

# MULTI COMMODITY EXCHANGE OF INDIA

## Growth revival playing through

India Equity Research | Banking and Financial Services



Multi Commodity Exchange's (MCX) Q2FY18 earnings were stable and on expected lines (PAT at INR283mn). The quarter was characterised by good revival in volumes—ADTV up >17% QoQ (albeit, still below historical run rate)—but lower realisations restricted operating revenue growth to <13% YoY. Meanwhile, the company reported second consecutive quarter of controlled opex (flat QoQ), which bolstered earnings. This also vindicates our stance that as volume growth kicks in, MCX will reap benefit of operating leverage. Post demonetisation and GST, volumes have rebased, but post that growth has been encouraging. Additionally, 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 the stock's further re-rating. Maintain 'BUY'.

### Volumes on recovery road; ramp up due to options monitorable

One of the key performance barometers for MCX is traction in ADTV. Post a couple of soft quarters (following demonetisation and GST impact), volumes revived in Q2FY18 (ADTV at INR220bn versus average sub-INR200bn over past 2 quarters; however, still lower than INR250bn before that). The recovery was largely contributed by base metal segment and smart recovery in bullion. A few green shoots in activity indicate that volumes are likely to recover to pre-demonetisation levels over the next 2 quarters. MCX expects to launch options in 1kg gold contracts in October, followed by other eligible 8 contracts by March. Institutional participation started with AIF being permitted—likely to gain traction over the next couple of quarters—and the regulator is expected to follow up with approvals for PMS and MF players. Shift from informal/dabba trading post demonetisation is expected to further structurally drive volumes.

### Outlook and valuations: Visibility improving; maintain 'BUY'

Volumes clocked much anticipated revival and initial signs of operating leverage benefits were apparent in Q2FY18. Benefits will be more prominent when volumes see uptick in FY19. Volumes can possibly grow upwards of 25% in FY19E with options being rolled out and institutions (AIF, MF and PMS) also being permitted to trade by FY19, leading to spurt in earnings. At CMP, the stock is trading at ~32x FY19E P/E. We maintain 'BUY/SP' with target price of INR1,310.

Financials		(INR mn)						
Year to March	Q2FY18	Q2FY17	Growth %	Q1FY18	Growth %	FY17	FY18E	FY19E
Net revenue	898	954	(5.9)	868	3.4	3,759	4,005	4,863
Net profit	283	376	(24.8)	263	7.9	1,263	1,327	1,801
Dil. EPS (INR)	5.6	7.4	(24.7)	5.2	7.9	24.8	26.0	35.3
Book Value (INR)						300	309	326
Price/Book (x)						3.8	3.7	3.5
Price/Earnings (x)						45.8	43.6	32.1

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 1,134
Target Price	: INR 1,310
52-week range (INR)	: 1,413 / 930
Share in issue (mn)	: 51.0
M cap (INR bn/USD mn)	: 58 / 891
Avg. Daily Vol.BSE/NSE('000)	: 376.4

SHARE HOLDING PATTERN (%)			
	Current	Q1FY18	Q4FY17
Promoters *	-	-	-
MF's, FI's & BK's	33.6	35.7	36.5
FII's	30.6	25.6	22.3
Others	35.8	38.7	41.2
* Promoters pledged shares (% of share in issue)	:	NIL	

PRICE PERFORMANCE (%)			
	Stock	Nifty	EW Banks and Financial Services Index
1 month	1.5	0.9	(0.7)
3 months	5.1	2.8	2.6
12 months	(14.1)	18.6	28.2

**Kunal Shah**  
+91 22 4040 7579  
kunal.shah@edelweissfin.com

**Prakhar Agarwal**  
+91 22 6620 3076  
prakhar.agarwal@edelweissfin.com

**Malav Simaria**  
+91 22 6623 3357  
malav.simaria@edelweissfin.com

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**Table 1: Key takeaways from Q2FY18 earnings**

