

Consistency Pays; Raising PO

Raising PO to Rs1,900

We are raising our PO on HDFC to Rs1,900 (from Rs1,750) as we believe HDFC, trading at 4x FY08E adj. book (after deducting FY08E value of subs of Rs591/shr), could continue to trade at 3.5-4.0x, one year out (FY09E) owing to:

- Rising value of its subsidiaries: forecast at Rs739/share in FY09 (US\$4.9bn) driven by the sharp growth in its life insurance venture
- ROE to sustain at +31% through FY09E, amongst the highest across banks in our universe, justifying in part the much higher P/B multiples.
- Earnings growth of +20% pa through FY09E supported by consistent loan growth of +20-22% and steady margins.

Hence, we think it could trade up to between Rs1,810-1970 (adding Rs739 for subs), underpinning our new PO of Rs1,900. Sharp rise in rates key risk to PO.

3QFY07 earnings buoyed by treasury

HDFC's 3QFY07 net income (Rs3.5bn) grew 25%yoy (5% higher than estimates owing to higher treasury gains) driven by strong top line growth (up 29%yoy), b) higher treasury gains, and c) improving operating efficiency. Further, asset quality also showed an improvement, with gross NPLs at 1.26% (v/s 1.5% last year).

Estimates (Mar)

(Rs)	2005A	2006A	2007E	2008E	2009E
Net Income (Adjusted - mn)	10,366	12,573	15,392	18,601	22,381
EPS	41.82	50.43	61.68	74.54	89.68
EPS Change (YoY)	20.6%	20.6%	22.3%	20.9%	20.3%
Dividend / Share	17.00	20.00	24.00	28.00	34.00
Pre-exceptional EPS	41.82	50.43	61.68	74.54	89.68
Pre-exceptional EPS Change (YoY)	20.6%	20.6%	22.3%	20.9%	20.3%
Book Value / Share	155.88	179.05	213.36	255.97	306.88

Valuation (Mar)

	2005A	2006A	2007E	2008E	2009E
P/E	39.3x	32.6x	26.6x	22.0x	18.3x
Dividend Yield	1.03%	1.22%	1.46%	1.70%	2.07%
Pre-exceptional PE	39.28x	32.57x	26.63x	22.04x	18.32x
Price / Book	10.56x	9.17x	7.70x	6.42x	5.35x
RoE / PB	2.70x	3.28x	4.08x	4.95x	5.95x
Price / Pre-Provision Profit	32.20x	26.07x	21.36x	17.56x	14.51x



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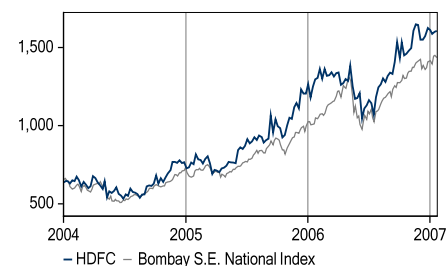
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Stock Data

Price	Rs1,643
Price Objective	Rs1,900
Date Established	24-Jan-2007
Investment Opinion	C-1-7
Volatility Risk	HIGH
52-Week Range	Rs962.00-Rs1,701
Mrkt Val / Shares Out (mn)	US\$9,267 / 249.6
Average Daily Volume	105,008
ML Symbol / Exchange	HGDF / BSE
Bloomberg / Reuters	HDFC IN / HDFC.BO
ROE (2007E)	31.4%
Total Dbt to Cap (Mar-2006A)	NA
Est. 5-Yr EPS / DPS Growth	20.0% / 15.0%
Free Float	74.0%



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Refer to important disclosures on page 10 to 11. Analyst Certification on page 8. Price Objective Basis/Risk on page 8.

24 January 2007

*iQprofile*SM Housing Development Finance Corp. Ltd.

