RESULT UPDATE

MANAPPURAM FINANCE

Growth improves; performance of non-gold businesses key

India Equity Research| Banking and Financial Services

Manappuram Finance's (MGFL) better-than-expected Q4FY19 performance was primarily a reflection of significant scale up of non-gold businesses (now one-third of AUM). Key highlights: a) gold loan AUM growth continued to be stable at 10% YoY (outlook positive with double digit tonnage growth estimate). Cost rationalisation resulted in stable earnings in gold loan business; and b) non-gold AUM jumped 23% QoQ. While profitability of micro-finance business rose >20% QoQ, other businesses—vehicle, housing, etc—are closer to breakeven. Systemic tight liquidity had only limited impact on MGFL given stable funding lines for its shorter-duration loan book. Significant scale up of non-gold businesses (albeit on a lower base) keeps us guarded as cyclical headwinds could dent profitability. However, this portfolio mix entails potential to generate consolidated RoA/RoE of ~4.5%/20%. On improved growth visibility we revise up target multiple to 2x September 2020E book and therefore our TP to INR139 (INR112 earlier). Maintain 'BUY'.

Gold loan outlook improving; non-gold businesses scale up significantly

After a soft Q3FY19 due to supply-side constraints, growth momentum picked up in Q4FY19 with gold AUM growing >3% QoQ. Volume (gold holding up 1.8% QoQ) and value (AUM/gram up 1.7% QoQ) supported growth. Stepping into FY20, management aims to trace 15% plus growth, which looks feasible. That said, current liquidity tightness warrants close monitoring as >25% of the company's borrowing is from commercial paper. Also, while scale up of non-gold businesses has been impressive, we feel it's a little too fast. Hence, we will keep an eye on the portfolio's behaviour (which has been volatile) if challenges persist.

Asset quality steady; trend in high growth non-gold businesses key

Asset quality in the gold loan was steady—GNPA at 0.5%. Moreover, other businesses seem to have improved as well—MFI segment's GNPL fell to <0.5% (0.8% in Q3FY19) and GNPL in vehicle finance dipped to 1.9% (2.4% in Q3FY19). Meanwhile, GNPL in housing finance remained elevated at 3.9% (albeit improving)—a key monitorable going ahead.

Outlook and valuation: Growth improving; maintain 'BUY'

Liquidity challenges did not disrupt MGFL's business metrics in FY19. The company's investment in opening branches and sustained diversification will help it report >20% AUM growth and generate superior RoE. The stock trades at 1.6x FY21E P/BV (consolidated) with RoE of ~20%. We maintain **'BUY/SP'**.

Financials (Standalone) **(INR mn)**

Year to March	Q4FY19	Q4FY18	Growth (%)	Q3FY19	Growth (%)	FY19	FY20E	FY21E
Net revenue	7,495	6,335	*18.3*	7,468	*0.4*	23,724	26,099	29,849
Net profit	2,583	1,806	*43.0*	2,472	*4.5*	7,877	8,336	9,641
Dil. EPS (INR)						9.4	9.9	11.5
Adj. BV (INR)						51.9	57.3	68.1
Price/ Adj book (x)						2.3	2.1	1.8
Price/ Earnings (x)						12.9	12.2	10.5

EDELWEISS 4D RATINGS

Absolute Rating	**BUY**
Rating Relative to Sector	Performer
Risk Rating Relative to Sector	High
Sector Relative to Market	Overweight

MARKET DATA *(R: MNFL.BO, B: MGFL IN)*

CMP	: INR 121
Target Price	: INR 139
52-week range (INR)	: 130 / 66
Share in issue (mn)	: 843.2
M cap (INR bn/USD mn)	: 102 / 1,449
Avg. Daily Vol.BSE/NSE('000)	: 3,659.6

SHARE HOLDING PATTERN (%)

	Current	Q3FY19	Q2FY19
Promoters *	35.1	35.1	35.1
MF's, FI's & BK's	5.7	5.7	6.7
FII's	39.4	39.4	38.2
Others	19.7	19.7	19.9

** Promoters pledged shares (% of share in issue) : NIL*

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Banks and Financial Services Index
1 month	(3.3)	(2.6)	(3.5)
3 months	10.8	3.1	6.1
12 months	(4.1)	5.2	10.4

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New businesses scaling up well

New businesses sustained momentum; ex-gold, AUM came at INR65bn (up >60% YoY/ 23% QoQ). Management remains focused on diversifying book by driving growth in new business segments. While scale up of non-gold businesses has been impressive, we feel it's a little too fast. Hence, we will keep an eye on the portfolio's behaviour (which has been volatile) if challenges persist.