(INR mn)	Q2FY18	Q2FY17	YoY (%)	Q1FY18	QoQ (%)	Comments
Revenues	898	954	(5.9)	868	3.4	Sharp revival in volumes (up >17% QoQ), but lower realisation restricted revenue growth. The growing momentum in volume holds key henceforth
Expenses	462	401	15.2	460	0.5	Second consecutive quarter of controlled costs which supported earnings traction. This vindicates our stance that as volumes gain traction, company will benefit from operating leverage
- Employee Benefits Expense	178	144	24.2	178	0.5	
- Software Support Charges and Product License Fees	127	107	18.1	114	11.2	
- Other Expenses	157	150	4.6	168	(6.8)	
EBIDTA	436	553	(21.2)	409	6.8	
- Finance Costs	-	0	NA	-	NA	
- D&A Expense	48	42	13.5	48	0.4	
Profit before Tax	388	511	(24.0)	361	7.6	
Tax Expenses	105	134	(21.7)	98	6.8	
Net Profit after Tax	283	376	(24.8)	263	7.9	
Diluted EPS (INR)	5.6	7.4	(24.7)	5.2	7.9	
<b>Ratios (%)</b>						
EBITDA Margin	48.6	58.0		47.1		Operating leverage benefit to kick-in given focus on cost rationalisation
PAT Margin	31.5	39.5		30.2		
Tax Rate	27.0	26.3		27.2		
<b>ADTV (INR bn)</b>						
Total	188	246	(23.7)	194	(3.4)	Gradual roll-out of SEBI's measures and phasing out of GST & demonetisation impact to lead to build-up in volumes
-Gold & Silver	54	99	(45.7)	53	2.1	Green-shoots visible, with bullion volumes showing signs of traction
-Crude Oil	53	68	(22.6)	50	6.1	
-Agri	4	5	(21.8)	6	(26.4)	
-Others	77	73	5.2	86	(10.9)	Volume is being supported by base metals

Source: Company, Edelweiss research

**Table 2: Volumes shows signs of revival...**

(INR bn)	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	QoQ	YoY	FY16	FY17	YoY
Average Daily Trading Volumes	252	210	194	188	220	17.0	(12.7)	219	226	2.9
-Gold	54	34	31	30	33	12.0	(37.8)	48	45	(7.1)
-Silver	45	29	22	24	30	24.2	(33.1)	32	33	4.3
-Crude Oil	68	54	50	53	57	8.4	(16.0)	65	60	(7.9)
-Agri	6	4	6	4	4	(0.9)	(35.4)	5	5	13.2
-Others	78	89	86	77	95	23.7	20.9	69	82	19.0

Source: Company

Table 3: ...driven by base metals and recovery in bullion

(INR bn)	Qty Denomina tion	ADTV Q2FY18		ADTV Q2FY17		Change in ADTV (YoY)		ADTV Q1FY18		Change in ADTV (QoQ)		ADTV FY17		ADTV FY16		Change in ADTV (YoY)	
		Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume
		(INR bn)		(INR bn)				(INR bn)				(INR bn)		(INR bn)			
Gold	000 Kgs	33.3	11,464	53.5	17,130	(37.8)	(33.1)	29.8	10,339	12.0	10.9	45.0	15,028	48.4	18,064	(7.1)	(16.8)
Silver	000 Kgs	30.2	775	45.1	969	(33.1)	(20.0)	24.3	611	24.2	26.9	33.5	782	32.1	893	4.3	(12.4)
Crude Oil	000 BBLs	57.4	18,544	68.4	22,674	(16.0)	(18.2)	52.9	17,038	8.4	8.8	60.2	19,008	65.4	23,037	(7.9)	(17.5)
Copper	000 Kgs	17.8	42,858	15.3	47,288	16.3	(9.4)	15.6	42,166	14.4	1.6	17.1	49,101	17.0	50,034	0.2	(1.9)
Zinc	000 Kgs	33.7	1,76,438	24.4	1,61,656	37.9	9.1	24.0	1,42,936	40.3	23.4	24.9	1,56,689	15.2	1,28,582	63.2	21.9
Lead	000 Kgs	16.2	1,07,186	11.7	92,274	38.7	16.2	13.1	93,791	23.7	14.3	12.9	95,585	11.4	98,183	13.4	(2.6)
Nickel	000 Kgs	9.4	13,658	9.1	13,117	4.0	4.1	6.6	10,975	43.2	24.5	7.4	10,980	8.9	12,893	(16.0)	(14.8)