Key Income Statement Data (Mar)	2005A	2006A	2007E	2008E	2009E
(Rs Millions)					
Net Interest Income	10,775	13,628	16,639	20,662	25,332
Net Fee Income	1,017	675	607	547	519
Securities Gains / (Losses)	NA	NA	NA	NA	NA
Other Income	2,718	3,570	4,443	4,989	5,673
Total Non-Interest Income	3,736	4,245	5,051	5,536	6,193
Total Operating Income	14,510	17,873	21,690	26,198	31,525
Operating Expenses	(1,802)	(2,150)	(2,498)	(2,855)	(3,268)
Pre-Provision Profit	12,708	15,723	19,192	23,342	28,256
Provisions Expense	(140.00)	(150.00)	(190.00)	(235.00)	(280.00)
Operating Profit	12,568	15,573	19,002	23,107	27,976
Non-Operating Income	NA	NA	NA	NA	NA
Pre-Tax Income	12,568	15,573	19,002	23,107	27,976
Net Income to Comm S/Hold.	10,366	12,573	15,392	18,601	22,381
Adjusted Net Income (Operating)	10,366	12,573	15,392	18,601	22,381

Key Balance Sheet Data

Total Assets	424,879	533,982	655,333	798,086	955,445
Average Interest Earning Assets	347,942	434,752	539,210	665,458	810,730
Weighted Risk Assets	246,885	396,690	578,265	758,060	914,320
Total Gross Customer Loans	360,115	449,901	564,000	697,434	848,539
Total Customer Deposits	78,401	87,414	104,897	123,779	142,345
Tier 1 Capital	29,903	33,698	41,260	51,894	64,600
Tangible Equity	29,903	33,698	41,260	51,894	64,600
Common Shareholders' Equity	38,831	44,683	53,246	63,879	76,585

Key Metrics

Net Interest Margin	3.10%	3.13%	3.09%	3.10%	3.12%
Tier 1 Ratio	7.0%	6.3%	6.3%	6.5%	6.8%
Effective Tax Rate	17.5%	19.3%	19.0%	19.5%	20.0%
Loan / Assets Ratio	84.2%	83.8%	85.6%	87.0%	88.4%
Loan / Deposit Ratio	456.5%	511.9%	534.8%	560.8%	593.3%
Oper Leverage (Inc Growth - Cost Growth)	12.4%	3.9%	5.2%	6.5%	5.9%
Gearing (Assets / Equity)	10.9x	12.0x	12.3x	12.5x	12.5x
Tangible Common Equity / Assets	7.0%	6.3%	6.3%	6.5%	6.8%
Tangible Common Equity / WRAs	12.1%	8.5%	7.1%	6.8%	7.1%
Revenue Growth	20.5%	23.2%	21.4%	20.8%	20.3%
Operating Expense Growth	8.1%	19.3%	16.2%	14.3%	14.5%
Provisions Expense Growth	27.3%	7.1%	26.7%	23.7%	19.1%
Operating Revenue / Average Assets	3.8%	3.7%	3.6%	3.6%	3.6%
Operating Expenses / Average Assets	0.5%	0.4%	0.4%	0.4%	0.4%
Pre-Provision ROA	3.3%	3.3%	3.2%	3.2%	3.2%
ROA	2.7%	2.6%	2.6%	2.6%	2.6%
Pre-Provision ROE	34.9%	37.7%	39.2%	47.7%	48.3%
ROE	28.5%	30.1%	31.4%	31.8%	31.9%
RoTE	34.7%	37.3%	37.3%	35.8%	34.6%
RoWRAs	4.2%	3.2%	2.7%	2.5%	2.4%
Dividend Payout Ratio	40.6%	39.7%	38.9%	37.6%	37.9%
Efficiency Ratio (Cost / Income Ratio)	12.4%	12.0%	11.5%	10.9%	10.4%
Total Non-Interest Inc / Operating Inc	26%	24%	23%	21%	20%
Market-Related Revenue / Total Revenues	0%	0%	0%	0%	0%
Provisioning Burden as % of PPP	1.1%	1.0%	1.0%	1.0%	1.0%
NPLs plus Foreclosed Real Estate / Loans	1.1%	1.0%	1.0%	1.0%	1.0%
Loan Loss Reserves / NPLs	55.6%	53.8%	53.3%	46.0%	44.5%
Loan Loss Reserves / Total Loans	0.6%	0.5%	0.5%	0.5%	0.5%
Provisions Expense / Average Loans	0%	0%	0%	0%	0%

Other Metrics

Income / Employee	11.24	13.31	15.03	16.98	19.19
(Operating Expenses) / Employee	1.40	1.60	1.73	1.85	1.99
Pre-Provision Profit / Employee	9.84	11.71	13.30	15.13	17.20
Net Profit / Employee	8.03	9.36	10.67	12.06	13.62

Company Description

HDFC, incorporated in 1977, is the largest mortgage financier in India with a balance sheet size of Rs425bn. Besides mortgage financing, the company has, through its various subsidiaries, successfully ventured into other businesses including banking (HDFC Bank), Life and Non-life insurance (HDFC Std Life and HDFC Chubb), asset management (HDFC MF) and call center (Intelenet). HDFC has maintained one of the best asset quality with high ROE.