- **Microfinance (Asirvad Micro Finance):** MFI AUM came at ~INR38bn (up >50% YoY, 20% QoQ). The MFI book now constitutes ~20% of overall portfolio. In line with expectations, improvement in collection efficiency was also reflected in lower GNPL, which fell further to 0.48% (0.79% in Q2FY19); sustenance of this holds key.
- **Housing:** Housing finance AUM came at ~INR5.2bn (up >8% QoQ). The segment is making good progress with focus on affordable housing for mid- to low-income groups. Given the huge opportunity landscape, expanding presence (focus on South and West India) and a new management team in place, growth is likely to gather further momentum. That said, asset quality continues to be volatile; while in Q4FY19 GNPL improved to 3.9% (4.9% in Q3FY19), it continues to remain elevated and a key monitorable.
- **Commercial vehicles:** AUM came at ~INR11.2bn, up a healthy ~14% QoQ, with most of the growth coming from used CVs. The business has a network of 168 branches (operations are carried out from existing gold loan branches) spread across 21 states, with focus on South and West markets. While growth has been impressive, the slowdown in underlying demand could impact growth in FY20. That said, given the thrust on under-served customers with no access to formal banking system and expanding presence, MGFL expects growth momentum to sustain.

Table 1: Key takeaways from Q4FY19 earnings

(INR mn)	Q4FY19	Q4FY18	*YoY (%)*	Q3FY19	*QoQ (%)*	*Comments*
Net revenues	7,495	6,335	*18.3*	7,468	*0.4*	*Revenue momentum stable on steady growth and NIMs*
Operating expenses	3,637	3,181	*14.4*	3,502	*3.9*	
-Staff expense	1,931	1,638	*17.9*	1,800	*7.3*	
-Depreciation	190	184	*3.5*	189	*0.9*	
-Other opex	1,516	1,359	*11.6*	1,514	*0.2*	*Rationalisation of security cost contained cost*
Operating profit	3,858	3,154	*22.3*	3,966	*(2.7)*	
Provisions	57	398	*(85.7)*	87	*(35.0)*	*Asset quality improvement sustains*
Profit before tax	3,801	2,756	*37.9*	3,878	*(2.0)*	
Tax expense	1,218	950	*28.3*	1,407	*(13.4)*	
Profit after tax	2,583	1,806	*43.0*	2,472	*4.5*	
EPS (INR)	3.1	2.1	*43.0*	2.9	*4.4*	
Key Metrics						
Consolidated AUM	194,384	157,648	*23.3*	177,831	*9.3*	*Growth in gold loans normalised (up 3% QoQ), this along with sustained growth in non-gold AUM led to strong >23% YoY consolidated AUM spurt*
Gold loans	129,615	117,350	*10.5*	125,249	*3.5*	*Gold loan AUM growth continued to be stable at 10%*
Microfinance	38,408	24,372	*57.6*	31,952	*20.2*	
Housing finance	5,188	3,747	*38.5*	4,780	*8.5*	
Vehicle finance	11,146	6,254	*78.2*	9,755	*14.3*	
Other loans	10,028	5,925	*69.2*	6,095	*64.5*	
Gold loans - GNPA (%)	0.5	0.7		0.6		*Asset quality in gold book steady*
Gold loans - NNPA (%)	0.3	0.3		0.3		
MFI book - GNPA (%)	0.5	1.7		0.8		*Improvement in collection efficiency reflecting in better asset quality*

Source: Company, Edelweiss research

Table 2: Contribution of non-gold business to rise going forward

	Consolidated loan book				Growth (%)				
(INR mn)	FY18	FY19E	FY20E	FY21E	FY18	FY19E	FY20E	FY21E	CAGR FY18-21E
Gold loan	**1,17,350**	**1,29,615**	**1,50,477**	**1,77,111**	**5.5**	**10.5**	**16.1**	**17.7**	**14.7**
Non-Gold AUM	**40,298**	**64,769**	**85,896**	**1,04,203**	**57.6**	**60.7**	**32.6**	**21.3**	**37.3**
- Microfinance	24,372	38,408	51,851	62,221	35.7	57.6	35.0	20.0	36.7
- CVs	6,254	11,146	13,933	16,719	104.5	78.2	25.0	20.0	38.8
- Home loans	3,747	5,188	7,522	10,155	20.7	38.5	45.0	35.0	39.4
- LAP	747	1,120	1,457	1,748	30.0	50.0	30.0	20.0	32.8
- Other loans	5,179	8,907	11,134	13,361	497.3	72.0	25.0	20.0	37.2
Consolidated AUMs	**1,57,648**	**1,94,384**	**2,36,373**	**2,81,314**	**15.2**	**23.3**	**21.6**	**19.0**	**21.3**

