

MAGMA FINCORP

Tough quarter; valuation comfort

India Equity Research | Banking and Financial Services

Magma Fincorp reported PAT in line with our estimates given lower taxes (DTA impact deferred) while core operating metrics were soft. Key highlights: i) Growth was tepid with disbursement down >50% YoY – amid liquidity challenges – leading to 5% QoQ dip in AUM to INR165bn. Management, however, expects trend to improve as liquidity is stabilising (CP entirely run down) and disbursement normalising. ii) Better-than-anticipated NIMs cushioned revenue impact. iii) Gross stage-3 rose to 6.4% (5.1% in Q1FY20), which kept credit cost higher—thereby prompting an increase in FY20 guidance to 2.5% (1.7% earlier). Factoring in softer H1FY20, we are revising down FY20E EPS by >40 (on low base) and BV by 3-4%. We expect valuations to settle lower till more comfort emerges on liquidity, management reshuffle and volatile credit cost. Hence, we are cutting P/BV to 0.8x (from 1.0x), leading to a revised TP of INR88 (INR107 earlier). That said, 0.4x FY21E P/ABV implies favourable risk-reward. Maintain 'BUY'.

Volatility in asset quality persists; higher credit cost surprising

Gross stage-3 assets rose to 6.4% (from 5.1% in Q1FY20), given the rise seen in CV, CE and SME segments exacerbated by floods in UP, WB, AP and Bihar, which disturbed recovery trends. This along with: i) lower recoverability on sale of repossessed assets; ii) higher loss on settlement; and iii) a conservative policy (writing off 100% for loans in 730dpd-plus for vehicle finance) kept credit cost high. Besides, early warning indicators have seen some rise, which need monitoring even as collection efficiency improved. Given the soft H1FY20, management revised the FY20 credit cost guidance to 2.5% versus 1.7% earlier.

Growth moderation playing through; revival key

Supply-side constraints showed up in dip in disbursements to INR10bn (INR20–22bn run rate for last six quarters), leading to a QoQ dip of about 5% in AUM. Going forward, amid liquidity challenges (albeit lower), we expect funding cost to impact NIMs, although change in portfolio mix (towards higher- yielding used assets) could cushion impact. Furthermore, with run-down of short-term debt done, management expects disbursement to normalise. However, we see transition to be slow and revenue challenges would persist in near term.

Outlook and valuation: Valuation comfort; maintain 'BUY'

Magma was on track in its transformation journey, but emerging challenges—macro and management change—impacted H1FY20 performance. We anticipate near-term challenges to persist, but valuation at 0.4x FY21 P/ABV lends comfort. Maintain 'BUY/SP'.

Financials

(INR mn)

Year to March	Q2FY20	Q2FY19	Growth %	Q1FY20	Growth %	FY19	FY20E	FY21E
Net revenue	3,349	3,648	(8.2)	3,231	3.6	15,119	14,801	17,304
Net profit	295	766	(61.4)	106	177.5	3,055	1,653	4,061
Dil. EPS (INR)	1.1	2.8	(61.1)	0.4	182.1	11.3	6.1	15.1
Adj. BV (INR)						93.4	97.0	114.6
Price/ Adj book (x)						0.5	0.5	0.4
Price/ Earnings (x)						4.2	7.7	3.1

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: MAGM.BO, B: MGMA IN)

CMP	: INR 47
Target Price	: INR 88
52-week range (INR)	: 138 / 45
Share in issue (mn)	: 269.4
M cap (INR bn/USD mn)	: 13 / 179
Avg. Daily Vol.BSE/NSE('000)	: 324.4

SHARE HOLDING PATTERN (%)

	Current	Q1FY20	Q4FY19
Promoters *	24.4	24.4	24.4
MF's, FI's & BK's	39.4	35.3	36.0
FII's	28.8	29.0	26.8
Others	7.4	11.4	12.7
* Promoters pledged shares (% of share in issue)	:		NIL

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Banks and Financial Services Index
1 month	(4.8)	7.0	11.0
3 months	(33.7)	7.9	9.5
12 months	(58.4)	12.4	20.0

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Table 1: Q2FY20 earnings highlights

