

MULTI COMMODITY EXCHANGE OF INDIA

Soft volumes, but structural levers intact

India Equity Research | Banking and Financial Services



Multi Commodity Exchange's (MCX) Q4FY17 PAT at INR219mn came lower than estimate on slower revenue momentum. Revenue was impacted by lower volumes (down >7% QoQ), partially due to impact of demonetisation (especially in bullion) and uncertainty with regard to GST rates. However, the hike (by ~25%) in transaction charges effected in October 2016 cushioned the revenue impact. While volumes dipped post demonetisation, we expect them to normalise as underlying spot market activity normalises and uncertainty w.r.t. GST wanes. Further structural levers such as: a) introduction of options & institutional participation; and b) shift from dabba trading post demonetisation, will provide a leg up. Overall, structural growth visibility and MCX's leadership are envisaged to drive further re-rating of the stock. Maintain 'BUY'.

Demonetisation softens volume growth; structural levers intact

One of the key performance barometers for MCX is ADTV, wherein the trend has been volatile post demonetisation—down >7% QoQ. This has been largely on account of softness in bullion (given lower activity in underlying spot market, but improving) and uncertainty w.r.t. GST. While post demonetisation, ADTV in December 2016 fell to INR174bn versus October 2016 average of >INR200bn, activity levels have improved gradually—INR190bn in April 2017. MCX has continued to focus on introduction of pan-India programmes (terminals have crossed 0.6mn from 0.5mn a year ago). This, along with nod to option trading, institutional participation and shift from dabba trade is envisaged to provide further leg up to volumes. Our analysis across global exchanges indicates that options volumes are broadly equal to future volumes and institutional participation can add further 25-30%.

Outlook and valuations: Visibility improves; maintain 'BUY'

MCX's firmly entrenched leadership along with entrenched structural levers will drive >30% earnings CAGR over FY17-19E. Factoring in gradual roll out of SEBI's measures, benefit of demonetisation etc., we estimate >25% CAGR in ADTV. The company's successful return to stable mode with top management rejig, new hiring, settling of the MSEI issue, among others, are key positives. Given softer volumes and higher costs, we have pruned FY18/FY19E earnings by ~5%/4%, translating into a target price of INR1,455 (INR1,520 earlier). The stock is currently trading at 24.8x FY19E P/E. Maintain 'BUY/SP'.

Financials

(INR mn)

Year to March	Q4FY17	Q4FY16	Growth %	Q3FY17	Growth %	FY17	FY18E	FY19E
Net revenue	869	1,079	(19.5)	998	(12.9)	3,759	4,865	5,821
Net profit	219	444	(50.8)	339	(35.5)	1,263	1,833	2,319
Dil. EPS (INR)	4.3	8.8	(51.0)	6.7	(35.6)	24.8	35.9	45.5
Adj. BV (INR)						299.9	313.9	335.4
Price/ Adj book (x)						3.8	3.6	3.4
Price/ Earnings (x)						45.6	31.4	24.8

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: MCEI.BO, B: MCX IN)

CMP	: INR 1,130
Target Price	: INR 1,455
52-week range (INR)	: 1,420 / 851
Share in issue (mn)	: 51.0
M cap (INR bn/USD mn)	: 58 / 891
Avg. Daily Vol.BSE/NSE('000)	: 422.9

SHARE HOLDING PATTERN (%)

	Current	Q3FY17	Q2FY17
Promoters *	-	-	-
MF's, FI's & BK's	36.5	37.5	39.8
FII's	22.3	23.7	19.2
Others	41.1	38.8	40.9
* Promoters pledged shares (% of share in issue)	:		NIL

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Banks and Financial Services Index
1 month	(7.5)	1.3	5.8
3 months	2.1	6.1	11.7
12 months	27.0	18.4	36.0

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Cost stability likely to kick in; technology cost to be steady

MCX's profitability, over the past few quarters, has been impacted by one-off costs. After a rise in Q3FY17 (due to introduction of variable pay packages), employee cost normalised in Q4FY17, in line with guidance. However, other expenses were higher (up >26% QoQ) following higher regulatory fees, investment in GIFT City and technology & licensing-related expenses. Management stated that a large part of these costs was largely one-off in nature and will normalise henceforth.

Other highlights

Options are likely to be launched in the next 2-3 months.