Source: Company

Table 4: Commodity-wise ADTV assumptions

	FY16	FY17	FY18E	FY19E
<b>SILVER</b>				
Avg daily volume (INR bn)	32	33	33	41
Vol (kgs)	893	782	821	986
Avg price (INR)	35,970	42,558	39,579	41,558
Proportion of total volume (%)	14.6	14.8	14.3	14.0
<b>GOLD</b>				
Avg daily volume (INR bn)	48	45	35	48
Vol (gms)	18,064	15,028	12,022	15,629
Avg price (INR)	26,807	29,694	29,100	30,555
Proportion of total volume (%)	22.1	19.8	15.3	16.3
<b>COPPER</b>				
Avg daily volume (INR bn)	17	17	18	23
Vol (kgs)	50	49	46	57
Avg price (INR)	3.4	3.5	3.9	4.1
Proportion of total volume (%)	7.8	7.6	7.8	8.0
<b>CRUDE OIL</b>				
Avg daily volume (INR bn)	65	61	58	77
Vol ('000 bbls)	23	19	19	22
Avg price (INR)	28.4	32.2	31.3	34.4
Proportion of total volume (%)	29.8	27.2	25.5	26.2
<b>ZINC</b>				
Avg daily volume (INR bn)	15	25	31	39
Vol (kgs)	1,28,582	1,56,689	1,75,491	2,10,589
Avg price (INR)	1.2	1.6	1.8	1.8
Proportion of total volume (%)	6.9	11.1	13.5	13.3
<b>LEAD</b>				
Avg daily volume (INR bn)	11	13	16	20
Vol (kgs)	98,183	95,585	1,05,144	1,26,173
Avg price (INR)	1.2	1.4	1.5	1.6
Proportion of total volume (%)	5.2	5.7	6.8	6.8
<b>NICKEL</b>				
Avg daily volume (INR bn)	9	7	9	12
Vol (kgs)	12,893	10,980	13,725	16,470
Avg price (INR)	6.9	6.8	6.8	7.1
Proportion of total volume (%)	4.0	3.3	4.1	4.0
<b>AGRI</b>				
	4.4	5.3	6.4	7.6
Proportion of total volume (%)	2.0	2.3	2.8	2.6
<b>OTHERS</b>				
	16.4	18.6	22.3	25.6
Proportion of total volume (%)	7.5	8.2	9.8	8.7
<b>TOTAL</b>	<b>219</b>	<b>226</b>	<b>228</b>	<b>293</b>

Source: Company, Edelweiss research

## Financial snapshot

(INR mn)

Year to March	Q2FY18	Q2FY17	% change	Q1FY18	% change	YTD18	FY18E	FY19E
Net revenues	898	954	(5.9)	868	3.4	1,767	4,005	4,863
Expenses	462	401	15.2	460	0.5	922	1,961	2,167
- employee cost	178	144	24.2	178	0.5	356	726	841
- other expenses	283	257	10.2	282	0.5	566	1,235	1,326
EBITDA	436	553	(21.2)	409	6.8	845	2,044	2,696
Interest	-	1	NA	-	NA	-	2	2
Depreciation	48	42	13.5	48	0.4	96	201	195
PBT	388	511	(24.0)	361	7.6	749	1,843	2,502
Tax	105	134	(21.7)	98	6.8	203	516	700
PAT	283	376	(24.8)	263	7.9	546	1,327	1,801
Diluted EPS (INR)	5.6	7.4	(24.7)	5.2	7.9	10.7	26.0	35.3