Source: Company, Edelweiss research

Table 3: On consolidated basis, stock trades at 1.6x FY21E P/BV for RoEs of 20% plus

	Standalone				Consolidated			
	FY18	FY19E	FY20E	FY21E	FY18	FY19E	FY20E	FY21E
Net profit (INR mn)	7,002	7,877	8,336	9,641	6,709	9,199	10,317	12,084
Networth (INR mn)	36,246	43,890	48,602	57,877	38,364	45,246	51,939	63,658
RoA (%)	6.1	6.4	6.0	5.9	4.6	5.2	4.8	4.7
RoE (%)	20.8	19.7	18.0	18.1	18.6	22.0	21.2	20.9
EPS (INR)	8.3	9.4	9.9	11.5	8.0	10.9	12.3	14.4
Book value (INR)	43.1	52.2	57.8	68.8	45.6	53.8	61.7	75.7
Diluted P/E	14.5	12.9	12.2	10.5	15.1	11.0	9.8	8.4
P/BV	2.8	2.3	2.1	1.8	2.6	2.2	2.0	1.6

Source: Edelweiss research

Note: RoA and RoE have been calculated on average AUM

Chart 1: Gold loan growth normalises

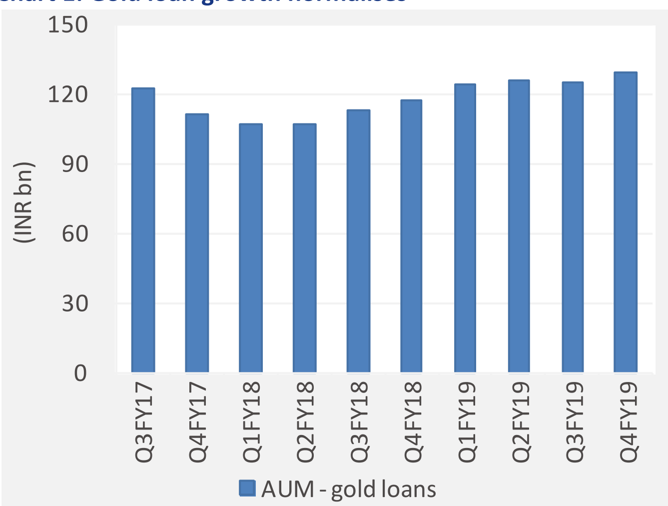


Chart 2: Borrowings composition tilted in favor of CP

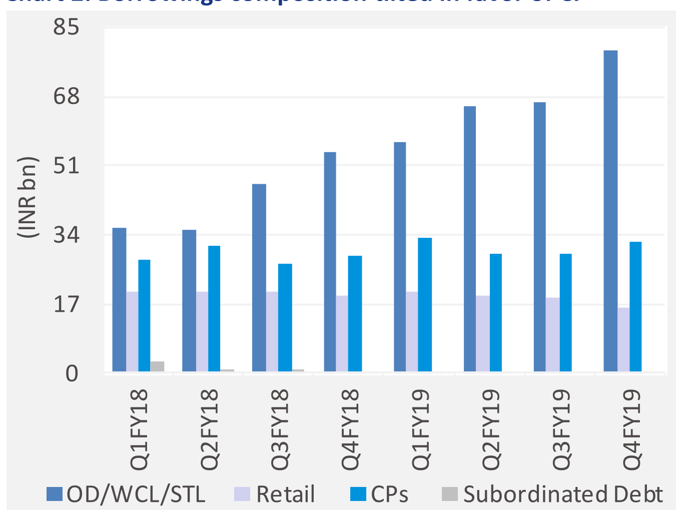
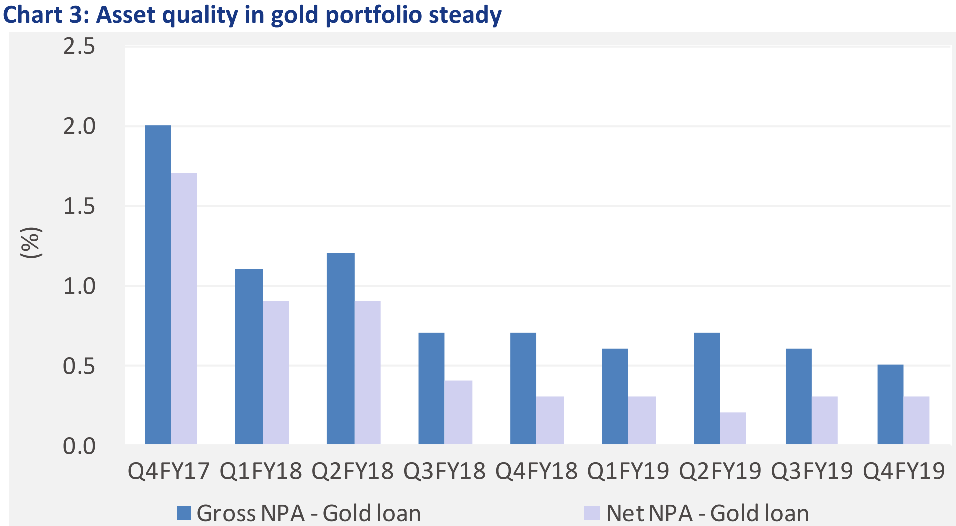
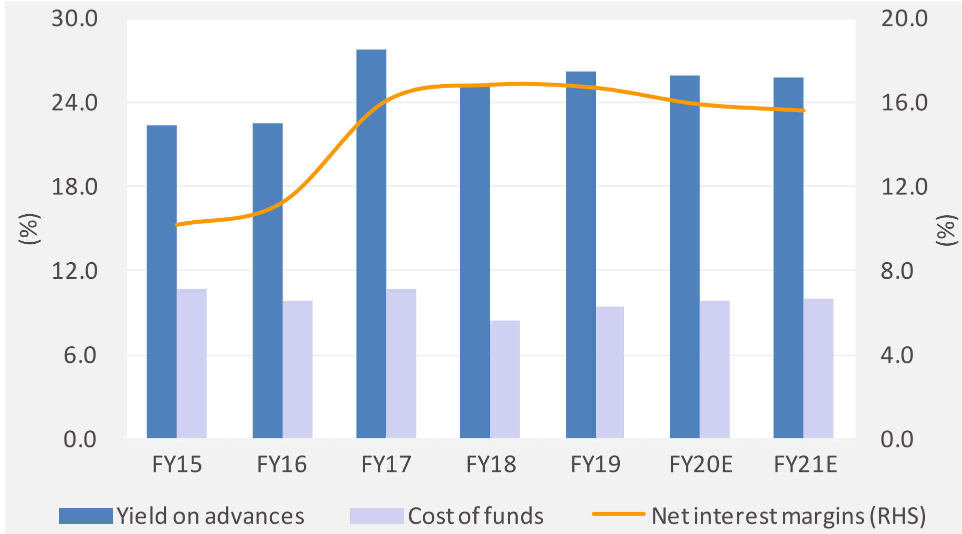


Chart 3: Asset quality in gold portfolio steady



Source: Company, Edelweiss research

Chart 4: NIMs supported by better yields offsetting funding cost rise



Source: Company, Edelweiss research

Financial snapshot (INR mn)

Year to March	Q4FY19	Q4FY18	*% change*	Q3FY19	*% change*	FY19E	FY20E	FY21E