- At least 6 contracts have necessary market depth for options—gold, silver, copper, crude oil, cotton and crude palm oil.
- In the long run (3-5 years), management is targeting ~40% incremental revenue via options.
- Following options, the company may launch index products and complex derivatives, in that order.

Table 1: ADTV trend volatile post demonetisation - down >7% QoQ...

(INR bn)	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	FY15	FY16	FY17	QoQ	YoY
Average Daily Trading Volumes	236	246	252	210	194	203	219	226	(7.5)	(17.8)
-Gold	64	62	54	34	31	48	48	45	(8.1)	(52.1)
-Silver	31	37	45	29	22	36	32	33	(24.5)	(27.6)
-Crude Oil	71	68	68	54	50	50	65	60	(8.1)	(29.5)
-Agri	5	5	6	4	6	4	5	5	22.8	7.9
-Others	66	73	78	89	86	65	69	82	(3.0)	30.8

Table 2: ...largely driven by slowdown in bullion

(INR bn)	Qty Denomination	ADTV Q4FY17 Value (INR bn)	ADTV Q4FY17 Volume	ADTV Q4FY16 Value (INR bn)	ADTV Q4FY16 Volume	Change in ADTV (YoY) Value	Change in ADTV (YoY) Volume	ADTV Q3FY17 Value (INR bn)	ADTV Q3FY17 Volume	Change in ADTV (QoQ) Value	Change in ADTV (QoQ) Volume	ADTV FY17 Value (INR bn)	ADTV FY17 Volume	ADTV FY16 Value (INR bn)	ADTV FY16 Volume	Change in ADTV (YoY) Value	Change in ADTV (YoY) Volume
Gold	000 Kgs	30.8	10,721	64.3	22,820	(52.1)	(53.0)	33.5	11,464	(8.1)	(6.5)	45.0	15,028	48.4	18,064	(7.1)	(16.8)
Silver	000 Kgs	22.1	529	30.5	846	(27.6)	(37.4)	29.2	700	(24.5)	(24.4)	33.5	782	32.1	893	4.3	(12.4)
Crude Oil	000 BBLs	49.9	14,370	70.7	31,385	(29.5)	(54.2)	54.3	16,445	(8.1)	(12.6)	60.2	19,008	65.4	23,037	(7.9)	(17.5)
Copper	000 Kgs	17.5	44,513	15.7	49,633	11.6	(10.3)	17.8	48,399	(1.4)	(8.0)	17.1	49,101	17.0	50,034	0.2	(1.9)
Zinc	000 Kgs	26.5	1,42,580	16.1	1,41,562	65.0	0.7	27.7	1,61,406	(4.2)	(11.7)	24.9	1,56,689	15.2	1,28,582	63.2	21.9
Lead	000 Kgs	14.5	95,148	12.7	1,07,863	13.8	(11.8)	14.4	98,865	0.7	(3.8)	12.9	95,585	11.4	98,183	13.4	(2.6)
Nickel	000 Kgs	7.8	11,248	6.3	10,841	23.7	3.8	6.9	9,436	12.3	19.2	7.4	10,980	8.9	12,893	(16.0)	(14.8)

Source: Company

Table 3: Reconciliation of Q4FY16 results (Indian GAAP vs. Ind AS)

(INR mn)	Q4FY16
Net Profit after tax under previous Indian GAAP	271.0
Gain on Fair valuation of Investments	245.3
Effect of amortised cost	(0.6)
Employee benefit expenses (ESOP)	(3.4)
Reversal of Loss on Investments classified as Fair value through Other Comprehensive Income	16.4
Actuarial gain / (loss) on employee defined benefit plans recognise in Other Comprehensive Income	0.7
Deferred tax adjustment on above	(85.0)
Net Profit after tax under Ind AS	444.5
Other Comprehensive Income (net of tax)	(77.3)
Total Comprehensive Income under Ind AS	367.2

