	: 1,264.0

SHARE HOLDING PATTERN (%)

	Current	Q3FY14	Q2FY14
Promoters *	18.5	18.5	18.5
MF's, FI's & BK's	16.6	15.0	14.1
FII's	12.3	11.9	11.4
Others	52.7	54.6	56.1
* Promoters pledged shares (% of share in issue)	:		NIL

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Banks and Financial Services Index
1 month	17.7	4.7	1.5
3 months	41.5	15.8	24.1
12 months	78.4	32.8	37.0

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July 16, 2014

Loan growth up 28% YoY driven by corporate and agri book

DCB's loan growth picked up to 28% YoY in Q1FY15 as the bank gained traction in agri (up over 50% YoY in a bid to achieve priority sector targets) and corporate banking (up 45% YoY). Management continued to maintain a cautious stance on SME book due to stress in this segment. Hence, DCB continued with its strategy of focusing on small-ticket loans, leading to 4% YoY decline in SME book. The bank expects SME book to grow 6-7% going forward without diluting the ticket size. DCB continued to build granularity in loan book by focusing on secured lending like mortgages (up 29% YoY) and reduced lumpy exposures.

NIMs (adjusted for one off) expand on funding cost benefits

The bank's calculated NIMs (adjusted for one-time interest income on income tax refund) improved 12bps QoQ largely driven by improved funding cost. Reported yield on advances declined 11bps QoQ to 12.83% largely following shift towards secured loans. Management continues with the margin guidance in the 3.3-3.5% range for FY15.

Other income to remain muted

DCB's other income disappointed—declined 23.5% YoY. Its core fee income grew at a modest 16%, largely on commission, exchange and brokerage fees. However, in the absence of a strong corporate banking franchise, the pace of fee income growth will continue to be limited. Due to market conditions, in the past two years, fee income contribution from sale of third party products such as bancassurance and mutual funds has been muted.

Other highlights

- Slippages during the quarter were INR240mn (granular in nature with no slippage from corporate book). The bank stated that some stress was visible in 3-4 SME accounts and 2-3 corporate accounts, but highlighted that it is manageable with slippage likely to track 1.2-1.5% going forward.
- **Provision composition:** NPA—INR50mmn, Floating provisions—INR20mn, Specific standard asset provisions—INR100mn (prudent provisioning on SME/corporate accounts which have consistently been on watch list), Restructuring provisions—INR50mn.
- **Mortgage composition:** LAP—60%, Home loans—40%.

Table 1: Loan growth catapulted 28% YoY led by agri and corporate segments

(%)	Q1FY13	Q2FY13	Q3FY13	Q4FY13	Q1FY14	Q2FY14	Q3FY14	Q4FY14	Q1FY15
Advances (INR mn)	54,491	56,710	59,644	65,861	64,710	66,765	73,610	81,402	82,910
Advances growth Q-o-Q (%)	3.1	4.1	5.2	10.4	(1.7)	3.2	10.3	10.6	1.9
Advances growth Y-o-Y (%)	28.7	31.4	38.5	24.6	18.8	17.7	23.4	23.6	28.1
Deposits (INR mn)	68,294	71,370	75,582	83,638	83,200	87,881	95,920	103,252	105,520
Deposit growth Q-o-Q (%)	7.8	4.5	5.9	10.7	(0.5)	5.6	9.1	7.6	2.2
Deposit growth Y-o-Y (%)	14.2	14.0	22.1	32.0	21.8	23.1	26.9	23.5	26.8
CD ratio (%)	79.8	79.5	78.9	78.7	77.8	76.0	76.7	78.8	78.6
CASA (%)	30.25	30.44	28.87	27.16	27.5	26.9	25	25	25.38