Operating income	10,849	8,868	*22.3*	10,812	*0.3*	32,527	36,548	42,419
Interest expanded	3,538	2,677	*32.1*	3,540	*(0.1)*	9,483	11,229	13,406
Net revenues	7,495	6,335	*18.3*	7,468	*0.4*	23,724	26,099	29,849
Operating expenses	3,447	2,997	*15.0*	3,314	*4.0*	10,888	12,019	13,602
Pre-provision profit	4,048	3,338	*21.3*	4,154	*(2.6)*	12,836	14,080	16,247
Provisions & write-offs	57	398	*(85.7)*	87	*(35.0)*	307	910	1,144
Operating profit	3,992	2,940	*35.8*	4,067	*(1.9)*	12,529	13,171	15,104
Depreciation	190	184	*3.5*	189	*0.9*	684	636	606
Profit before tax	3,801	2,756	*37.9*	3,878	*(2.0)*	11,845	12,535	14,498
Tax	1,218	950	*28.3*	1,407	*(13.4)*	3,968	4,199	4,857
PAT	2,583	1,806	*43.0*	2,472	*4.5*	7,877	8,336	9,641
Diluted EPS (INR)	3.1	2.0	*50.0*	2.9	*4.4*	9.4	9.9	11.5
Gross NPA - Gold loan(%)	0.5	0.7		0.6		0.5	0.7	0.9
Net NPA - Gold loan (%)	0.3	0.3		0.3		0.3	0.4	0.5
Tax rate (%)	32.0	34.5		36.3		33.5	33.5	33.5
B/V per share (INR)						52.2	57.8	68.8
Adj book value / share						51.9	57.3	68.1
Price/ Book (x)						2.3	2.1	1.8
Price/ Adj. book (x)						2.3	2.1	1.8
Price/ Earnings						12.9	12.2	10.5

Note – FY19E/FY20E/FY21E numbers are on standalone basis while rest are on consolidated basis