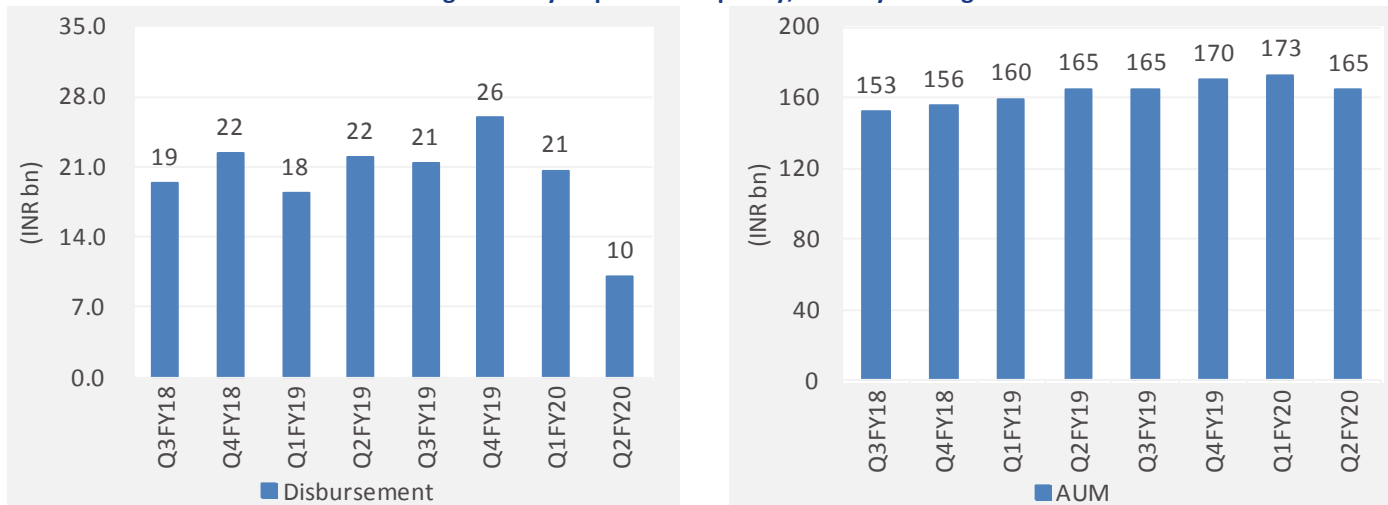
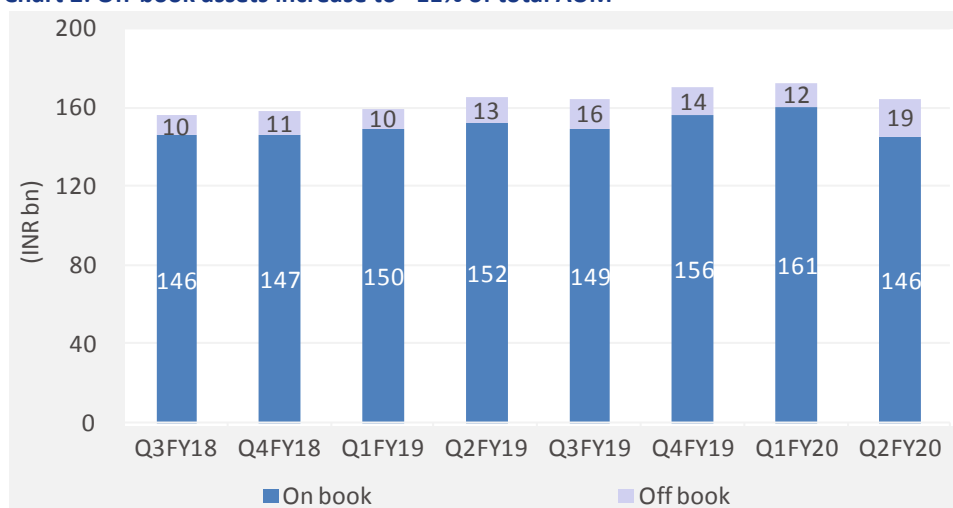
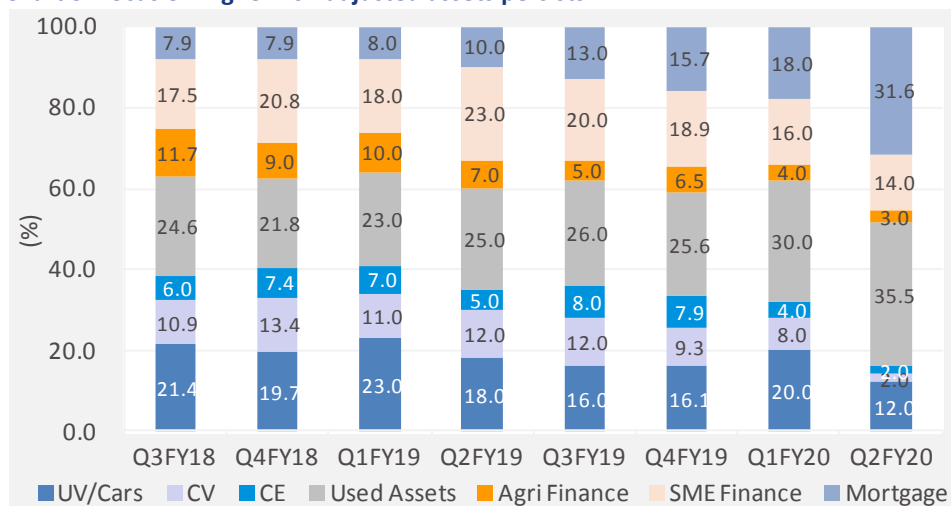
(INR mn)	Q2FY20	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	Comments
Interest income	6,628	6,243	6.2	6,313	5.0	
Interest expense	3,420	2,745	24.6	3,288	4.0	
Net interest income	3,208	3,498	(8.3)	3,024	6.1	Revenue momentum was soft following softer business momentum even as NIM expansion cushioned impact
Non-interest income	140	150	(6.5)	207	(32.1)	
Net revenues	3,349	3,648	(8.2)	3,231	3.6	
Operating expenses	1,746	1,706	2.4	1,772	(1.5)	Cost remained under control
-Staff expense	1,109	1,064	4.2	1,198	(7.5)	
-Depreciation	196	124	57.3	186	5.2	
-Other opex	441	517	(14.6)	387	13.9	
Operating profit	1,603	1,942	(17.5)	1,459	9.8	
Provisions	1,225	874	40.2	1,289	(5.0)	Credit costs remain elevated and consequently, full year guidance revised to ~2.5% from ~1.7% earlier
Profit before tax	408	1,039	(60.8)	156	161.9	
Tax expense	112	273	(58.9)	49	128.2	Impact of DTA not yet recognised, will be done probably in Q4FY20
Profit after tax	295	766	(61.4)	106	177.5	
EPS (INR)	1.1	2.8	(61.1)	0.4	182.1	
Key Metrics						
AUM	1,64,630	1,65,260	(0.4)	1,73,120	(4.9)	AUM growth impacted as liquidity remained tight
- On book	1,45,810	1,52,200	(4.2)	1,60,970	(9.4)	
Disbursements	10,150	22,000	(53.9)	20,660	(50.9)	Significant dip in disbursements as preference was towards conserving liquidity