Source: Company

Table 2: Margins inch up 12bps QoQ to 3.71%

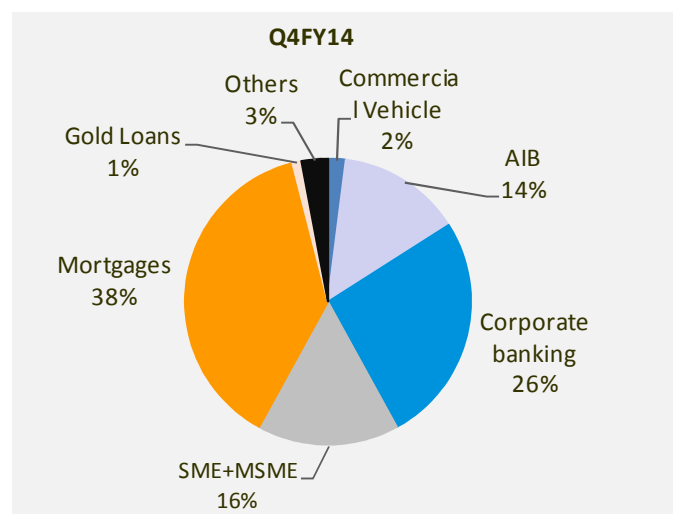
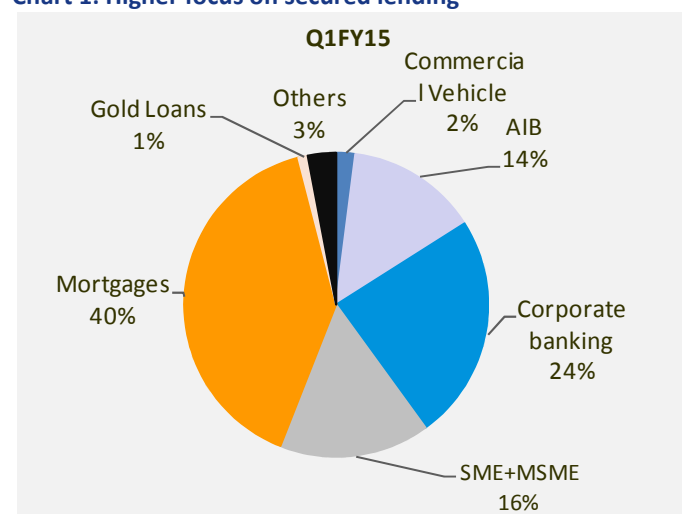
(%)	Q1FY13	Q2FY13	Q3FY13	Q4FY13	Q1FY14	Q2FY14	Q3FY14	Q4FY14	Q1FY15
NIM	3.2	3.2	3.4	3.5	3.4	3.7	3.6	3.6	3.7
Yield on advances	12.7	12.7	12.7	12.8	12.7	12.7	13.0	12.9	12.8
Cost of funds	7.8	7.7	7.7	7.8	7.8	7.6	7.9	7.9	7.8

Table 3: Core fee income growth steady

(INR mn)	Q1FY15	Q1FY14	YoY	Q4FY14	QoQ
Commission, exchange and brokerage	260	224	16.1	280	(7.1)
Profit on sale of investments	43.0	160.0	(73.1)	26.0	65.4
Exchange transaction	12	22	(45.5)	22	(45.5)
Miscellaneous	(3.0)	47.0	(106.4)	7.0	(142.9)
Total	344.9	451.0	(23.5)	334.5	3.1