## Ratios (%)

EBITDA margin	48.6	58.0		47.1		47.8	51.0	55.4
PAT margin	31.5	39.5		30.2		30.9	33.1	37.0
Employee cost/revenues	19.9	15.1		20.5		20.2	18.1	17.3
Software chg./revenues	27.4	11.2		13.1		13.6	12.3	11.4
Tax rate	27.0	26.3		27.2		27.1	28.0	28.0

## Valuation metrics

Book value / share							309.2	325.9
Price/ Book (x)							3.7	3.5
Price/ Earnings							43.6	32.1

### Q2FY18 Earnings Conference Call

- The Q2FY18 was among better quarters from performance and regulatory perspective also
  - SEBI had cleared options as a product, MCX received as go ahead from SEBI and will be launched in few days.
  - Will need 3-6 months which will be watched by SEBI post which full suite of option products will be launched. The company expects not to charge anything on this contract for initial period. Over the long term (3-4 years) management expects options revenue will contribute 20-25% of revenue and most of this will flow to bottom line.
  - SEBI allowed AIFs and first AIF was seen trading in Q2FY18. Expect SEBI to allow MF next and expect the white paper on the same in couple of months.
  - On diamond contract the SEBI approval is expected very soon post which the company will launch the option.
- ADTV was up 17% QoQ (supported by strong growth in base metal segment, healthy diversified base has allowed company to capture the opportunities), basis that healthy growth revenue from operation was up 14%.
- Second quarter of flat cost basis, while revenue linked cost has gone up by 11% but others have gone down by 2.8%. These suggest that operating leverage will play out.
- Treasury income was soft this quarter (lower QoQ by INR40mn), which has led to lower other income
- Response from industry in AIF was very positive, having said that it takes time for product and participant to come on board. Management expects this to gain traction over next couple of quarters.
- Demonetisation and GST was rebasing of volumes but there onwards growth was good and management expects this growth to sustain.
- There are a lot of things in Universal License (this may happen in anytime this financial year). While this is fluid at this point in time but of every other asset classes the company is more keen on currency segment.
- SEBI has allowed universal members which will reduce cost for members and will allow more flexibility to members to move within various asset classes. Till the time this is satisfied, there shouldn't be a need for
- Agri business management is not going for market share, management believes there are some commodities which are very narrow and any dominance may call for regulatory intervention. As a strategy the company will look into specific areas with agriculture than chase overall market share.
- Blended yield fall is attributed to slight increase in volumes coming from high volume members (ALGO members), but management doesn't think this to be a cause of worry.
- Expect gold volume to go back to pre-demon level over next 2 quarters
- The realised yield is INR2.24/lakhs thus for two legs this will be 4.4/lakhs. The overall cost for the trade is ~INR17.5/lakhs thus balance INR13.1/lakh is regulatory and other cost.

- Have a vibrant GIFT city office it has shaped up very well on domestic side. Currently don't have any plans to launch anything on international side of the business.
- Will conserve the cash over next 2 years at least to a) account of competition and b) any rise in the technology cost.
- No. of members: 670 and active UCCs at 2.812mn