Source: Company, Edelweiss research

Table 2: Asset quality volatility persists with rise in few segments and geographies

(INR mn)	Q2FY19	Q4FY19	Q1FY20	Q2FY20
Gross Stage 1 and Stage 2 assets	1,38,950	1,48,980	1,52,820	1,36,530
ECL Provision – Stage 1 and 2	3,480	2,930	3,000	2,860
Stage 1 and Stage 2 coverage ratio (%)	2.5	2.0	2.0	2.1
Gross Stage 3 assets	13,260	7,470	8,140	9,280
ECL Provision – Stage 3	6,950	2,740	2,910	3,280
Gross Stage 3 assets (%) (~ GNPA)	8.7	4.8	5.1	6.4
Net Stage 3 assets (%) (~NNPA)	4.3	3.1	3.3	4.2
Stage 3 coverage ratio (%)	52.4	36.8	35.8	35.4

Source: Company

Chart 1: Disbursements were curtailed significantly to preserve liquidity, thereby leading to contraction in AUM**Chart 2: Off-book assets increase to ~11% of total AUM****Chart 3: Focus on higher risk-adjusted assets persists**

Source: Company

Financial snapshot

(INR mn)

Year to March	Q2FY20	Q2FY19	% change	Q1FY20	% change	YTD20	FY20E	FY21E
Operating income	6,628	6,243	6.2	6,313	5.0	12,941	24,970	27,419
Interest exp	3,420	2,745	24.6	3,288	4.0	6,708	12,269	12,364
Other income	140	150	(6.5)	207	(32.1)	347	2,240	2,871
Net revenues	3,349	3,648	(8.2)	3,231	3.6	6,580	14,801	17,304
Staff costs	1,109	1,064	4.2	1,198	(7.5)	2,307	4,051	4,379
Depreciation	196	124	57.3	186	5.2	382	624	657
Other expenses	441	517	(14.6)	387	13.9	829	3,190	3,441
Operating expenses	1,746	1,706	2.4	1,772	(1.5)	3,518	7,865	8,477
Pre prov profit (ppp)	1,603	1,942	(17.5)	1,459	9.8	3,062	6,797	8,205
Provisions & writeoff	1,225	874	40.2	1,289	(5.0)	2,515	4,072	2,620
Profit before tax	408	1,039	(60.8)	156	161.9	563	2,725	5,585
Provision for taxes	112	273	(58.9)	49	128.2	162	1,071	1,525
PAT	295	766	(61.4)	106	177.5	402	1,653	4,061
Diluted EPS (INR)	1.1	2.8	(61.1)	0.4	182.1	1.5	6.1	15.1
Ratios (%)								
Cost/income	52.1	46.8		54.8		107.0	53.1	49.0
Provisions / PPP	76.5	45.0		88.4		164.8	59.9	31.9
Tax rate	27.6	26.3		31.6		59.2	39.3	27.3
Gross NPA (%)	6.4	9.5		5.1		11.5	5.9	5.2
Net NPA (%)	4.2	4.4		3.3		7.5	3.9	3.4
Valuation metrics (%)								
B/V per share (INR)							123.7	141.4
Adj book value / share							97.0	114.6
Price/ Book (x)							0.4	0.3
Price/ Adj. book (x)							0.5	0.4
Price/ Earnings							7.7	3.1