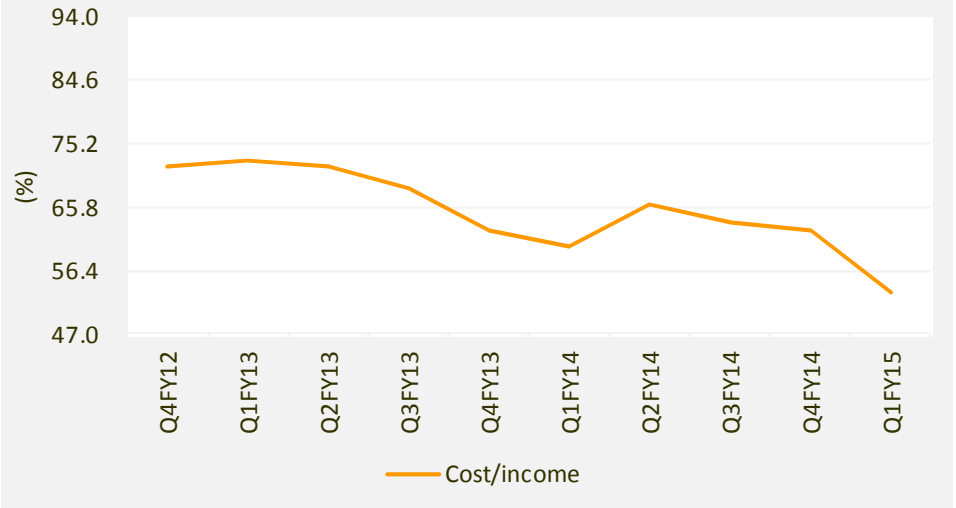
Table 4: GNPLs inch up in SME and agri segment

(INR mn)	Q1FY15	Q1FY14	YoY	Q4FY14	QoQ
Personal loan	3	604	(99.5)	3	0.0
CV/CE/STVL	44	246	(82.1)	36	22.2
Corporate	154	569	(72.9)	154	0.0
Others	1,291	845	52.8	1,192	8.3
Total NPLs	1,492	2,264	(34.1)	1,385	7.7

Chart 1: Higher focus on secured lending

Source: Company

Chart 2: Cost-income declined due to one-time interest on income tax refund



Source: Company

Financial snapshot

(INR mn)

Year to March	Q1FY15	Q1FY14	% change	Q4FY14	% change	FY14	FY15E	FY16E
Interest income	3,522	2,607	35.1	3,079	14.4	11,283	14,206	17,054
Interest exp	2,132	1,776	20.0	2,078	2.6	7,599	9,110	11,147
Net int. inc. (INR mn)	1,390	831	67.2	1,000	38.9	3,684	5,096	5,906
Other income	345	451	(23.5)	334	3.1	1,387	1,518	1,885
Operating expenses	922	769	20.0	833	10.7	3,191	3,748	4,317
Staff expense	463	377	22.8	411	12.7	1,571	1,880	2,189
Other opex	459	392	17.2	422	8.8	1,620	1,869	2,128
Pre prov op profit (ppop)	812	513	58.3	502	61.9	1,659	2,715	3,224
Provisions	229	85	169.7	110	107.6	366	627	640
Profit before tax	583	428	36.1	391	49.0	1,514	2,238	2,834
Provision for taxes	137	-		-	34,032.0	18	560	935
PAT	447	428	4.3	391	14.3	1,496	1,679	1,899
Diluted EPS (INR)	1.8	1.7	3.5	1.6	13.5	6.0	6.7	7.6

Ratios

NII/GII (%)	39.5	31.9		32.5		32.7	35.9	34.6
Cost/income (%)	53.2	60.0		62.4		62.9	56.7	55.4
Provisions / PPOP	28.2	16.6		22.0		22.0	23.1	19.9
Tax rate (%)	23.4	-		0.1		1.2	25.0	33.0

Balance sheet data (INR bn)

Advances	82,910	64,710	28.1	81,402	1.9	81	102	126
Deposits	105,520	83,200	26.8	103,252	2.2	103	119	147
Capital adequacy (%)	13.6	13.9		13.2		13.6	13.7	13.2
CD ratio (%)	78.6	77.8		78.8		78.8	85.5	85.9

Asset quality

Gross NPA	1,492	2,264	(34.1)	1,385	7.8	1,385	1,623	1,828
Gross NPA (%)	1.8	3.4		1.7		1.7	1.6	1.4
Net NPA	805	543	48.1	741	8.6	740	995	1,042
Net NPA (%)	1.0	0.8		0.9		0.9	1.0	0.8