## Q1FY18 Earnings Conference Call

## With respect to operations

- Post GST, management expects uptick in stocking to translate into higher volumes and more deliveries to increase market depth
- ADTV decline was mainly on back of lower bullion volumes – down from INR98.5bn to INR48.8bn post demonetisation
  - However, post GST roll-out, have seen strong traction on this front – bullion volumes up by INR11bn
  - If the traction seen in July continues going forward, expect volumes to reach last year levels by end of second quarter
- Although business got re-based post demonetisation, there has not been any behavioural change in any segment
- Realisations were down marginally as larger portion of fall came from smaller brokers as compared to bigger ones
- Will retain expenses (ex-software support charges and product license fees, which are linked to revenues) at last year levels
  - Aim is to restrict employee expense growth to <10%, while also limiting advertising expenses (INR1.7mn during Q1FY18)
  - Software support charges and product license fees are based on long-term contracts (5 year duration) - ~13-13.5% of revenues
- Lower tax rate during the quarter is attributable to greater contribution from other income, which includes tax-free investments, etc.
  - Softening of interest rates led to better treasury income during the quarter

## Other highlights

- Looking forward to launch options by August
  - Out of 9 contracts eligible, MCX finally decided to apply on 1 kg gold contracts
    - Roll-out of incremental contracts should take place by December
  - Believe that options will contribute meaningfully to revenues only starting next year
    - Should lead to incremental revenues of 20-30% vis-a-vis futures
- Expect AIF-III investors to start trading by end of second quarter
  - Believe that SEBI will follow up by allowing PMS and MF players to invest
- Income tax notice, which was received during the quarter, has no specific amount asked for
  - Management does not see a requirement to make any provisions for the same
- Have received a couple of approvals from SEBI for new contracts (gold, diamond)
  - Will try to sequence the launch post options – likely within next 3-4 months
  - Additionally, awaiting a couple of approvals on the agri business
- Expect in-principle approval by SEBI for clearing corporation anytime now

### 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. Volumes can possibly grow upwards of 25% in FY19 with options being rolled out and institutions (AIF, MF and PMS) also being allowed to trade by FY18, leading to spurt in earnings. Operating leverage benefit will provide >320bps 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	FY17	FY18E	FY19E
<b>Macro</b>				
GDP(Y-o-Y %)	7.9	6.6	6.8	7.4
Inflation (Avg)	4.9	4.5	4.0	4.5
Repo rate (exit rate)	6.8	6.3	5.8	5.8
USD/INR (Avg)	65.5	67.1	65.0	66.0
<b>Sector</b>				
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
<b>Company</b>				
Operating margin	54.6	52.2	51.0	55.4
Employee cost/revenues	11.9	17.1	18.1	17.3
Technology cost/revenues	10.6	11.3	12.3	11.4
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	228.0	293.0
- Gold	48.4	44.6	35.0	47.8
- Silver	32.1	33.3	32.5	41.0
- Crude Oil	65.4	61.3	58.2	76.9
- Agri	4.4	5.3	6.4	7.6
- Others	68.9	81.1	95.9	119.8
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	FY17	FY18E	FY19E
Net revenue	3,514	3,759	4,005	4,863
Operating expenses	1,596	1,797	1,961	2,167
Operating profits	1,918	1,962	2,044	2,696
Depreciation	246	186	201	195
EBIT	1,672	1,776	1,843	2,502
Interest expense	3	2	-	-
Profit Before Tax	1,669	1,774	1,843	2,502
Less: Provision for Tax	475	512	516	700
Net profit	1,194	1,263	1,327	1,801
Exceptional items	(56)	-	-	-
Reported Profit	1,138	1,263	1,327	1,801
Adj. Diluted EPS (INR)	23.4	24.8	26.0	35.3
Dividend per share (DPS)	8.2	11.1	11.7	15.9
Dividend Payout Ratio(%)	35.0	45.0	45.0	45.0

## Growth ratios (%)

Year to March	FY16	FY17	FY18E	FY19E
Revenues	5.8	7.0	6.6	21.4
- Transaction fee growth	3.2	13.7	10.1	30.0
Opex growth	18.4	12.5	9.2	10.5
Operating margin growth	(2.9)	2.3	4.2	31.9
PBT	(1.9)	6.3	3.9	35.7
Adjusted Profit	(4.5)	5.7	5.1	35.7