Source: Company

Table 4: Commodity-wise assumption for ADTV growth

	FY16	FY17	FY18E	FY19E
SILVER				
Avg daily volume (INR bn)	32	33	43	54
Vol (kgs)	893	782	892	1,070
Avg price (INR)	35,970	42,558	47,665	50,048
Proportion of total volume (%)	14.6	14.8	14.5	14.6
GOLD				
Avg daily volume (INR bn)	48	45	60	75
Vol (gms)	18,064	15,028	18,334	22,001
Avg price (INR)	26,807	29,694	32,663	34,296
Proportion of total volume (%)	22.1	19.8	20.4	20.6
COPPER				
Avg daily volume (INR bn)	17	17	22	28
Vol (kgs)	50	49	59	71
Avg price (INR)	3.4	3.5	3.7	3.9
Proportion of total volume (%)	7.8	7.6	7.5	7.6
CRUDE OIL				
Avg daily volume (INR bn)	65	61	82	104
Vol ('000 bbls)	23	19	23	26
Avg price (INR)	28.4	32.2	36.1	39.7
Proportion of total volume (%)	29.8	27.2	28.1	28.5
ZINC				
Avg daily volume (INR bn)	15	25	31	38
Vol (kgs)	1,28,582	1,56,689	1,83,326	2,10,824
Avg price (INR)	1.2	1.6	1.7	1.8
Proportion of total volume (%)	6.9	11.1	10.7	10.4
LEAD				
Avg daily volume (INR bn)	11	13	17	22
Vol (kgs)	98,183	95,585	1,14,702	1,37,643
Avg price (INR)	1.2	1.4	1.5	1.6
Proportion of total volume (%)	5.2	5.7	5.8	6.0
NICKEL				
Avg daily volume (INR bn)	9	7	9	12
Vol (kgs)	12,893	10,980	13,176	15,811
Avg price (INR)	6.9	6.8	7.1	7.5
Proportion of total volume (%)	4.0	3.3	3.2	3.2
AGRI				
Proportion of total volume (%)	4.4	5.3	6.4	7.6
Proportion of total volume (%)	2.0	2.3	2.2	2.1
OTHERS				
Proportion of total volume (%)	16.4	18.6	22.3	25.6
Proportion of total volume (%)	7.5	8.2	7.6	7.0
TOTAL	219	226	293	366

Source: Company, Edelweiss research

Financial snapshot

(INR mn)

Year to March	Q4FY17	Q4FY16	% change	Q3FY17	% change	FY17	FY18E	FY19E
Net revenues	869	1,079	(19.5)	998	(12.9)	3,759	4,865	5,821
Expenses	495	422	17.3	493	0.3	1,797	2,086	2,330
- employee cost	160	109	46.7	198	(19.2)	644	800	927
- software support charges	102	95	7.7	112	(8.7)	426	532	618
- other expenses	233	219	6.8	184	26.7	726	753	785
EBITDA	374	657	(43.0)	504	(25.8)	1,962	2,779	3,491
- Interest	-	1	(19.3)	-	4.0	2	2	2
- Depreciation	49	54	(9.9)	45	9.0	186	234	270
PBT	325	602	(46.1)	459	(29.3)	1,774	2,545	3,221
Tax	106	157	(32.8)	119	(11.4)	512	713	902
PAT	219	444	(50.8)	339	(35.5)	1,263	1,833	2,319
Diluted EPS (INR)	4.3	8.8	(51.0)	6.7	(35.6)	24.8	35.9	45.5

Ratios (%)

EBITDA margin	43.1	60.9		50.6		52.2	57.1	60.0
PAT margin	25.2	41.2		34.0		33.6	37.7	39.8
Employee cost/revenues	18.4	10.1		19.8		17.1	16.5	15.9
Software chg./revenues	11.7	8.8		11.2		11.3	10.9	10.6
Tax rate (%)	32.6	26.2		26.0		28.8	28.0	28.0

Valuation metrics

Adj book value / share						299.9	313.9	335.4
Price/ Adj. book (x)						3.8	3.6	3.4
Price/ Earnings						45.6	31.4	24.8

Q4FY17 Earnings Conference Call

With respect to operations

- **Revenues were impacted by drop in bullion contract volumes due to impact of demonetisation and uncertainty with regard to GST rates**
 - Excluding bullion segment, volumes have more-or-less returned to pre-demonetisation levels
- Treasury income was lower during the quarter on account of drop in yields
 - ~1/7th of the treasury income is attributable to broker money parked with the exchange
- The company has consciously reduced spends on advertising
 - **Going forward, advertising expenses should be somewhere between FY16 and FY17 levels**
- Rise in other expenses was attributable to higher regulatory fees, investment in GIFT City, and technology & licensing-related expenses
 - Technology expenses are either expensed or capitalised based on quantum of expenditure
 - **Going forward, other expenses should be held at FY17 levels**
- MCX has a healthy settlement guarantee fund (SGF) - >INR2.2bn, with cash balance of ~INR1.7bn
 - **Going forward, the company may not need to make any incremental contributions to the SGF**
- MCX has owned funds to the tune of ~INR12bn, with ~INR2bn of broker money
 - Once the proposed clearing corp. (CC) is set up, ~INR5bn may sit in the CC and the remaining ~INR9bn with the parent company
- The company has a dividend policy which mandates ~30-50% payout ratio
 - However, given no immediate need of funds, dividend payout this year ~75%