Change in Estimates

	New	FY20E Old	% change	New	FY21E Old	% change	Comments
NII	12,701	14,378	(11.7)	15,055	17,106	(12.0)	Factoring in softer growth momentum
PPOP	6,797	7,635	(11.0)	8,205	9,179	(10.6)	Factoring higher credit cost
Provisions	4,072	3,253	25.2	2,620	3,168	(17.3)	
PAT	1,653	2,898	(43.0)	4,061	4,386	(7.4)	
NIMs	8.7	9.4		9.3	9.5		

Q2FY20 result concall takeaways

With respect to growth & outlook

- The performance of the company had slowed down during the quarter given the tight liquidity and lower collections and the overall profitability was hurt due to higher funding costs and credit costs.
- Asset liability management and conserving liquidity was top priority for the company over disbursement in Q2FY20 leading to subdued growth.
 - The focus remains on protecting interests of all stakeholders (especially debt holders).
- However, the company believes that a major hurdle with respect to liquidity has been passed and H2FY20 should be better (seasonally strong period).
- **Credit cost guidance** – *The company increased the guidance from 1.5-1.75% earlier to 2.25-2.5% for full year now.*
- **New CEO for vehicle finance business** – the company is working with head-hunters and the new candidate is expected to be finalised by end of fiscal (Kaushik Banarjee's contract is valid till then).
- **Conversion to Small Finance Bank** – tacking the current challenging environment and settling the business model remains the top priority post which the company would think about such strategic initiatives.
- **Outlook on disbursements** – While the months of August and September were slow, momentum has picked up in October (achieved ~70% of monthly volume).
 - November and December are expected to be better thereby, Q3FY20 would be quite normal with > INR20bn disbursements on overall level.
 - There would be structural adjustment in product mix – SME would be calibrated, mortgages will contribute more, used vehicles would be increased along with some slow-down in CV/CE segments.
- **Co-origination** – The company has started co-origination with a bank (has done with same bank in 2000-2008 period) in October with PV/CV/CE segments. While both parties have experience of working with each other, some time would be needed for things to settle.
- **Asset Finance** –
 - The slowdown is worst felt in commercial vehicle segment while used asset remains least hit.
 - There would be further strategic shift in product mix with more focus on used assets – 63% of disbursements in Q2FY20 were here.
- **SME financing business** –
 - There is stress in segment due to combined effect of liquidity tightness and economic slowdown.
 - As a result, the cautious stance would continue with preference to quality over growth.

- **Housing Finance –**
 - The business continues to do well and disbursements were robust.
 - Expected to end the FY with high double digit growth.
 - The strategy remains to focus more on home loans and direct sourcing.
 - The collection efficiency remains good at 99.8% for 12 months loans.
 - The company has received first sanction from NHB and a large lender and has evolved into a national player with presence in 11 states.
- **General insurance –**
 - The growth remains good with expectation of ending year with high double digit growth.
 - The growth is driven by retail (85% of GWP in H1FY20) as well commercial segments.
 - During the quarter, the company was empanelled by Maruti and the benefits are expected to start from Q3FY20.

With respect to liquidity/borrowings/margins

- The liquidity situation was quite tight in Q2FY20 (some large repayments in July and August); however the company has repaid all short-term liabilities including commercial paper and replaced the same with better tenor matched instruments during the quarter.
- It raised INR21.36bn via term loan, direct assignment & pass through certificates and ended the quarter with over INR19bn of Liquidity.
- It focuses on adding lenders – have added 6 new lenders during the quarter. Has built a strong pipeline of long-term funds from various institutions.
- The cost of funds spiked by 107bps YoY; however, the company expects incremental costs to decline by 50-70bps and the effect to be felt on average costs by April 2020.
- During the quarter direct assignment was ~INR8.4bn compared to INR4.5bn YoY.
- There was dip in NIM of ~130bps YoY as ~80% of the book is fixed rate compared to floating-rate liability.
- Yields have been increased by ~70bps in Q2FY20 and the benefit will flow in subsequent quarters.