## Operating ratios

Year to March	FY16	FY17	FY18E	FY19E
Operating margin	54.6	52.2	51.0	55.4
PAT margin	34.0	33.6	33.1	37.0
Employee cost/revenues	11.9	17.1	18.1	17.3
Technology cost/revenues	10.6	11.3	12.3	11.4
Opex/revenues	45.4	47.8	49.0	44.6
Tax rate	28.4	28.8	28.0	28.0

## Banking and Financial Services

Balance sheet		(INR mn)			
As on 31st March	FY16	FY17	FY18E	FY19E	
Share capital	510	510	510	510	
Net worth	14,780	15,293	15,769	16,621	
Def. Tax Liability (net)	(46)	75	85	99	
<b>Total liabilities</b>	<b>14,734</b>	<b>15,368</b>	<b>15,854</b>	<b>16,721</b>	
Gross Block	3,715	4,021	4,171	4,321	
Depreciation	2,313	2,499	2,700	2,894	
Net Block	1,401	1,521	1,471	1,426	
Investments	11,110	11,948	12,198	12,848	
Cash and Equivalents	207	40	57	234	
Sundry Debtors	42	28	31	84	
Fixed Deposits	4,795	3,849	4,099	4,749	
Loans & Advances	922	1,219	1,334	1,423	
Other Current Assets	60	51	62	74	
Total current assets	6,026	5,188	5,583	6,565	
Current liabilities	2,988	2,780	2,837	3,501	
Security Deposits	96	98	100	102	
Networking Equip. Dep.	4	4	4	4	
Trading Margin from Mem.	2,193	2,256	2,280	2,930	
Other Current Liab	695	422	452	465	
Net current assets	3,038	2,408	2,746	3,063	
Provisions	814	510	561	617	
<b>Total assets</b>	<b>14,734</b>	<b>15,368</b>	<b>15,854</b>	<b>16,721</b>	
BVPS (INR)	289.8	299.9	309.2	325.9	

Key operating metrics		FY16	FY17	FY18E	FY19E
Year to March					
Avg Daily Trading Vol.		219.3	225.6	228.0	293.0
- Gold		48.4	44.6	35.0	47.8
- Silver		32.1	33.3	32.5	41.0
- Crude Oil		65.4	61.3	58.2	76.9
- 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		FY16	FY17	FY18E	FY19E
Year to March					
Adj. Diluted EPS (INR)		23.4	24.8	26.0	35.3
Y-o-Y growth (%)		(4.5)	5.7	5.1	35.7
BV per share (INR)		289.8	299.9	309.2	325.9
RoE (%)		7.9	8.4	8.5	11.1
Diluted P/E (x)		48.4	45.8	43.6	32.1
P/B (x)		3.9	3.8	3.7	3.5
Dividend Yield (%)		0.7	1.0	1.0	1.4

### 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	43.6	32.1	3.7	3.5	8.5	11.1
Dewan Housing Finance	2,598	15.1	13.1	1.9	1.8	13.8	14.5
HDFC	43,360	22.1	18.9	4.4	3.6	19.9	20.9
Indiabulls Housing Finance	8,386	15.9	13.1	4.1	3.6	27.3	29.3
LIC Housing Finance	5,076	15.9	14.3	2.6	2.2	18.8	18.4
Mahindra & Mahindra Financial Services	3,680	36.7	23.0	3.5	3.2	9.8	14.4
Manappuram General Finance	1,357	10.7	9.4	2.5	2.1	24.5	24.3
Muthoot Finance	3,066	13.8	12.1	2.6	2.3	20.5	20.1
Power Finance Corp	5,031	4.8	4.7	0.8	0.7	17.8	16.1
Repco Home Finance	614	19.0	15.6	3.0	2.6	17.0	17.8
Rural Electrification Corporation	4,717	5.4	4.9	0.8	0.7	16.0	15.8
Shriram City Union Finance	2,107	16.3	11.6	2.4	2.0	15.6	19.0
Shriram Transport Finance	3,829	14.4	9.4	2.0	1.7	14.5	19.2
Median	-	15.1	12.1	2.5	2.1	17.0	18.4
AVERAGE	-	16.3	12.5	2.3	2.0	17.2	18.5