Stock Data

Price to Book Value 7.7x

3QFY07 result highlights

HDFC's 3QFY07 net income grew 25%yoy to Rs3.5bn (5% higher than estimates owing to higher treasury gains) driven by strong top line growth (up 29%yoy), b) higher treasury gains, and c) improving operating efficiency. Key highlight of the result was the sustained disbursement growth (up 27%yoy) and improvement in asset quality.

Table 1: 3QFY07 Results Summary

Quarter Ended Dec	3QFY06	3QFY07	yoy growth
Interest Income	9,592	13,584	42%
Interest expenses	6,398	9,475	48%
Net Interest income	3,194	4,109	29%
Non Interest income	961	1,001	4%
- Fees and Other Charges	111	125	13%
- Dividend Income	141	25	-82%
- Profit on Sale of Investments	642	742	15%
- Income from Leases	23	69	198%
- Others	44	39	-11%
Total Income	4,155	5,109	23%
Operating expenses	584	621	6%
Operating profit	3,571	4,488	26%
Provisions and contingencies	42	40	-5%
PBT	3,529	4,448	26%
Provisions for tax	684	893	31%
PAT	2,845	3,555	25%

Source: Company Reports

Key Highlights

- Top line growth of 29%yoy was led by a 25% loan growth, with spreads holding up at 2.17%. Net interest margins were about 3.1%. The key highlight was a sustained +27%yoy growth in disbursement, despite a +200bps rise in lending rates over the past year. Margins remained stable as HDFC proactively passed on the increase in funding costs to its borrower by raising its benchmark PLR by an equal amount.
- Spreads remained steady at 2.17% as HDFC managed to raise lending rates in sync with the rise in funding costs. Further, on the funding side, HDFC consciously raised retail deposits, which are about 25bps cheaper than bank loans. The share of retail deposits in total funding has increased to >20% v/s 16% one year back. In contrast, the share of bank funding has declined from 44% to 41% during the same period.
- Non-interest income grew 4%yoy as declining fee income was offset by higher treasury gains and a sharp rise in income from lease (on a low base effect). Contrary to the recent trend, fee income actually showed a pickup (up 13%yoy), which seems to be due to HDFC reducing the instances of waiver in processing fees.
- Operating efficiency improved, with the C/I ratio (excluding profit on sale of investments) declining from 17% in 3QFY06 to 14% as HDFC started leveraging its expanded distribution network.
- Asset quality also improved, with gross NPLs declining from 1.5% in Dec-05 to 1.26% in Dec-06 as HDFC managed to keep its incremental delinquencies low.

- Despite an increase in the loan book (v/s Sep-06 levels), HDFC maintained its tier I capital at 8.1% mainly as it continued to redeploy its surplus funds from liquid funds (that carry a 100% risk weight) to bank deposits (that carry no risk weight). On a yoy basis the tier I capital, however, declined 110bps due to the strong loan growth.

Outlook

Raised Earnings 4% in FY07, 8-10% for FY08-09; estimated to grow at 21% CAGR

We have raised our earnings estimates by 4% for FY07, 8% for FY08 and 10% for FY09, in sync with the sustained growth that HDFC has managed to deliver.

We have factored in

1. Higher treasury gains owing to the buoyant equity market, and more importantly
2. Higher dividend owing to an estimated Rs250mn coming from the NEW asset management subsidiary (the real estate fund) which manages around US\$250mn on which it receives 2% asset management fees which is to be paid to HDFC as dividend. In addition, HDFC is also planning to raise an additional US\$750mn international real estate fund in the coming months on the same fee sharing structure.
3. Margins are expected to remain steady as we believe HDFC is likely to rates lending rates in sync with the rise in funding costs.
4. Loan growth is likely to sustain at +24% in FY08, moderating to around 22% in FY09. We continue to see fairly buoyant demand for mortgages, supported by the changing demographics. Further, we could also see some consolidation in the mortgage financing space as most commercial banks become less aggressive given the strong demand for corporate credit.
5. Improving operating efficiency, with the C/I ratio declining to <12% by FY09E as HDFC continues to benefits from its network expansion done in recent quarters

We now expect earnings to grow 22% in FY07, and 20% pa through FY08-09.