DCB Q1FY15 earnings call highlights

- Slippages during the quarter was INR240mn (granular in nature with no slippage from corporate book). Some stress visible in , 3-4 SME accounts and 2-3 corporate accounts but management highlighted that stress is manageable with slippage likely to track 1.2%-1.5% run-rate going forward.
- Movement of NPL: Slippage – INR240mn , Recovery/upgrades – INR130mn.
- Provision composition: NPA – INR50mn , Floating provisions– INR20mn, Specific standard asset provisions – INR100mn (prudent provisioning on SME/corporate accounts which have been consistently been on watch list), Restructuring provisions- INR50mn.
- Operating expenses during the quarter registered 20% growth (higher than its historical run-rate) following investment in infrastructure (branch expansion) and salary escalation (effect of which takes place in Q1). As a result of this Cost-income ratio witnessed slight deterioration ,however, management targets to maintain ratio sub 60% levels by FY15.
- During the quarter there was tax expenses of INR137mn (~INR85mn was following the taxes on interest on income tax refund)

Outlook

- Cost –income ratio to trend below 60% by FY15 and 55% by FY16.
- Expect slight pressure on NIMs from current levels (due to yield pressure) and likely to settle between 3.45-3.50%.
- Loan growth largely to be driven by corporate book growth (to register 15-20% growth with focus on quality corporates). SME on the other hand is likely to growth 5-7% as bank is getting comfortable on this book (however ticket size is unlikely to increase)
- Likely to add 30-40 branches/ year.
- Target SA growth of 17-18%.
- Full Tax rate for likely to kick in from FY16.

Relevant data-points

- Mortgage book composition – LAP @ 60% , Home loan @ 40%.
- Average ticket size of mortgage loans in INR5mn

DCB Bank Q4FY14 earnings call highlights

Key highlights

- Slippages during the year were INR970mn, of which MSME contributed INR530mn, mortgage INR230mn, corporate INR100mn and AIB INR70mn. Expect to recover ~60% of slippages in MSME segment going forward.
- **Movement of NPL for full year:** Slippage INR970mn, recovery/upgrades INR480mn and write-off INR INR1,250mn.
- During the quarter, 4 SME accounts slipped, which have commensurate collateral. Of which one account has slipped from restructured book.
- Restructuring during the quarter was INR400mn contributed by one lumpy account. Going forward 2-3 more loans may come up for restructuring in FY15 based on the bank's watch list.
- Recent report on transparency of pricing policy will likely have impact on NIMs and fee income if implemented in current form.
- Board has given approval for INR3bn to be raised through QIP route which is likely to be raised in 9-12 months.
- Current unabsorbed losses at INR1.4bn. Management expects tax to kick in by third quarter of FY15.

Outlook

- Likely to add 30-40 branches/ year with majority being on tier2 and tier3 cities.
- Cost-income ratio to trend below 60% by FY15 and 55% by FY16.
- As tax payment kicks in, management expects RoE of 14-15% and RoA of 1.2-1.3% by FY15.
- Expect slight pressure on NIMs from current levels and likely to settle between 3.25% and 3.30%.
- Fee growth expected to track 15% in FY15.
- Expects to contain credit cost at 50bps.

Relevant data points

- DCB has met priority sector target and has infact sold some loans due to excess PSL.
- Headcount 2,700.
- RIDF INR3.8-3.9bn.
- Duration of AFS + HFT at 0.34 years.
- Average ticket size of mortgage loans in INR5mn (highest amount being INR30mn).

Company Description

DCB Bank is a modern emerging new generation private sector bank with 134 branches across 15 states and 2 union territories. It is a scheduled commercial bank regulated by the Reserve Bank of India. DCB Bank has contemporary technology and infrastructure including state of the art internet banking for personal as well as business banking customers.

DCB Bank's business segments are retail, micro-SMEs, SMEs, mid-Corporate, Agriculture, commodities, government, PSUs, Indian banks, co-operative banks and Non- Banking Finance Companies (NBFCs).