Q4FY19 earnings call takeaways

With respect to growth & strategy:

- The company did not experience any major impact of tight liquidity on the overall business apart from an initial increase in borrowings costs.
- The customer profile has not changed due to changing the product from 12 months to 3 months as the latter can be rolled-over any number of times (although at renewed LTVs).
- The company plans to open 150 branches to in FY20.
  - The company leverages branches and customer base for cross-selling products (except for micro-finance which is carried though separate branches).
- In gold loans business, the tonnage growth was 1.8% which is similar to the competitor, however, AUM growth was lower on account of lower LTVs.
- The company guides for 10% tonnage growth in FY20 driven by increasing awareness and penetration of Online Gold Loans.
- New businesses have started delivering by contributing to profitability (1/3rd of consolidated AUM). The company aims to the proportion of non-gold AUM to 50% in 2-3 years.
- **Asirvad Microfinance:**
  - Current Manappuram holding – 94% (last investment was at pre-money valuation of 2.25x book).
  - Total investment by Manappuram in the entity till date is INR6.2bn including INR2.6bn in last round.
  - West Bengal contributes ~INR5bn whereas Odisha contributes ~INR1bn.
  - There are 6 branches in Odisha (which are away from coastal areas) and ~1200 members have been affected but it's not much of a concern.
- **Insurance broking:**
  - Strong growth expected and likely to cross of INR2bn of life premium in FY20 from INR1.5 currently.
  - In-principal approval for setting up micro-insurance business (mainly credit life insurance for a duration of 2 years) by leveraging large distribution network and group synergies.
- **Housing finance:**
  - The AUM grew 38% YoY with GNPA/NNPA at 3.9%/3.03%.
- **Vehicle finance:**
  - The company plans to grow by 60-70% in FY20.
  - The GNPA/NNPA stand at 1.9%/1.76% and the company plans to maintain it at similar levels.

- **Asset Finance:**
    - There is an approval for takeover of Manappuram Asset Finance (AUM of INR2bn and net-worth of INR330mn) from promoters (which engage in SME, unsecured business loans, gold loans, and LAP).
    - It would take around 6 months for the process to complete.

With respect to operational highlights:

- Cost to income – 34.2% (standalone) and targets to reduce that by 100-150bps in FY20 on consolidated level.
- Online Gold Loans (OGL) are 39% of total gold loans.
- The company offers free custody of gold – offers 75% of LTV as drawing power to customers.
- Timeline for auctioning gold is ~3 months after becoming NPA, however, there is enough encouragement for redemption.
- Average customer has ~20gm of gold (worth ~INR0.12mn).
- Daily average yields were stable in Q4FY19.
- Overall delinquencies have come to 16.67% in FY19.

With respect to liquidity & borrowings:

- Following the risk-weight reduction for bank lending, the company expect lower funding costs going forward.
- The company has board approval for raising INR10bn through public NCDs of which ~INR4bn have been raised in 2 tranches.
- The company did not witness any issues in raising funds and raised long-term borrowings from IFC and NABARD for 3 years and 5 years.
- Reliance on commercial papers brought down to 25.2% of borrowings from 28.3% in FY18.

Q3FY19 earnings call takeaways

With respect to operational metrics

- AUM consol - INR177.8bn , leading to > 21% AUM growth .and QoQ growth of 3.5% , despite challenging environment.
    - The gold loan book (INR125.3bn) was steady (flat QoQ). ***The management expects to clock 10% levels gold loan growth in FY19***
    - Micro finance (came in at INR31.9bn), which renders YoY growth of 51%.
    - Vehicle (INR9.76bn up 19.4% QoQ, 80% of the business in Used vehicles) and Housing (INR4.78bn, up 6.8% QoQ) saw strong growth .
    - The managements aims to have diversified book with 50% contribution coming from non-gold portfolio over longer term and around 40% levels over next 2-3 years
- **With respect to Micro finance**
    - Expect Ashirvad microfinance to gain traction and profit contribution to increase significantly over FY19 – part of which is seen in Q3FY19.
    - The micro finance business has turned around and the management expect the growth momentum to sustain. ***Given the strong momentum, management may render plans to raise equity (from PE funds)***
    - The recent government scheme of INR6k for the farmers (for certain land holding) will not have any impact on MFI loans as the target segment is different.