Non-interest income growth is estimated be weak owing to slowdown in treasury gains and declining proportion of fee income. While HDFC continues to have a pipeline of unrealized gains on investments, we believe it may unlock more, gradually limiting the yoy upside in treasury gains.

ROE to sustain at +31% through FY09

More importantly, we expect HDFC's ROE to sustain at +30% through FY09, the highest in the sector. Even factoring in higher slippages, gross NPLs are estimated to remain at 1.1% while net NPLs are likely to be <0.3% through FY09.

May need capital in 12-18 months; but minimal dilution

Based on existing forecasts, HDFC's Tier I capital is likely to fall to <7% in about 12 months, without factoring in any fresh infusion in the life insurance subsidiary. Hence, HDFC would need fresh capital over the next 12-18 months (regulatory minimum is 6%).

HDFC, however, may not need to do a issue fresh equity issuance. It has a few options ahead of it prior to considering a fresh equity issuance. In particular;

- Conversion of the US\$500mn of FCCB by investors. This would add almost +300bps to its Tier I capital. The conversion price is Rs1,399 and it can be done anytime after July'06.
- Raise perpetual debt as an alternate means of financing asset growth (v/s fresh equity)
- HDFC sells part of its stake in HDFC Std Life to its partner if the government allows the foreign shareholding limit in life insurance companies to be raised to 49% from current levels of 26%.

However any fresh infusion in the life insurance subsidiary before the conversion of FCCB could result in a situation where HDFC might need to raise fresh tier I capital. But the extent of dilution is likely to be minimal at <10-15%.

Raising PO to Rs1,900, Multiples to Sustain at Present Levels

HDFC is trading at around 4x FY08E adj. book after deducting the value of its subsidiaries (Rs592) for FY08E. We are raising our PO on HDFC to Rs1,900 (v/s Rs1,750 earlier) on the back of rising value of its subsidiaries and our expectation of current multiples sustaining one year forward (FY09) owing to:

- a) Consistent loan growth with minimal margin pressure, helping reinforce HDFC's ability to deliver earnings growth at 21% CAGR through FY09E;
- b) Amongst the highest ROE of +31% across banks and in the region.
- c) Strong asset quality that has actually improved and is likely to be very well managed.

Hence, we contend that HDFC could continue to trade at 3.5-4.0x adj.book, one year from now (FY09E) implying a fair range of Rs1,074-1,230. Adding the value of subsidiaries (Rs739/share in FY09E as detailed below), we get a price range of Rs1,810-1970, underpinning our new PO of Rs1,900. Sharp rise in rates impacting demand is key risk to PO.

FY09 value of subs: US\$4.9bn; Rs739/share

Given the strong growth momentum in most of HDFC's subsidiaries (the bank, the life insurance venture, the call center and the asset management company), we expect the value of subsidiaries to continue rising fairly rapidly in coming years.

The life insurance venture appears to be gaining the maximum traction, running ahead of expectations. We reckon there is 10-15% upside to our estimates for the life venture. The other venture which, in our view, could show strong upside could be the call center venture, where visibility on Barclay's business increasing is much higher in the coming year.

Table 2: Subsidiary Valuations

Forecast Value of Subs (US\$ mn)	FY05	FY06	FY07	FY08	FY09
Life Insurance	460	829	1,137	1,635	2,164
AMC	83	130	174	213	251
Intelnet	91	99	126	160	200
HDFC Bank	1,536	1,369	1,561	1,944	2,333
Total	2,170	2,428	2,998	3,952	4,947
Per Share Value (Rs)	FY05	FY06	FY07	FY08	FY09
Life Insurance	56	103	152	225	298
AMC	7	12	16	19	22
Intelnet	8	9	11	14	18
HDFC Bank	277	246	269	334	401
Total	348	370	447	592	739