DCB Bank has deep roots in India since its inception in 1930s. Its promoter and promoter group the Aga Khan Fund for Economic Development (AKFED) & Platinum Jubilee Investments Ltd holds over 19% stake. AKFED is an international development enterprise. It is dedicated to promoting entrepreneurship and building economically sound companies

Investment Theme

After undergoing structural transformation under Mr.Natrajan and his team, the bank has all the enablers in place to tread the growth path and is well poised to deliver its FY15 operational goals on the profitability metrics. With capital in place and a strong management, the bank is geared to move to the next level of improving RoA further by tackling cost-to-income ratios. Strengthened risk management system coupled with strategic focus on secured segment will ensure maintenance of asset quality metrics.

Key Risks

- Small balance sheet size renders it vulnerable to any lumpy slippages due to economic downturn and may adversely affect bank profitability
- Competition from existing players which are getting incrementally aggressive in retail and new players when RBI issues licenses
- The major risk that the bank is facing is human capital. With most of the core team members sticking together through tough times, a unique concentration of employees has been created. Also with new banking license there can be a huge demand for human capital posing a risk for the bank

Financial Statements

Key Assumptions

Year to March	FY13	FY14	FY15E	FY16E
Macro				
GDP(Y-o-Y %)	5.0	4.8	5.4	6.3
Inflation (Avg)	7.4	6.2	5.5	6.0
Repo rate (exit rate)	7.5	8.0	7.8	7.3
USD/INR (Avg)	54.5	60.5	58.0	56.0
Sector				
Credit growth	14.7	14.0	16.0	18.0
Deposit growth	13.5	15.0	16.0	18.0
CRR	4.3	4.0	4.0	4.0
SLR	23.0	23.0	23.0	23.0
G-sec yield	7.8	8.5	7.8	7.0
Company				
Operating metric assumptions (%)				
Yield on advances	12.0	11.8	12.0	12.0
Yield on investments	7.3	7.7	7.5	7.2
Yield on asset	9.6	9.7	10.2	9.9
Net interest margins	3.0	3.2	3.7	3.4
Cost of funds	7.0	6.9	6.9	6.7
Cost of deposits	7.3	7.1	7.4	7.5
Cost of borrowings	7.3	8.0	7.7	7.7
Spread	2.6	2.8	3.4	3.2
Balance sheet assumption (%)				
Credit growth	24.6	24.1	25.0	24.0
Deposit growth	32.0	23.4	15.2	23.5
SLR ratio	24.8	25.2	24.5	24.5
Low-cost deposits	27.2	25.0	25.8	25.9
Gross NPA ratio	3.2	1.7	1.6	1.4
Net NPA ratio	0.7	0.9	1.0	0.8
Provision coverage	77.1	46.5	38.7	43.0
Incremental slippage	1.4	1.4	1.5	1.5
Net NPA / Equity	5.2	6.7	7.8	7.1
Capital adequacy	13.6	13.7	13.2	12.7

Income statement

(INR mn)

Year to March	FY13	FY14	FY15E	FY16E
Interest income	9,161	11,283	14,206	17,054
Interest expended	6,317	7,599	9,110	11,147
Net interest income	2,844	3,684	5,096	5,906
Non interest income	1,170	1,387	1,518	1,885
- Fee & forex income	966	1,067	1,248	1,435
- Misc. income	83	99	120	200
- Investment profits	122	221	150	250
Net revenue	4,014	5,071	6,614	7,791
Operating expense	2,753	3,191	3,748	4,317
- Employee exp	1,379	1,571	1,880	2,189
- Other opex	1,374	1,620	1,869	2,128
Preprovision profit	1,261	1,880	2,865	3,474
Provisions	240	366	627	640
Loan loss provisions	164	292	487	480
Investment depreciation	(4)	(2)	10	10
Other provisions	80	76	130	150
Profit before tax	1,021	1,514	2,238	2,834
Provision for tax	-	18	560	935
Profit After Tax	1,021	1,496	1,679	1,899
Diluted EPS (INR)	4.1	6.0	6.7	7.6

Growth ratios (%)