Other highlights:

- **Options would likely be launched in the next 2-3 months**
 - **At least 6 contracts have necessary market depth for options: Gold, silver, copper, crude oil, cotton and crude palm oil**
 - In the long run (3-5 years), management plans to achieve ~40% incremental revenues through options
 - Following options, the company may launch index products and complex derivatives in that order
- **Universal exchanges may get operational by end of this year or early next year**
 - In this regard, MCX may consider launching currency and interest rate derivatives
- The company is still evaluating feasibility of setting up an exchange at GIFT City
- Number of members has reduced by ~3% YoY to 689
- Unique client codes has increased by >12% YoY to 26,77,335

Q3FY17 Earnings Conference Call

With respect to demonetisation:

- Demonetisation had an impact on the underlying market, which impacted exchange turnover
 - o Turnover – Q3FY17: ~INR210bn, Q2FY17: ~INR252bn
 - o While turnover in October was in-line with trend, November saw large volatility
 - o Over past 4-5 weeks, exchange has seen change in business volumes:
 - General composition – Bullion: 35%, Energy: 35%, Base metals: 25%, Agri: 5%
 - Post demonetisation – Bullion: 25%, Energy: 35%, Base metals: 35%, Agri: 5%
 - o Management highlighted that diversity of business portfolio has lowered the net impact
- On back of demonetisation, mgmt. expects volumes to shift from *dabba* market to organized markets

With respect to operations:

- During the quarter, there were one-off expenses amounting to ~INR50mn
 - o Employee benefit expenses - Got board approval to introduce variable pay package
 - Estimated full-year costs: INR70mn; Recurring qtr. amount: INR17.5mn
 - Booked in Q3FY17: INR52.5mn (for first three quarters)
 - o Other expenses: One-off expenses: ~INR15mn
 - Change in office location: ~INR1.3mn
 - Shifting of servers: ~INR2.5mn
 - One-time audit: ~INR3.1mn
 - Revamp of website: ~INR5.5mn
- Management highlighted that increase in fees did not have any big adverse impact on business
- Yield on treasury has been at similar levels
 - o Management is keeping a close watch, given changing interest rate scenario
- Management expects normalised EBITDA margins to be ~60%

Other highlights:

- Commodity Options:
 - SEBI's intention is to initially allow trading of 1 agri and 1 non-agri contract
 - Management expects to launch options within 4 weeks after SEBI issues final guidelines
 - Mgmt. believes the following commodities have good depth and participation for options:
 - Non-agri: Gold, silver, crude oil, copper
 - Agri: Cotton, crude palm oil (CPO)
 - Introduction of options will be on futures and not on commodity
 - Contract design has yet not been finalized:
 - Settlement price: Cash market price or actual price of futures
 - Type: American or European
 - Management would not begin mock trading until design is finalised
- GIFT City International Exchange:
 - Signed MoU with CME to explore the opportunity of setting up an exchange
 - However, as of now, there is no plan to set up an exchange (in evaluative phase)
- Clearing corp. – Management expects SEBI's in-principle in next 4-6 weeks
 - May go live by first quarter of new financial year
- MSEI case: Outstanding warrants have been converted into shares and all deposits have been returned
- Going forward, company is exploring opportunities in education and data services
 - Management highlighted that data services constitute a greater portion of revenues globally
- In India, charges are on an ad-valorem basis (unlike in international markets)
 - Management does not expect any change in this business model
- Active UCCS (unique clients) – 27,28,342

Company Description

MCX is a leading electronic commodity futures exchange in India promoted by FTIL (though has not ceased to be a promoter with NSEL fallout) facilitating online trading, clearing & settlement operations for futures market across the country. The exchange started operations in November 2003 and within eight years it has emerged the market leader in commodities future industry with 85% plus market share, leveraging on product and service innovations and effective use of technology. Well designed technology platform that ensures security, reliability, flexibility and scalable architecture with handling capacity of 40mn transactions in a day. In terms of innovation, it is the first exchange in India to launch mini contracts to cater to needs of small traders and SMEs and has initiated evening sessions to synchronise with trading hours of exchanges in London, New York and other major international markets.

