

**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 947,600 clients are met via multichannel services - a countrywide network of over 515 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.

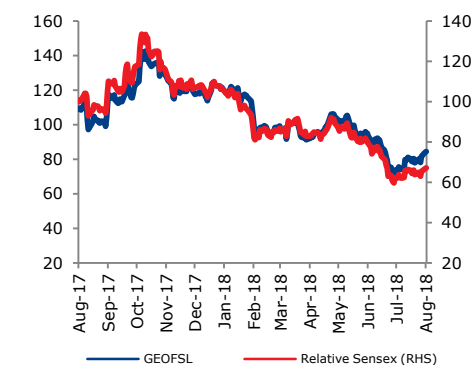
Sensex	37,556
Nifty	11,361
Price	INR 76
Target Price	INR 96
Recommendation	BUY
52 Week High/Low	INR 147/69
Bloomberg / Reuters	GEOFSL IN / GEOJ.BO
Equity (shares in mn)	237.90
Mkt. Cap in bn	INR 18 / \$ 0.26
Avg. Daily Vol. ('000)	196.62
Avg. Daily Vol. (mn)	INR 14.87 / \$ 0.22

Shareholding	Jun-17	Mar-18	Jun-18
Promoters (%)	62.58	62.12	62.06
FII (%)	4.58	6.16	6.28
DII (%)	0.91	1.30	1.60
Others (%)	31.93	30.42	30.06
Pledge (% of promoter holding)	0.00	0.00	0.00

Valuation Summary (INR mn)			
Y/E March*	2018	2019E	2020E
Revenue	3,341.9	3,492.8	4,286.0
EBIDTA	1,301.9	1,197.8	1,478.7
PAT	777.2	826.9	1,121.0
PAT after MI	732.4	734.4	993.0
EPS	3.1	3.1	4.2
PE	24.7	24.6	18.2
P/ BV	3.1	3.0	2.8
Div Yield (%)	2.7	2.3	1.9
ROE (%)	12.5	12.4	15.3

\*Consolidated earnings

Performance %	1M	3M	12M
GFSL	14.4	18.2	22.6
Sensex	5.9	6.7	15.2



## Weak results owing to fall in Equity & related income

- Geojit's AUM grew by 12.1% YoY to INR 376bn (vs. CSEC estimate of INR 394bn), although down 2.7% on a QoQ basis, largely due to the muted growth in Depository assets (Asset under Holding), which was noted at INR 318bn (9.1% YoY, -3.8% QoQ). However, book size of Mutual fund (SIP & STP) has grown at a healthy rate of 52.3% YoY (2.4% QoQ) and now stands at INR 1.69bn.
- Consolidated Revenues from operations also dipped sequentially by 16.5% to INR 726mn (-4.9% YoY), vs. CSEC estimate of INR 922mn. Broking & related income saw a 10.1% YoY dip and stood at INR 542mn amidst marginal drop in yields (Total Equity yield was 0.042% in 1QFY19 vs 0.055% in 1QFY18). Software income declined by 22.4% YoY (-23.7% QoQ) and stood at INR 33mn (constituting 5% of consolidated core revenue). Consolidated other income grew by 9.8%YoY (-9.4% QoQ) to INR 84.8mn in 1QFY19.
- Revenue from financial product (distribution of MFs) continued to demonstrate healthy growth (35% YoY) and stood at INR 115.6mn on the back of growth in overall MF book. However, revenue from financial product fell by 9.3% sequentially owing to drop in trail commission (SEBI's circular to reduce the overall Total Expense Ratio for clients to 5bps from 20bps earlier) and change in additional distribution commission from B-15 to B-30 cities. The management has guided that, going forward, this would continue to impact the revenue from financial product by 13-14%.
- New client additions in 1QFY19 were reported at 18,140 Vs 16480 in 1QFY18 (26,900 in 4QFY18). Total no. of clients increased steadily by 2% QoQ to 0.95mn as of 1QFY19.
- Consolidated EBITDA declined by 20.4% YoY (-29.4% QoQ) to INR 237mn, largely due to the decline in core revenue and rise in employee costs (owing to fresh recruitment of 350 employees and annual increment in salaries) and other expenses (predominantly advertisement costs). The EBITDA margin also contracted by 620bps YoY to 29.2% from 35.4% in 1QFY18 (-590bps QoQ).
- In 1QFY19, total expenses inched up by 4.7% YoY, although down by 7% QoQ. Consolidated PAT (after Minority Interest) fell by 22% YoY, (-34.3% QoQ) to INR 127mn (vs. CSEC estimate of INR 199.6mn) on the back of overall drop in Equity & related income coupled with dip in yields. Standalone PAT declined by 26% QoQ driven by fall in broking income.

**Valuation:** Currently the stock is trading at 18X EPS 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 fall in opex, paints a positive picture. Hence, we give the stock a BUY rating and arrive at target price of INR 96, assigning a P/E of 23X 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 1QFY19- Consolidated

Y/E March (INR mn)	1QFY19	1QFY18	YoY Growth	4QFY18	QoQ Growth
<b>Revenue</b>	726.8	763.9	-4.9%	870.9	-16.5%
<b>EBIDTA</b>	237.0	297.9	-20.4%	335.9	-29.4%
<b>Other Income</b>	84.8	77.2	9.8%	85.7	-1.1%
<b>Depreciation</b>	33.5	36.7	-8.7%	33.7	-0.6%
<b>PBT</b>	201.9	259.0	-22.0%	300.8	-32.9%
<b>Tax Expense</b>	65.1	87.2	-25.3%	94.8	-31.3%
<b>Tax incidence(%)</b>	32.2	33.7		31.5	
<b>PAT</b>	136.9	172.2	-20.5%	206.1	-33.6%
<b>PAT (after MI)</b>	126.7	162.2	-21.9%	192.8	-34.3%

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