Year to March	FY13	FY14	FY15E	FY16E
NII growth	24.9	29.5	38.3	15.9
Fees growth	12.9	10.6	16.9	15.0
Opex growth	12.7	15.9	17.5	15.2
PPOP growth	52.1	45.6	63.6	18.7
PPP growth	50.5	49.0	52.4	21.3
Provisions growth	(16.3)	52.1	71.5	2.1
Net profit	85.3	46.5	12.2	13.1

Operating ratios

Year to March	FY13	FY14	FY15E	FY16E
Yield on advances	12.0	11.8	12.0	12.0
Yield on investments	7.3	7.7	7.5	7.2
Yield on assets	9.6	9.7	10.2	9.9
Net interest margins	3.0	3.2	3.7	3.4
Cost of funds	7.0	6.9	6.9	6.7
Cost of deposits	7.3	7.1	7.4	7.5
Cost of borrowings	7.3	8.0	7.7	7.7
Spread	2.6	2.8	3.4	3.2
Cost-income	68.6	62.9	56.7	55.4
Tax rate	-	1.2	25.0	33.0

Banking and Financial Services

Balance sheet		(INR mn)			
As on 31st March	FY13	FY14	FY15E	FY16E	
Equity capital	2,501	2,503	2,503	2,503	
Reserves & surplus	6,992	8,510	10,189	12,088	
Net worth	9,493	11,014	12,692	14,591	
Sub bonds/pref cap	650	650	650	650	
Deposits	83,638	103,252	118,940	146,928	
Borrowings	14,606	7,952	12,542	17,141	
Other liabilities	3,982	5,970	14,891	18,582	
Total liabilities	112,369	128,837	159,714	197,891	
Loans	65,861	81,402	101,752	126,173	
Cash and equivalents	8,833	6,896	11,477	14,262	
Gilts	24,332	28,072	32,213	40,197	
Others	9,255	8,270	7,587	9,408	
Fixed assets	1,857	1,860	1,832	1,795	
Other Assets	2,233	2,337	4,854	6,056	
Total assets	112,369	128,837	159,714	197,891	
Credit growth	24.6	24.1	25.0	24.0	
Deposit growth	32.0	23.4	15.2	23.5	
EA growth	31.1	15.1	22.8	24.2	
SLR ratio	24.8	25.2	24.5	24.5	
C-D ratio	78.8	79.2	86.0	86.3	
Low-cost deposits	27.2	25.0	25.8	25.9	
Gross NPA ratio	3.2	1.7	1.6	1.4	
Net NPA ratio	0.7	0.9	1.0	0.8	
Provision coverage	77.1	46.5	38.7	43.0	
Incremental slippage	1.4	1.4	1.5	1.5	
Net NPA / Equity	5.2	6.7	7.8	7.1	
Capital adequacy	13.6	13.7	13.2	12.7	
- Tier 1	12.6	12.9	12.4	11.9	

RoE decomposition (%)					
Year to March	FY13	FY14	FY15E	FY16E	
Net interest income/assets	3.0	3.2	3.7	3.4	
Fees/Assets	1.1	1.0	1.0	1.0	
Investment profits/Assets	0.1	0.2	0.1	0.1	
Net revenues/assets	4.2	4.4	4.8	4.5	
Operating expense/assets	(2.9)	(2.7)	(2.7)	(2.5)	
Provisions/assets	(0.3)	(0.3)	(0.5)	(0.4)	
Taxes/assets	-	-	(0.4)	(0.5)	
Total costs/assets	(3.1)	(3.1)	(3.6)	(3.4)	
ROA	1.1	1.3	1.2	1.1	
Equity/assets	9.2	8.8	8.5	8.0	
ROAE (%)	11.6	14.6	14.2	13.9	

Valuation parameters					
Year to March	FY13	FY14	FY15E	FY16E	
Diluted EPS (INR)	4.1	6.0	6.7	7.6	
Y-o-Y growth (%)	78.3	46.4	12.2	13.1	
Book value per share (INR)	38.0	44.0	50.7	58.3	
Adjusted book value per share	36.6	41.9	47.9	55.4	
Diluted PE (x)	20.3	13.8	12.3	10.9	
Price/ Adj. BV (x)	2.3	2.0	1.7	1.5	
Price to income (x)	8.5	7.4	6.4	5.5	