Source: Company Reports, ML Research Estimates

Financials

Table 3: Profit & Loss Account

Year to March (Rs mn)	FY05	FY06	FY07E	FY08E	FY09E
Interest income	30,369	38,539	53,520	68,749	85,487
Interest expense	19,594	24,911	36,880	48,088	60,154
Net interest income	10,775	13,628	16,639	20,662	25,332
Other income	3,736	4,245	5,051	5,536	6,193
- Fee income	1,017	675	607	547	519
- Profit on sale of investments	1,741	2,362	3,000	3,200	3,400
Total income	14,510	17,873	21,690	26,198	31,525
Operating expenses	1,802	2,150	2,498	2,855	3,268
Pre-provision profit	12,708	15,723	19,192	23,342	28,256
Provision - NPL	140	150	190	235	280
PBT	12,568	15,573	19,002	23,107	27,976
Tax	2,202	3,000	3,610	4,506	5,595
Net Profit	10,366	12,573	15,392	18,601	22,381

Source: Company; ML Estimates

Table 4: Balance Sheet

As at March (Rs mn)	FY05	FY06	FY07E	FY08E	FY09E
Housing Loans	360,115	449,901	564,000	697,434	848,539
Investments	31,300	38,763	42,854	46,911	49,960
Current assets	21,321	30,054	33,060	36,365	40,002
Cash	8,500	12,016	10,480	12,473	12,078
Net fixed assets	2,949	2,473	4,166	4,129	4,092
Deferred tax asset	694	774	774	774	774
Total assets	424,879	533,982	655,333	798,086	955,445
Share Capital	2,491	2,496	2,496	2,496	2,496
Reserves & Surplus	36,340	42,188	50,750	61,384	74,090
Shareholders Funds	38,831	44,683	53,246	63,879	76,585
Deposits	78,401	87,414	104,897	123,779	142,345
Borrowings	188,397	220,156	283,716	358,384	442,083
- Domestic	164,373	194,583	250,725	308,643	375,541
- International	24,024	25,572	32,992	49,741	66,542
FCCB	-	22,156	22,156	22,156	22,156
Other loan funds	99,676	137,487	166,473	201,926	240,789
Current liabilities	11,909	11,014	12,666	14,566	16,750
Provision for contingencies	7,665	11,071	12,178	13,396	14,736
Total liabilities	424,879	533,982	655,333	798,086	955,445

Source: Company; ML Estimates

Table 5: Key Ratios

Year to March	FY05	FY06	FY07E	FY08E	FY09E
EPS	41.6	50.4	61.7	74.5	89.7
<i>Earnings growth</i>	20.5%	21.1%	22.4%	20.9%	20.3%
CEPS	42.9	51.7	63.2	76.2	91.6
PPP/share	51.0	63.0	76.9	93.5	113.2
BV/Share	155.9	179.0	213.4	256.0	306.9
ROA	2.72%	2.62%	2.59%	2.56%	2.55%
ROAE	28.5%	30.1%	31.4%	31.8%	31.9%
Spreads	2.5%	2.5%	2.6%	2.7%	2.7%
NIM	3.13%	3.18%	3.13%	3.15%	3.17%
Gross NPLs	1.1%	1.0%	1.0%	1.0%	1.0%
Net NPLs	0.1%	0.1%	0.2%	0.3%	0.3%
Coverage	94%	85%	77%	75%	71%
CAR	13.4%	14.9%	11.5%	10.2%	9.8%
- Tier I CAR	12.1%	8.5%	7.1%	6.8%	7.1%
Cost Income	14.1%	13.9%	13.4%	12.4%	11.6%
Other Inc (Excl treasury) / Total Inc (Excl Treasury)	15.6%	12.1%	11.0%	10.2%	9.9%
Cost -Asset	0.4%	0.4%	0.4%	0.4%	0.3%
Loan growth	28.7%	24.9%	25.4%	23.7%	21.7%
Equity / Assets	9.1%	8.4%	8.1%	8.0%	8.0%
Equity / Loans	10.8%	9.9%	9.4%	9.2%	9.0%
Provision/ Loans	0.0%	0.0%	0.0%	0.0%	0.0%
Tax Rates	17.5%	19.3%	19.0%	19.5%	21.0%
Yield on Housing Loans	8.4%	8.5%	9.8%	10.3%	10.5%
Yield on Interest bearing investments	12.8%	14.7%	14.0%	15.0%	15.0%
Average cost of borrowed funds	5.9%	6.1%	7.2%	7.6%	7.8%
Dividend per Share	17	20	24	28	34
Dividend Payout	47%	45%	44%	43%	43%
Dividend yield	1.0%	1.2%	1.5%	1.7%	2.1%
P/E	39.7	32.8	26.8	22.1	18.4
P/PPP	32.3	26.2	21.5	17.6	14.6
P/ABV	10.6	9.2	7.7	6.4	5.4
P/ Adj. BV (excl subs)	8.4	7.2	5.6	4.1	3.0
PER (excl subs)	31.3	25.4	19.5	14.2	10.2