With respect to NIMs

- The company highlighted that the improvement in net yields was due to (a) full quarter impact of withdrawal of discount schemes in the last quarter, and (b) yield optimization to pass on the increase in cost of funds
- The yields during the quarters has gone up due to partial withdrawal of rebates that were given earlier
- The management expects borrowing cost to be steady henceforth and expects gradual
    - Current CP borrowing rate are closer to 8% levels

Other data points

- Total gold loan customer at 2.38lakh
    - 80% of the new loans are to the old customers
- Auctions were INR1.87bn during the quarter (versus INR1bn for Q2FY19).
- Online gold loan book accounts for 36% of gold loan book
- The company has plans to infuse INR1.5bn in Ashirvad over next 2-3 months
- Plans to invest INR1bn in housing finance business
- Have got license to open another 150 gold loan branches
- Capex for general branch is 15 lakh the breakeven target is 1 year for the branch and that will entail that the branch will have INR15mn AUM
- The company has been focussing on rationalising cost – as a reflection of which security costs have halved from INR440mn in Q3FY18 to INR220mn in Q3FY19; Expect opex/asset to drop by 1% points over next year

Company Description

The Manappuram Group was started in 1949 by Late Mr. V. C. Padmanabhan with focus primarily on money lending activities. The group has come a long way in 60 years operating five companies under its fold, a strong distribution network of 4,314 branches spread across 27 states and a huge customer base as of December 31, 2018. MGFL, Manappuram Group's flagship company, is the leading gold loan providing NBFC based in Kerala with ~INR178bn assets under management. It is present in the (collateralised) micro-finance space with the main line of business being 'lending against household jewellery'. It does not incrementally provide loans to jewellers, banks or against bullion as per regulatory requirements. The company has transitioned from a hire-purchase company to a gold loan company in view of the market fallout

Investment Theme

Liquidity challenges did not disrupt MGFL's business metrics in FY19. The company's investment in opening branches and sustained diversification will help it report >20% AUM growth and generate superior RoE. The stock trades at 1.6x FY21E P/BV (consolidated) with RoE of 20% plus. We maintain **'BUY/SP'**

Key Risks

- We believe competition intensity in gold loan financing is bound to rise in the next few years, posing a risk to NIMs enjoyed by specialised gold loan financiers like Manappuram.
- Like any other financial asset, demand and asset quality of gold loans is susceptible to price fluctuations of underlying collateral (gold).

Financial Statements (Standalone)

Key Assumptions

Year to March	FY18	FY19E	FY20E	FY21E
Macro				
GDP(Y-o-Y %)	6.7	7.1	7.1	7.3
Inflation (Avg)	3.6	3.7	4.0	4.5
Repo rate (exit rate)	6.0	6.3	5.8	5.8
USD/INR (Avg)	64.5	70.0	72.0	72.0
Sector				
Credit growth	12.0	14.0	17.0	17.0
Deposit growth	12.0	13.0	14.0	14.0
Bank's base rate (%)	9.0	9.0	9.0	9.0
Wholesale borr. cost (%)	8.5	8.5	8.5	8.5
G-sec yield	6.5	7.0	7.1	7.1
Company				
Op. metric assump. (%)				
Yield on advances	25.2	25.8	25.9	25.9
Cost of funds	8.5	9.1	9.7	9.8
Net interest margins	16.8	16.8	16.2	16.0
- employee cost	19.9	15.3	11.5	16.5
- rent	6.0	7.0	7.0	7.0
Tax rate (%)	34.4	33.5	33.5	33.5
Dividend payout	24.0	37.0	37.0	3.3
Number of branches	3,330	3,405	3,480	3,555
Balance sheet assumption (%)				
Disbursement growth	18.5	17.1	16.0	17.5
Gold loan tenure	2.3	2.3	2.3	2.3
AUMs (in tonnes)/branch	35.2	39.0	44.4	47.8
Gross NPLs	0.7	0.7	0.8	0.9
Prov Cov	45.0	45.0	46.0	47.0

Income statement (INR mn)

Year to March	FY18	FY19E	FY20E	FY21E
Interest income	28,823	32,407	36,403	42,246
Interest expended	7,909	9,483	11,229	13,406
Net interest income	20,914	22,924	25,174	28,840
- Fee & forex income	676	800	925	1,009
Net revenues	21,589	23,724	26,099	29,849
Operating expense	10,341	11,572	12,655	14,208
- Employee exp	5,042	5,804	6,324	7,239
- Depn /amortisation	610	684	636	606
- Other opex	4,690	5,084	5,695	6,363
Preprovision profit	11,248	12,153	13,444	15,641
Provisions	583	307	910	1,144
Profit Before Tax	10,665	11,845	12,535	14,498
Less: Provision for Tax	3,664	3,968	4,199	4,857
Profit After Tax	7,002	7,877	8,336	9,641
Reported Profit	7,002	7,877	8,336	9,641
Shares o /s (mn)	841	841	841	841
Basic EPS (INR)	8.3	9.4	9.9	11.5
Diluted shares o/s (mn)	841	841	841	841
Adj. Diluted EPS (INR)	8.3	9.4	9.9	11.5
Dividend per share (DPS)	2.0	3.5	3.7	4.2
Dividend Payout Ratio(%)	24.0	37.0	37.0	37.0