With respect to asset quality

- **ABF business –**
 - The collection efficiency was ~97.5% which was hit significantly in the month of September (94.2%).
 - There is stress in CV and CE segments with 75% of incremental stage 3 assets flowing from these segments (especially from Buhar, UP and West Bengal which contributes ~30% of AUM).
 - September was extremely soft due to floods and excessive rains in key states (especially in last few days).

- The trend has been improving (>100% in August) in October despite festivals and holidays. November and December are expected to be better.
- Overall, the company remains optimistic about better H2FY20.

- **In Maharashtra –**

- Collection efficiency for SME and housing segments was better in October and in CE segment it was ~99%.
- ABF – October was good with >99% collection efficiency.

- **Steady-state NPA levels** – the company would be comfortable with overall NPAs at 4%-5% with 5%-6% in ABF, ~3% in SME and ~1% in housing finance.

- **Credit cost guidance** – The company increased the guidance from 1.5-1.75% earlier to 2.25-2.5% for full year now.

- As a policy, the company writes down exposure of 450+dpd in SME and 730+dpd in other businesses.

- The increase in CPMI trend in ABF (from 4.73% to 5.35% QoQ) is largely due to CV segment.

- It has taken various steps to address stress such as improved grading systems, reduced LTV, and focusing on select products.

- The company does not expect any adverse impact on credit rating (especially short-term).

Other highlights

- Efforts are being taken to reduce operating expenditure – expected to end FY20 as same level as FY19
- The impact of DTA is not yet recognised – would be done by Q4FY20 worth ~INR200mn.

Q1FY20 result concall takeaways

With respect to asset quality:

- The overall **collections were affected in the month of April and May** due to elections and other macro headwinds, especially in rural areas. However, **June and July have been relatively better**.
 - The collections in SME business are holding up with **99% efficiency**.
- **The early warning signals across business are showing healthy trends.**
- During the quarter, there was **~INR1.04bn worth of write-off due to loss on sale of possessed assets, loss on settlement, and bucket movement of NPA**.
 - The company has a policy to write-off 730+ DPD asset in ABF and 450+ DPD in SME (no such policy for mortgages as security is sufficient) as against earlier policy of provisioning (which impact P&L now).
 - The realisation on sale of assets has been lower (~45% vs. normal level of 65-75% and 56% in Q4FY19) given the industry slow-down which lead to an impact of ~INR450mn.
 - The company decided to take write-off and not drag it to Q2/Q3 as it aims to maintain asset quality going forward.
 - Given the impact of IND-AS, the company is confident of declining trend to asset quality in Q2/Q3/Q4 – **credit cost guidance of sub1.7% for FY20**.

With respect to liquidity/borrowings/margins:

- The cost of funds has been increasing for the company - **~100bps increase since Sep. last year**.
 - The costs were 8.9% in H1FY19, 9.25% for FY19, 9.8% for Q1FY20, with incremental costs at 10.5%.
- The company don't see costs coming down significantly in at least next 2 quarters (spread over MCLR risen to ~100bps from ~25bps earlier). However, reduction in MCLR by banks can provide some support.
- The company has passed on the increased costs in mortgage (floating book – 20% of overall book) and some of SME business and have started adjusting product mix in ABF towards high yielding products since May.
 - In ABF, the yields have risen by 30bps in Q1FY20, another 60bps increase expected on Q2FY20.
- **Yields have improved on a monthly basis – April 15.6%, May 15.8%, June 16.1%.**
- In last 10 months, have raised ~INR60bn only through long-term sources and dependence on CP is brought down to 6%.

With respect to growth and strategy:

- The company believe that it is **well placed on asset quality and ability to grow business**, however, the **growth will be dependent on the liquidity** situation going forward. Model is getting well tested in tough economic scenario.