Investment Theme

Multi commodity exchange (MCX) was fraught with challenges since past couple of years with its promoter, FTIL, being declared not “fit and proper” to run the exchange post NSEL fallout leading to entire top management rejig. Moreover, imposition of CTT had an adverse impact on trading volumes, coupled with sharp fall in commodity prices. Despite such turmoils, the company emerged unscathed maintaining market leadership (with >80% market share) bearing testimony to its underlying business strength. Infact, the model has evolved much stronger with experienced management backed by strong financial partner (Kotak). This further supported with structural growth levers and potential regulatory changes (FCRA Act clearance) place MCX in a favorable position to capitalise on emerging opportunities. Trading volumes appear to have bottomed out and are estimated to report >25% CAGR over FY17-19E. Operating leverage benefit will provide ~777bps of positive delta to operating margin.

Key Risks

- Higher regulatory risks due to speculative nature of trades: i) Delay in implementation of proposed policy measures; ii) Ban on trading in certain commodities; iii) Revision in open position limits, higher margin requirement, CTT imposition etc
- Significant dependence on a few commodities: Top four commodities—gold, silver, crude oil and copper—accounted for more than 85% of total volumes on MCX
- Long - term pricing pressure likely in commodities futures

Financial Statements

Key Assumptions

Year to March	FY16	FY17E	FY18E	FY19E
Macro				
GDP(Y-o-Y %)	7.2	6.5	7.1	7.7
Inflation (Avg)	4.9	4.8	5.0	5.2
Repo rate (exit rate)	6.8	6.3	6.3	6.3
USD/INR (Avg)	65.0	67.5	67.0	67.0
Sector				
Credit growth	9.3	9.0	12.0	14.0
Deposit growth	8.6	14.0	12.0	13.0
CRR	4.0	4.0	4.0	4.0
SLR	20.8	20.0	20.0	20.0
G-sec yield	7.5	6.5	6.5	6.5
Company				
Operating margin	54.6	52.2	57.1	60.0
Employee cost/revenues	11.9	17.1	16.5	15.9
Technology cost/revenues	10.6	11.3	10.9	10.6
Dividend tax	17.0	17.0	17.0	17.0
Tax rate (%)	28.4	28.8	28.0	28.0
Dividend payout	35.0	45.0	45.0	45.0
Avg Daily Trading Vol.	219.3	225.6	293.2	365.7
- Gold	48.4	44.6	59.9	75.5
- Silver	32.1	33.3	42.5	53.6
- Crude Oil	65.4	61.3	82.3	104.2
- Agri	4.4	5.3	6.4	7.6
- Others	68.9	81.1	102.1	124.9
Commission yields	1.8	2.0	2.2	2.2
# of members	2,074	2,101	2,138	2,175
# of employees	295	395	399	429
# of terminals	550	631	694	764

Income statement

(INR mn)

Year to March	FY16	FY17E	FY18E	FY19E
Net revenue	3,514	3,759	4,865	5,821
Operating expenses	1,596	1,797	2,086	2,330
- Employee Cost	419	644	800	927
- Technology Costs	374	426	532	618
- Advt. & Business Development	192	36	39	43
- Admin & Other Expenses	612	690	713	742
Operating profits	1,918	1,962	2,779	3,491
Depreciation	246	186	234	270
EBIT	1,672	1,776	2,545	3,221
Profit Before Tax	1,669	1,774	2,545	3,221
Less: Provision for Tax	475	512	713	902
Net profit	1,194	1,263	1,833	2,319
Exceptional items	(56)	-	-	-
Reported Profit	1,138	1,263	1,833	2,319
Adj. Diluted EPS (INR)	23.4	24.8	35.9	45.5
Dividend per share (DPS)	8.2	11.1	16.2	20.5
Dividend Payout Ratio(%)	35.0	45.0	45.0	45.0

Growth ratios (%)