Growth ratios (%)

Year to March	FY18	FY19E	FY20E	FY21E
Revenues	7.6	9.9	10.0	14.4
NII growth	7.7	9.6	9.8	14.6
Opex growth	23.8	11.9	9.4	12.3
PPP growth	(3.9)	8.0	10.6	16.3
Provisions growth	4.9	(47.2)	196.0	25.7
Adjusted Profit	(3.6)	12.5	5.8	15.7

Operating ratios

Year to March	FY18	FY19E	FY20E	FY21E
Yield on advances	25.2	26.2	26.0	25.8
Cost of funds	8.5	9.5	9.8	10.0
Net interest margins	16.8	16.7	15.9	15.6
Spread	16.7	16.8	16.2	15.8
Cost-income	47.9	48.8	48.5	47.6
Tax rate	34.4	33.5	33.5	33.5

Balance sheet (INR mn)

As on 31st March	FY18	FY19E	FY20E	FY21E
Share capital	1,685	1,685	1,685	1,685
Reserves & Surplus	34,561	42,205	46,917	56,192
Shareholders' funds	36,246	43,890	48,602	57,877
Long term borrowings	14,263	15,770	18,528	21,602
Short term borrowings	80,821	89,365	104,990	122,413
Total Borrowings	95,084	105,135	123,518	144,015
Long Term Liabilities	8,254	8,054	8,194	8,363
Def. Tax Liability (net)	(640)	(300)	(300)	(300)
Sources of funds	**138,945**	**156,780**	**180,014**	**209,955**
Gross Block	6,190	6,316	6,841	7,366
Net Block	2,571	2,030	1,922	1,844
Capital work in progress	14	11	10	10
Intangible Assets	67	53	50	48
Total Fixed Assets	2,651	2,093	1,982	1,901
Non current investments	360	404	451	499
Cash and Equivalents	14,508	18,050	19,096	20,107
Loans & Advances	117,350	129,616	150,477	177,112
Current assets (ex cash)	12,331	14,671	16,202	18,701
Trade payable	982	958	975	995
Other Current Liab	7,273	7,096	7,220	7,369
Total Current Liab	8,254	8,054	8,194	8,363
Net Curr Assets-ex cash	4,077	6,617	8,008	10,337
Uses of funds	**138,945**	**156,780**	**180,014**	**209,955**
BVPS (INR)	43.1	52.2	57.8	68.8

RoE decomposition (%)

Year to March	FY18	FY19E	FY20E	FY21E
Net int. income/assets	16.8	16.7	15.9	15.6
Non int. income/assets	0.5	0.6	0.6	0.5
Net revenues/assets	17.4	17.3	16.5	16.2
Operating expense/assets	(8.3)	(8.4)	(8.0)	(7.7)
Provisions/assets	(0.5)	(0.2)	(0.6)	(0.6)
Taxes/assets	(2.9)	(2.9)	(2.7)	(2.6)
Total costs/assets	(11.7)	(11.5)	(11.2)	(10.9)
ROA	5.6	5.7	5.3	5.2
Equity/assets	27.1	29.2	29.2	28.8
ROAE (%)	20.8	19.7	18.0	18.1

Valuation parameters

Year to March	FY18	FY19E	FY20E	FY21E
Adj. Diluted EPS (INR)	8.3	9.4	9.9	11.5
Y-o-Y growth (%)	*(3.6)*	*12.5*	*5.8*	*15.7*
BV per share (INR)	43.1	52.2	57.8	68.8
Adj. BV per share (INR)	42.7	51.9	57.3	68.1
Diluted P/E (x)	14.5	12.9	12.2	10.5
P/B (x)	2.8	2.3	2.1	1.8
Price/ Adj. BV (x)	2.8	2.3	2.1	1.8
Dividend Yield (%)	1.7	2.9	3.0	3.5