- **Asset Finance –**
 - Strategy to focus on used vehicles is to its full glory and it has seen **significant traction in used vehicle segment** (30% of overall disbursements). It further remains confident of this growth.
 - ~40% of the used business comes from existing customers which provide better asset quality and operational leverage.
 - The vintage in used business in ~5-6 years with **portfolio yield of ~18% across sub-segments**.
- **SME –**
 - The company remains **optimistic on the growth** in the segment due to steady asset quality and tighter screening – **focus more on quality of origination**.
 - It plans to restrict SME contribution to 15% of AUM.
- **Mortgages –**
 - The company would focus **on increasing retail loans and direct sourcing** (81% business is directly sourced) in 9 key states.
- **General insurance –**
 - The momentum in the business was good (both retail and corporate) and the company will look to **build more retail business**.
- The company will focus on **lowering operating costs in absolute terms** to help NIMs.

Company Description

Magma is one of the leading NBFCs offering a range of financial products with pan-India presence. The company finances purchase of a gamut of products such as CVs, tractors, cars, used vehicles, gold as well as construction equipment with mortgages added recently to its portfolio. It has a strong network of over 312 branches spread across 21 states/ Union Territories in India, covering ~2,900 locations clusters with INR165bn assets under management.

Investment Theme

Magma was on track in its transformation journey, but emerging challenges—macro and management change—impacted H1FY20 performance. We anticipate near-term challenges to persist, but valuation at 0.4x FY21 P/ABV lends comfort. Maintain 'BUY/SP'

Key Risks

Despite diversifying in nine segments, auto financing (cars, CV, CE) still contributes higher to AUM. The growth and asset quality performance in these businesses would be correlated to underlying industry dynamics. Hence, Magma's earnings as well will be subject to seasonality and cyclicity of the same

Financial Statements

Key Assumptions

Year to March	FY18	FY19	FY20E	FY21E
Macro				
GDP(Y-o-Y %)	7.2	6.8	6.3	6.8
Inflation (Avg)	3.6	3.4	3.7	4.0
Repo rate (exit rate)	6.0	6.3	4.5	4.5
USD/INR (Avg)	64.5	70.0	71.0	71.0
Sector				
Credit growth	12.0	14.0	17.0	17.0
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				
Operating metric assumptions (%)				
Yield on advances	17.8	18.0	17.4	17.4
Cost of funds	9.4	9.7	10.6	9.8
Spread	8.4	8.3	6.8	7.6
Employee cost growth	22.6	10.8	1.7	8.1
Other opex growth	5.1	12.3	(3.0)	7.9
Tax rate (%)	31.8	32.0	39.3	27.3
Dividend payout	5.0	5.0	5.0	5.0
Balance sheet assumption (%)				
Disbursement growth	6.3	22.8	(4.9)	18.5
Gross NPLs	7.1	5.4	5.9	5.2
Net NPLs	5.5	3.9	3.9	3.4
Provision coverage	22.6	26.7	33.6	34.8

Income statement

(INR mn)

Year to March	FY18	FY19	FY20E	FY21E
Interest income	22,171	23,955	24,970	27,419
Interest expended	9,727	10,623	12,269	12,364
Net interest income	12,443	13,332	12,701	15,055
Fee & other income	1,133	1,217	1,398	1,515
Other income	505	596	843	1,356
Net revenues	14,097	15,119	14,801	17,304
Operating expense	6,978	7,765	7,865	8,477
- Employee exp	3,596	3,984	4,051	4,379
- Depn /amortisation	455	493	624	657
- Other opex	2,927	3,288	3,190	3,441
Preprovision profit	7,136	7,329	6,797	8,205
Provisions	3,754	2,833	4,072	2,620
Profit Before Tax	3,382	4,496	2,725	5,585
Less: Provision for Tax	1,075	1,441	1,071	1,525
Net profit	2,307	3,055	1,653	4,061
Shares o /s (mn)	237	269	269	269
Basic EPS (INR)	9.7	11.3	6.1	15.1
Diluted shares o/s (mn)	237	269	269	269
Adj. Diluted EPS (INR)	9.7	11.3	6.1	15.1
Dividend per share (DPS)	0.4	0.5	0.2	0.7
Dividend Payout Ratio(%)	5.0	5.0	5.0	5.0

Growth ratios (%)

Year to March	FY18	FY19	FY20E	FY21E
Operating income growth	12.7	7.1	(4.7)	18.5
Revenues	10.6	7.3	(2.1)	16.9
Opex growth	12.5	11.3	1.3	7.8
PPP growth	9.2	2.7	(7.3)	20.7
Provisions growth	(38.1)	(24.5)	43.7	(35.7)
Adjusted Profit	1,711.8	32.4	(45.9)	145.6

Operating ratios

Year to March	FY18	FY19	FY20E	FY21E
Yield on advances	17.8	18.0	17.4	17.4
Cost of funds	9.4	9.7	10.6	9.8
Net interest margins	10.1	9.8	8.7	9.3
Spread	8.4	8.3	6.8	7.6
Cost-income	49.5	51.4	53.1	49.0
Tax rate	31.8	32.0	39.3	27.3