Year to March	FY16	FY17E	FY18E	FY19E
Revenues	NA	7.0	29.4	19.6
Opex growth	NA	12.5	16.1	11.7
Operating margin growth	NA	2.3	41.7	25.6
PBT	NA	6.3	43.5	26.5
Adjusted Profit	NA	5.7	45.1	26.5

Operating ratios

Year to March	FY16	FY17E	FY18E	FY19E
Operating margin	54.6	52.2	57.1	60.0
PAT margin	34.0	33.6	37.7	39.8
Employee cost/revenues	11.9	17.1	16.5	15.9
Technology cost/revenues	10.6	11.3	10.9	10.6
Opex/revenues	45.4	47.8	42.9	40.0
Tax rate	28.4	28.8	28.0	28.0

Balance sheet		(INR mn)			
As on 31st March	FY16	FY17E	FY18E	FY19E	
Share capital	510	510	510	510	
Net worth	14,780	15,293	16,008	17,106	
Def. Tax Liability (net)	(46)	75	89	107	
Total liabilities	14,734	15,368	16,097	17,213	
Gross Block	3,715	4,021	4,171	4,321	
Depreciation	2,313	2,499	2,733	3,003	
Net Block	1,401	1,521	1,437	1,318	
Investments	11,110	11,948	12,590	13,290	
Cash and Equivalents	207	40	57	538	
Sundry Debtors	42	28	109	167	
Fixed Deposits	4,795	3,849	4,549	5,249	
Loans & Advances	922	1,219	1,334	1,423	
Other Current Assets	60	51	62	74	
Total current assets	6,026	5,188	6,110	7,452	
Current liabilities	2,988	2,780	3,479	4,229	
Security Deposits	96	98	100	102	
Networking Equip. Dep.	4	4	4	4	
Trading Margin from Mem.	2,193	2,256	2,932	3,657	
Other Current Liab	695	422	443	465	
Net current assets	3,038	2,408	2,631	3,223	
Provisions	814	510	561	617	
Total assets	14,734	15,368	16,097	17,213	
BVPS (INR)	289.8	299.9	313.9	335.4	

Key operating metrics

Year to March	FY16	FY17E	FY18E	FY19E
Avg Daily Trading Vol.	219.3	225.6	293.2	365.7
- Gold	48.4	44.6	59.9	75.5
- Silver	32.1	33.3	42.5	53.6
- Crude Oil	65.4	61.3	82.3	104.2
- Agri	4.4	5.3	6.4	7.6
Commission yields	1.8	2.0	2.2	2.2
# of members	2,074	2,101	2,138	2,175
# of terminals	550	631	694	764

Valuation parameters

Year to March	FY16	FY17E	FY18E	FY19E
Adj. Diluted EPS (INR)	23.4	24.8	35.9	45.5
Y-o-Y growth (%)	(4.5)	5.7	45.1	26.5
BV per share (INR)	289.8	299.9	313.9	335.4
RoE (%)	7.9	8.4	11.7	14.0
Diluted P/E (x)	48.2	45.6	31.4	24.8
P/B (x)	3.9	3.8	3.6	3.4
Dividend Yield (%)	0.7	1.0	1.4	1.8

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		P/B (X)		ROAE (%)	
		FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
Multi Commodity Exchange of India	891	31.4	24.8	3.6	3.4	11.7	14.0
Dewan Housing Finance	2,122	12.3	10.8	1.6	1.4	13.7	14.3
HDFC	37,449	29.2	25.4	5.6	5.0	20.0	20.8
Indiabulls Housing Finance	7,124	13.3	11.1	3.5	3.0	27.7	29.2
LIC Housing Finance	5,330	15.8	14.4	2.7	2.3	19.6	18.9
Mahindra & Mahindra Financial Services	2,854	27.1	18.6	2.7	2.4	10.2	13.8
Manappuram General Finance	1,242	9.0	7.4	2.2	1.9	26.5	27.4
Muthoot Finance	2,448	11.6	9.8	2.1	1.8	19.5	20.0
Power Finance Corp	6,804	6.4	6.0	1.0	0.9	16.1	15.3
Reliance Capital	2,668	14.0	11.2	1.0	0.9	7.4	8.6
Repco Home Finance	724	20.7	17.8	3.5	3.0	18.5	18.2
Rural Electrification Corporation	6,742	7.0	6.6	1.1	1.0	17.2	16.1
Shriram City Union Finance	2,168	16.6	11.6	2.4	2.1	15.7	19.3
Shriram Transport Finance	3,526	13.5	8.8	1.8	1.5	14.2	18.8
Median	-	13.7	11.2	2.3	2.0	16.6	18.5
AVERAGE	-	16.3	13.2	2.5	2.2	17.0	18.2