Note: FY18 figures are as per IGAAP while rest are as per IND-AS

Peer comparison valuation

	Market cap	Diluted P/E (X)		P/B (X)		ROAE (%)	
Name	**(USD mn)**	**FY20E**	**FY21E**	**FY20E**	**FY21E**	**FY20E**	**FY21E**
Manappuram Finance	1,449	9.8	8.4	2.0	1.6	21.2	20.9
Dewan Housing Finance	522	3.4	2.9	0.3	0.3	10.3	11.6
HDFC	48,090	19.1	15.6	2.2	2.0	13.9	15.4
Indiabulls Housing Finance	4,235	7.4	6.6	1.8	1.5	25.7	25.2
LIC Housing Finance	3,500	9.4	8.2	1.3	1.1	16.1	16.3
Mahindra & Mahindra Financial Services	3,257	13.9	11.8	2.0	1.8	14.8	16.2
Muthoot Finance	3,248	10.5	9.4	2.1	1.8	21.9	20.9
Repco Home Finance	356	9.2	8.1	1.4	1.2	16.4	16.0
Rural Electrification Corporation	3,798	5.3	4.7	0.7	0.7	14.6	14.9
Shriram City Union Finance	1,327	8.2	7.1	1.3	1.1	16.9	17.0
Shriram Transport Finance	3,285	8.3	6.9	1.3	1.1	17.4	17.8
Median	-	9.2	8.1	1.4	1.2	16.4	16.3
AVERAGE	-	9.7	8.4	1.5	1.3	17.1	17.3

Source: Edelweiss research

Additional Data

Directors Data

Jagdish Capoor	Non-Executive Chairman	V.P. Nandakumar	Managing Director & CEO
B.N. Raveendrababu	Executive Director	V.R. Ramachandran	Director
P. Manomohanan	Director	Rajiven V.R	Director
E A Kshirsagar	Director	Sutapa Banerjee	Director
Gautam Narayan	Additional Director		

Auditors - Deloitte Haskins & Sells LLP

**as per last annual report*

Holding - Top 10

	Perc. Holding		Perc. Holding
Quinag Acquistion	9.94	Baring India Private Equity	8.78
Fidelity Management & Research	4.22	Barclays	3.76
Dimensional Fund Advisors	2.61	AllianceBernstein	2.38
DSP Investment Managers	2.12	Vanguard Group	1.86
Duro One Investments	1.74	Khanna Dolly	1.03

**as per last available data*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
25 Oct 2018	AB SICAV I - INDIA GROWTH PORTFOLIO	BUY	7768570	72.85
25 Oct 2018	ALLIANCEBERNSTEIN INDIA GROWTH (MAURITIUS) LIMITED	SELL	7768570	72.85

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
08 Mar 2019	Vipul Patel	Sell	22875.00
04 Oct 2018	K.Senthil Kumar	Sell	30000.00
01 Oct 2018	Nandakumar V P	Buy	1400000.00
27 Sep 2018	Nandakumar V P	Buy	1500000.00
24 Sep 2018	Baring Private Equity India Aif	Buy	855383.00

**in last one year*

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

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Date: 2019.05.15 23:21:03 +05'30'

Coverage group(s) of stocks by primary analyst(s):

Aavas Financiers, Aditya Birla Capital, 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, 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
14-May-19	**Union Bank of India**	Maze of troubles; *Result Update*	79	Hold
14-May-19	**Karnataka Bank**	Core performance soft; asset quality steady; *Result Update*	118	Buy
13-May-19	**Muthoot Finance**	Improved growth trajectory; cost structure volatile; *Result Update*	547	Buy

Distribution of Ratings / Market Cap

Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240

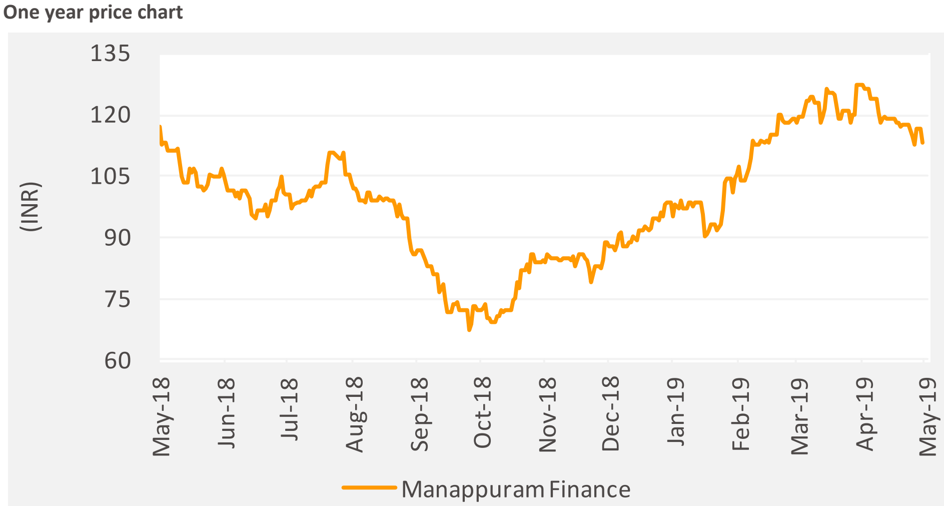
* 1stocks under review

	> 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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