Banking and Financial Services

Balance sheet				
	(INR mn)			
As on 31st March	FY18	FY19	FY20E	FY21E
Share capital	474	538	538	538
Reserves & Surplus	23,348	31,129	32,764	37,526
Shareholders' funds	23,822	31,668	33,302	38,064
Total Borrowings	106,195	113,453	117,210	135,838
Long Term Liabilities	1,534	1,591	1,464	1,481
Def. Tax Liability (net)	(24)	166	263	511
Sources of funds	131,527	146,878	152,241	175,895
Gross Block	125,753	140,964	145,931	169,533
Net Block	5,645	5,897	6,155	6,415
Capital work in progress	2,172	1,933	1,613	1,210
Intangible Assets	4,091	4,449	4,398	4,663
Total Fixed Assets	6,134	6,366	5,857	5,926
Non current investments	(2,043)	(1,917)	(1,458)	(1,263)
Uses of funds	131,527	146,878	152,241	175,895
Earning assets	127,821	143,353	149,163	173,203
Disbursements	71,381	87,667	83,413	98,847
BVPS (INR)	100.5	117.6	123.7	141.4
AUM	156,626	173,241	174,306	197,317
AUM growth	(2.7)	10.6	0.6	13.2
EA growth	6.7	12.2	4.1	16.1
Gross NPAs	11,183	9,306	10,289	10,315
Net NPAs	8,654	6,817	6,830	6,724
Provision coverage	22.6	26.7	33.6	34.8
Gross NPA ratio	7.1	5.4	5.9	5.2
Net NPA ratio	5.5	3.9	3.9	3.4

RoE decomposition (%)				
Year to March	FY18	FY19	FY20E	FY21E
Net int. income/assets	10.1	9.8	8.7	9.3
Other income/Assets	0.4	0.4	0.5	0.5
Net revenues/assets	10.5	10.3	9.2	9.8
Operating expense/assets	5.6	5.7	5.4	5.3
Provisions/assets	3.0	2.1	2.8	1.6
Taxes/assets	0.9	1.1	0.7	0.9
Total costs/assets	9.5	8.9	8.9	7.8
ROA	1.9	2.3	1.1	2.5
Equity/assets	18.4	20.5	22.2	22.1
ROAE (%)	10.1	11.0	5.1	11.4

Valuation parameters				
Year to March	FY18	FY19	FY20E	FY21E
Adj. Diluted EPS (INR)	9.7	11.3	6.1	15.1
Y-o-Y growth (%)	NA	16.6	(45.9)	145.6
BV per share (INR)	100.5	117.6	123.7	141.4
Adj. BV per share (INR)	67.5	93.4	97.0	114.6
Diluted P/E (x)	4.9	4.2	7.7	3.1
P/B (x)	0.5	0.4	0.4	0.3
Price/ Adj. BV (x)	0.7	0.5	0.5	0.4
Dividend Yield (%)	0.8	1.0	0.4	1.4

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		P/B (X)		ROAE (%)	
		FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Magma Fincorp	179	7.7	3.1	0.4	0.3	5.1	11.4
Aavas Financiers	1,716	46.6	35.9	5.8	5.0	13.3	15.0
HDFC	54,120	23.7	18.2	2.7	2.5	16.6	15.8
Indiabulls Housing Finance	1,450	4.3	4.5	0.7	0.7	15.9	14.8
LIC Housing Finance	3,113	8.6	6.6	1.2	1.1	15.0	17.2
Mahindra & Mahindra Financial Services	2,853	16.4	11.3	1.8	1.6	11.2	15.2
Manappuram Finance	1,972	14.0	11.1	2.8	2.3	21.4	22.7
Muthoot Finance	3,797	12.3	10.9	2.5	2.1	22.1	21.3
REC	3,846	5.0	4.3	0.7	0.7	15.4	16.3
RepcO Home Finance	264	6.9	6.0	1.1	0.9	16.4	16.2
Shriram City Union Finance	1,223	7.2	6.3	1.2	1.0	17.7	17.4
Shriram Transport Finance	3,555	8.4	7.2	1.5	1.2	18.7	18.6
Median	-	8.5	6.9	1.3	1.1	16.2	16.3
AVERAGE	-	13.8	11.2	2.0	1.8	15.7	16.8

Source: Edelweiss research

Additional Data

Directors Data

Mayank Poddar	Chairman Emeritus & Wholtime Director	Ms. Vijayalakshmi R Iyer	Director
V.K.Vishwanathan	Director	Narayan K.Seshadri	Non Executive Independent Chairman
Sanjay Chamria	Vice Chairman & MD		