Source: Company; ML Estimates

Price Objective Basis & Risk

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Analyst Certification

I, Rajeev Varma, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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24 January 2007

***iQmethod*SM Measures Definitions**

Business Performance	Numerator	Denominator
Return On Capital Employed	$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) * (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	$\text{EV} = \text{Current Share Price} * \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Sales} + \text{Other LT Liabilities}$	
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

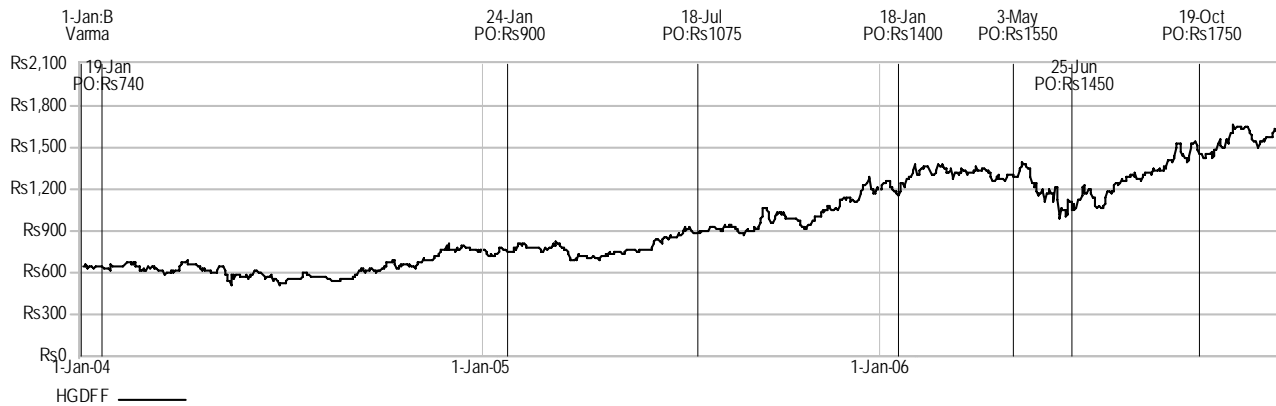
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Important Disclosures

HGDFF Price Chart



B : Buy, N : Neutral, S : Sell, PO : Price objective, NA : No longer valid

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark Grey shading indicates the security is restricted with the opinion suspended. Light Grey shading indicates the security is under review with the opinion withdrawn. Chart current as of December 31, 2006 or such later date as indicated.

Investment Rating Distribution: Financial Services Group (as of 31 Dec 2006)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	93	38.11%	Buy	47	50.54%
Neutral	140	57.38%	Neutral	69	49.29%
Sell	11	4.51%	Sell	4	36.36%

Investment Rating Distribution: Global Group (as of 31 Dec 2006)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1306	42.74%	Buy	406	31.09%
Neutral	1509	49.38%	Neutral	446	29.56%
Sell	241	7.89%	Sell	53	21.99%

* Companies in respect of which MLPF&S or an affiliate has received compensation for investment banking services within the past 12 months.

FUNDAMENTAL EQUITY OPINION KEY: Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. **VOLATILITY RISK RATINGS**, indicators of potential price fluctuation, are: A - Low, B - Medium, and C - High. **INVESTMENT RATINGS**, indicators of expected total return (price appreciation plus yield) within the 12-month period from the date of the initial rating, are: 1 - Buy (10% or more for Low and Medium Volatility Risk Securities - 20% or more for High Volatility Risk securities); 2 - Neutral (0-10% for Low and Medium Volatility Risk securities - 0-20% for High Volatility Risk securities); 3 - Sell (negative return); and 6 - No Rating. **INCOME RATINGS**, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure); 8 - same/lower (dividend not considered to be secure); and 9 - pays no cash dividend.

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