Peer comparison valuation

Name	Market cap (USD mn)	Diluted PE (X)		Price/ Adj. BV (X)		ROAE (%)	
		FY15E	FY16E	FY15E	FY16E	FY15E	FY16E
Development Credit Bank	344	12.3	10.9	1.7	1.5	14.2	13.9
Axis Bank	15,390	12.4	10.0	2.1	1.8	18.1	19.0
Federal Bank	1,778	10.6	9.0	1.4	1.3	13.8	14.5
HDFC Bank	33,466	19.3	15.6	3.9	3.3	21.7	22.5
ICICI Bank	28,078	15.4	13.3	2.5	2.2	14.2	14.9
IndusInd Bank	4,727	15.9	12.6	2.7	2.3	18.3	19.7
ING Vysya	1,986	13.9	11.3	1.6	1.4	11.7	12.9
Karnataka Bank	417	6.0	5.2	0.8	0.8	13.1	13.8
South Indian Bank	729	6.9	5.8	1.2	1.1	18.1	18.6
Yes Bank	3,737	10.2	8.2	2.3	1.8	24.1	24.5
Median	-	12.3	10.5	1.9	1.6	16.1	16.8
AVERAGE	-	12.3	10.2	2.0	1.7	16.7	17.4

Source: Edelweiss research

Additional Data

Directors Data

Nasser Munjee	Chairman	Murali M. Natrajan	Managing Director & CEO
Altaf Jiwani	Director	Amin Manekia	Director
Suhail Nathani	Director	Sukh Dev Nayyar	Director
Darius Udwadia	Director	Imran Contractor	Director
Keki Elavia	Director	C. Narasimhan	Director
Nalin Shah	Director	S. Sridhar	Director
Jamal Pradhan	Director		

Auditors - B S R & Co

Holding - Top10

	Perc. Holding		Perc. Holding
Tano Mauritius India FVCI	4.76	WCP Holdings 111	4.69
Ambit Corporate Finance	4.18	Sundaram Asset Management	3.85
South India Bank	3.31	Tata Cap Financial SVCS	2.63
II&Fs Trust	2.50	Dimensional Fund Advisors LP	2.21
Bajaj Allianz Life Insurance	2.06	Housing Development Finance	1.62

**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
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	Federal Bank	BUY	SO	L
HDFC	HOLD	SP	L	HDFC Bank	BUY	SO	L
ICICI Bank	BUY	SO	L	IndusInd Bank	BUY	SO	L
IDFC	HOLD	SU	L	ING Vysya	BUY	SO	L
Karnataka Bank	BUY	SP	M	Kotak Mahindra Bank	REDUCE	SU	M
LIC Housing Finance	BUY	SO	M	Magma Fincorp	BUY	SO	M
Mahindra & Mahindra Financial Services	BUY	SO	M	Manappuram General Finance	BUY	SP	H
Max India	BUY	SO	L	Multi Commodity Exchange of India	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	SO	M
South Indian Bank	BUY	SP	M	State Bank of India	BUY	SP	L
Union Bank Of India	BUY	SP	M	Yes Bank	BUY	SO	M

ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
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
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, Federal Bank, HDFC, HDFC Bank, ICICI Bank, Infrastructure Development Finance Co Ltd, IndusInd Bank, 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 Transport Finance, South Indian Bank, Union Bank Of India, ING Vysya, Yes Bank

Recent Research

Date	Company	Title	Price (INR)	Recos
15-Jul-14	Banking	RBI largesse: New pricing norms to boost housing, infra; <i>Sector Update</i>		
09-Jul-14	IndusInd Bank	Robust fee income supports earning growth; <i>Result Update</i>	544	Buy
08-Jul-14	Banking	PSU Banks' ARA: Separating the men from the boys; <i>Sector Update</i>		

Distribution of Ratings / Market Cap

Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	149	40	12	202
* 1 stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	139	57	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

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