Auditors - B S R & Co. LLP

**as per last annual report*

Holding - Top10

	Perc. Holding		Perc. Holding
TrueNorth	10.49	Amanza Holdings	7.67
Lavender Investments	7.00	Reliance Nippon Life	6.07
International Finance Corp.	5.06	N J Ballas Asset Management	4.91
IDFC Mutual Fund	4.04	Bank Muscat	3.25
ICICI Prudential Life Insurance	2.65	Goldman Sachs Asset Management	2.42

**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
No Data Available			

**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	BUY	SO	M	Bajaj Finserv	REDUCE	SU	L
Bank of Baroda	REDUCE	SU	M	DCB Bank	HOLD	SP	M
Equitas Holdings	BUY	SO	M	Federal Bank	BUY	SO	L
HDFC	BUY	SO	L	HDFC Bank	BUY	SO	L
ICICI Bank	BUY	SO	L	IDFC FIRST Bank	BUY	SP	L
Indiabulls Housing Finance	HOLD	SU	M	IndusInd Bank	BUY	SO	L
Kotak Mahindra Bank	BUY	SP	M	L&T Finance Holdings	HOLD	SP	M
LIC Housing Finance	BUY	SO	M	Magma Fincorp	BUY	SP	M
Mahindra & Mahindra Financial Services	BUY	SP	M	Manappuram Finance	HOLD	SU	H
Max Financial Services	BUY	SO	L	Multi Commodity Exchange of India	HOLD	SU	M
Muthoot Finance	BUY	SO	M	Power Finance Corp	BUY	SP	M
Punjab National Bank	REDUCE	SU	M	Repco Home Finance	BUY	SP	M
REC	HOLD	SU	M	Shriram City Union Finance	BUY	SP	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

Edelweiss
Ideas create, values protect



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

Aavas Financiers, Aditya Birla Capital, AU Small Finance Bank Ltd, Axis Bank, Bajaj Finserv, Bank of Baroda, DCB Bank, Equitas Holdings, Federal Bank, HDFC, HDFC Bank, ICICI Bank, ICICI Lombard General Insurance Company Ltd, IDFC FIRST BANK, Indiabulls Housing Finance, IndusInd Bank, Kotak Mahindra Bank, LIC Housing Finance, L&T Finance Holdings, Max Financial Services, Multi Commodity Exchange of India, Manappuram Finance, Magma Fincorp, Mahindra & Mahindra Financial Services, Muthoot Finance, Punjab National Bank, Power Finance Corp, REC, 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
07-Nov-19	Aditya Birla Capital	Systemic concerns but navigating well; <i>Result Update</i>	85	Buy
06-Nov-19	Indiabulls Housing Finance	Operational challenges to persist; <i>Result Update</i>	219	Hold
06-Nov-19	Manappuram Finance	Strong show; super normal growth a concern; <i>Result Update</i>	168	Hold

Distribution of Ratings / Market Cap

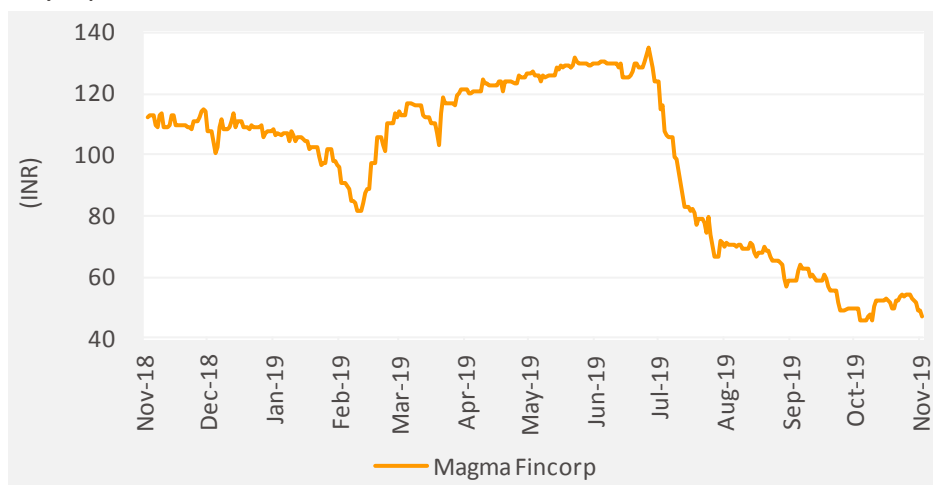
Edelweiss Research Coverage Universe

	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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