

Background: Geojit BNP Paribas is a leading retail financial services company in India with a growing presence in the Middle East. The company rides on its rich experience in the capital market to offer its clients a wide portfolio of savings and investment solutions. The needs of over 934,000 clients are met via multichannel services - a countrywide network of over 512 offices, phone service, dedicated Customer Care Centre and the Internet. The company also has a strategic presence in the Middle East region in the form of joint ventures and partnerships. Currently the firm has a presence in almost all the major states of India, the company's network of offices presently covers 19 States and 2 Union Territories.

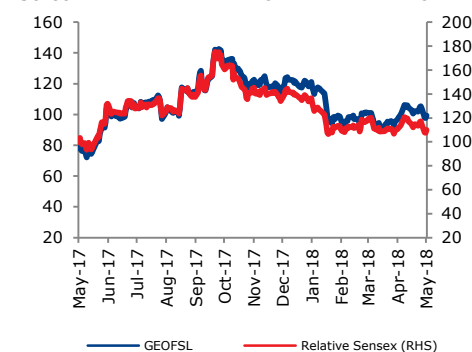
Sensex	35,073
Nifty	10,664
Price	INR 101
Target Price	INR 131
Recommendation	BUY
52 Week High/Low	INR 147/71
Bloomberg / Reuters	GEOFSL IN / GEOJ.BO
Equity (shares in mn)	237.90
Mkt. Cap in bn	INR 23.71 / \$ 0.35
Avg. Daily Vol. ('000)	256.31
Avg. Daily Vol. (mn)	INR 25.54 / \$ 0.38

Shareholding	Mar-17	Dec-17	Mar-18
Promoters (%)	62.74	62.20	62.12
FII (%)	0.20	5.84	6.16
DII (%)	4.32	1.27	1.30
Others (%)	32.74	30.69	30.42
Pledge (% of promoter holding)	0.00	0.00	0.00

Valuation Summary (INR mn)			
Y/E March	2018	2019E	2020E
Revenue*	3,341.9	3,688.0	4,286.0
EBIDTA	1,301.9	1,281.0	1,478.7
PAT	777.2	920.0	1,121.0
PAT after MI	732.4	810.2	993.0
EPS	3.1	3.4	4.2
PE	32.2	29.2	23.8
P/ BV	4.1	4.0	3.7
Div Yield (%)	2.0	1.7	1.4
ROE (%)	12.8	13.6	15.3

*Consolidated earnings

Performance %	1M	3M	12M
GFSL	2.6	4.8	27.4
Sensex	3.2	4.1	15.7



Top line dips sequentially owing to fall in Equity related income

- Geojit's AUM fell sequentially by 6.1% to INR 386bn, although up 19.3% on a YoY basis, largely due to the decline in Depository assets (Asset under Holding), which was noted at INR 330bn (16.3% YoY, -7.4% QoQ). However, book size of Mutual fund (SIP & STP) has grown at a healthy rate of 87.5% YoY (17% QoQ) and now stands at INR 1.65bn.
- Consolidated total income from operations also dipped sequentially by 5% to INR 957mn (up 19.8% YoY). Standalone Broking & related income saw a 5.6% QoQ dip and stood at INR 791mn amidst marginal drop in yields (Total Equity yield was 0.047% in 4QFY18 vs 0.057% in 4QFY17). Software income that declined in the last quarter grew by a muted 9.9% YoY (remained flat QoQ) and stood at INR 43mn (constituting 5% of consolidated core revenue). Consolidated other income also fell by 4.7%YoY (-9.4% QoQ) to INR 85.7mn in 4QFY18.
- Total income from financial product (distribution of MFs) continued to demonstrate healthy growth (78.6% YoY) and stood at INR 127.5mn on the back of growth in overall MF book.
- New client additions in 4QFY18 were reported at 26,900 Vs 15700 in 4QFY17 (24,140 in 3QFY18). Total no. of clients increased steadily by 10.6% YoY (2.3% QoQ) to 0.93mn as of 4QFY18.
- Consolidated EBITDA grew by a muted 16.8% YoY (-6.6% QoQ) to INR 336mn, largely due to the decline in core revenue. The EBITDA margin also contracted by 90bps YoY to 35.1% from 35.7% in 3QFY18 (-6bps QoQ).
- In 4QFY18, total expenses also saw a sequential dip of 4.2%, although up by 19.3% YoY. Consolidated PAT (before Minority Interest) increased by 24% YoY, (-6.4% QoQ) to INR 206mn on the back of overall drop in Equity & related income coupled with dip in yields. Standalone PAT declined by 23% QoQ driven by fall in broking income.
- Going ahead, the company intends to hire ~500 employees (~250 in commodity trading segment) in the coming quarters. The board has declared a final dividend of INR 2/share (face value INR 1/share), yielding 2% at CMP.

Valuation: Currently the stock is trading at 3.7x P/BV of FY20E. Strengthening of the equity markets going ahead would push the volume growth and is expected to bid well for the company. Also, the acquisition of the Commodities trading business, coupled with the heavy spend on advertisement, paints a positive picture. Hence, we give the stock a BUY rating and arrive at target price of INR 131, assigning a P/BV of 4.8X FY20E.

Risks: Cyclicity of broking income, muted performance of overseas subsidiaries, profitability of acquired Commodities trading business and stiff competition from discount brokers.

Results Summary 4QFY18- Consolidated

Y/E March (INR mn)	4QFY18	4QFY17	YoY Growth	3QFY18	QoQ Growth
Revenue	870.9	708.7	22.9%	912.8	-4.6%
EBIDTA	335.9	287.7	16.8%	359.8	-6.6%
Other Income	85.7	89.9	-4.7%	94.6	-9.4%
Depreciation	33.7	36.4	-7.4%	34.9	-3.4%
PBT	300.8	248.7	20.9%	323.1	-6.9%
Tax Expense	94.8	82.9		103.4	
Tax incidence(%)	31.5	33.3		32.0	
PAT	206.1	166.0	24.2%	220.2	-6.4%
PAT (after MI)	192.8	152.9	26.1%	208.7	-7.6%

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