Source: Edelweiss research

Additional Data

Directors Data

Saurabh Chandra	Chairman	Parveen Kumar Singhal	President & Whole Time Director
Mrugank M. Paranjape	Managing Director & CEO	Arun Nanda	Director
S K Mitra	Director	M. Govinda Rao	Director
Padma Raghunathan	Director	Madhu Vadera Jayakumar	Director
Amit Goela	Director	Arun Bhargava	Director
Pravin Tripathi	Director	Hemang Raja	Director
Prithvi Haldea	Director	C. Jayaram	Director

Auditors - Shah Gupta & Co.

**as per last annual report*

Holding - Top 10

	Perc. Holding		Perc. Holding
Kotak Mahindra	15.00	Swiss Finance Corporation (Mauritius)	4.40
Axis Asset Management	4.24	Jhunjhunwala Rakesh	3.92
Reliance Capital Trustee	3.04	Goldman Sachs Group	2.39
IDFC Mutual Fund	2.20	Baron Capital	2.09
Baron Emerging Markets Fund	2.01	L&T Investment Management	1.82

**as per last available data*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
29 Sep 2016	Nomura Singapore Ltd	Buy	397800	1352.69

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
09 Dec 2016	Blackstone Gpv Capital Partners (Mauritius) Vi Fii Ltd	Sell	2421028.00
09 Dec 2016	Swiss Finance Corporation (Mauritius) Ltd	Buy	2409194.00

**in last one year*

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

Allahabad Bank, Axis Bank, Bharat Financial Inclusion, Bajaj Finserv, Bank of Baroda, Capital First, DCB Bank, Dewan Housing Finance, Equitas Holdings Ltd., Federal Bank, HDFC, HDFC Bank, ICICI Bank, IDFC Bank, Indiabulls Housing Finance, Indusind Bank, Karnataka Bank, Kotak Mahindra Bank, LIC Housing Finance, L&T FINANCE HOLDINGS LTD, Max Financial Services, 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, Yes Bank

Recent Research

Date	Company	Title	Price (INR)	Recos
06-May-17	L&T Finance Holdings	On guided path; exceptional gains put to good use; <i>Result Update</i>	133	Buy
04-May-17	HDFC	Steady quarter; retail growth soft; <i>Result Update</i>	1,564	Hold
03-May-17	Dewan Housing Finance	In-line quarter; core home loan remains soft; <i>Result Update</i>	444	Buy

Distribution of Ratings / Market Cap

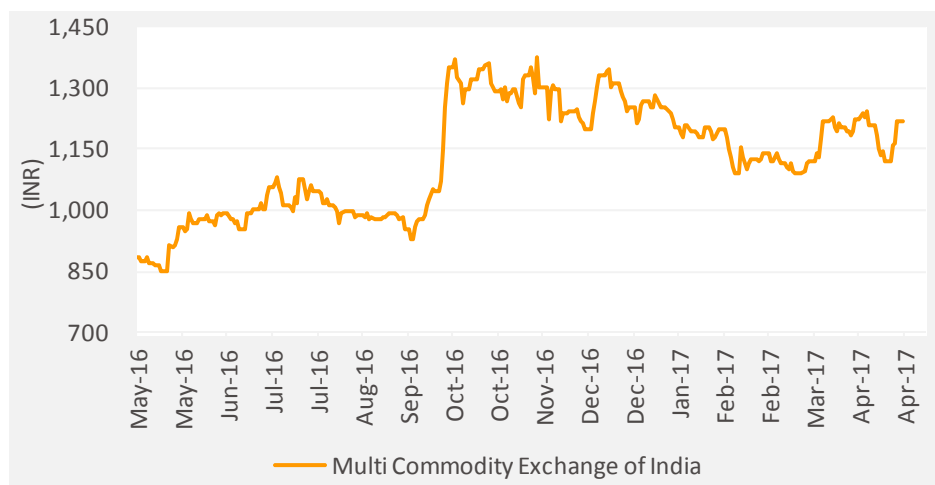
Edelweiss Research Coverage Universe

	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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