Source: Edelweiss research

## Additional Data

### Directors Data

Saurabh Chandra	Chairman	Mrugank M. Paranjape	Managing Director & Chief Executive Officer
S. K. Mitra	Director	M. Govinda Rao	Director
Prithvi Haldea	Director	Arun Bhargava	Director
Shankar Aggarwal	Director	Amit Goela	Director
Madhu Vadera Jayakumar	Director	Padma Raghunathan	Director
Hemang Raja	Director	C. Jayaram	Director
Arun Nanda	Director		

Auditors - Shah Gupta &amp; Co.

*\*as per last annual report*

### Holding - Top 10

	Perc. Holding		
Kotak Mahindra	15.00	Jhunjhunwala Rakesh	3.92
Axis Asset Management	3.03	Tiaa-Cref	2.70
Reliance Capital Trustee	2.41	Goldman Sachs	2.38
Baron Emerging Mkts Fund	2.01	IDFC Mutual Fund	1.96
Baron Capital	1.93	J P Morgan Chase & Co	1.87

*\*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
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	HOLD	SP	L	Bank of Baroda	BUY	SP	M
Bharat Financial Inclusion	BUY	SO	M	Capital First	BUY	SO	M
DCB Bank	HOLD	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

**Edelweiss Securities Limited**, Edelweiss House, off C.S.T. Road, Kalina, Mumbai – 400 098.

Board: (91-22) 4009 4400, Email: [research@edelweissfin.com](mailto:research@edelweissfin.com)

Aditya Narain

Head of Research

[aditya.narain@edelweissfin.com](mailto:aditya.narain@edelweissfin.com)

## 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
12-Oct-17	IndusInd Bank	Extending the good run; Result Update	1,743	Buy
12-Oct-17	Insurance	Insurance premiums: Sustains rising trend; Sector Update		
10-Oct-17	South Indian Bank	Core improving; one-off provisions dent earnings; Result Update	30	Buy

### Distribution of Ratings / Market Cap

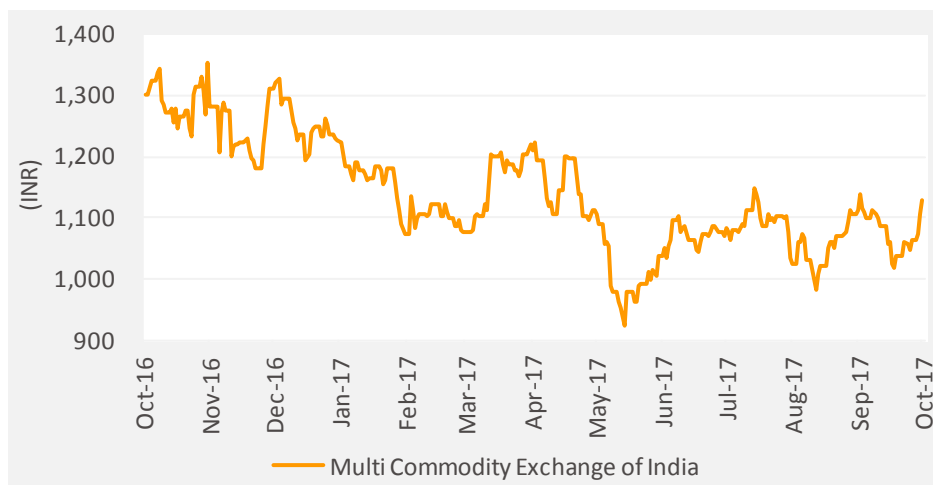
#### Edelweiss Research Coverage Universe

	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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