

MUTHOOT FINANCE

Growth momentum softer; improvement key

India Equity Research | Banking and Financial Services

Muthoot Finance (Muthoot) reported better-than-expected Q2FY20 PAT of INR8.6bn (grew >60% YoY/QoQ) riding higher gold price tailwind. Key highlights: a) spurt in gold price led to better recoveries. This, coupled with penal interest (as an alternate to auction), led to spike in NIM (up >250bps QoQ) spurring >20% QoQ revenue growth; b) however, owing to tight liquidity, focus on collection & run-down in Kerala state AUM, gold loan growth was muted (flat QoQ) with volume (gold holding) declining 2.8%. Now, with adequate liquidity buffer on balance sheet, trend should improve as 15% growth guidance is maintained; c) asset quality volatility persisted with stage-3 assets rising further to 3.4% (3.2% in Q1FY20); and d) other businesses: Home finance, Belstar & insurance broking are scaling up, as expected, though moderated a tad due to challenging environment. Rolling forward valuation yields revised TP of INR747 (earlier INR692; 2.2x consolidated P/BV unchanged). Maintain 'BUY'.

Growth disappoints; improvement key

Growth came much below expectation despite gold price tailwinds following 2.8% QoQ dip in volume. We attribute this to higher collection run-rate (6% per quarter), risk aversion amidst tight liquidity and run-down of Kerala state AUM (3.4% of AUM). Having created adequate liquidity buffer (6% of asset size), higher offshore borrowings and improved bank credit lines (unutilised), we expect the trend to improve (already added INR13bn of AUM in quarter to date). Given the short-term nature of assets, reliance on commercial papers (>17% borrowing) continued.

Revenue momentum supported by higher NIM

NIM surpassed expectation (up >250bps QoQ) driven by one-off penal interest collection of INR2bn. Going forward, we estimate NIM to normalise at 13-14%. Asset quality continues to be volatile with higher GNPLs; this, along with higher write-off, is leading to higher credit cost (hasn't utilised excess provisions).

Outlook and valuation: Superior return ratios; maintain 'BUY'

Improvement in Muthoot's medium-term outlook has been marginally clouded by funding challenges and issues in its home state (Kerala). However, business fundamentals remain strong with steady growth, limited LGD and stable funding cost enabling it to generate superior returns (consolidated RoAuM/RoE of >5%/25%). We maintain 'BUY/SO'.

Financials

	(INR mn)							
Year to March	Q2FY20	Q2FY19	Growth (%)	Q1FY20	Growth (%)	FY19	FY20E	FY21E
Net revenue	14,707	11,148	31.9	12,171	20.8	46,439	52,861	58,438
Net profit	8,579	4,838	77.3	5,300	61.9	19,721	26,445	29,369
Dil. EPS (INR)	21.4	12.1	77.1	13.2	61.9	49.3	66.1	73.4
Adj. BV (INR)						216.8	264.6	322.9
Price/ Adj book (x)						3.0	2.5	2.0
Price/ Earnings (x)						13.2	9.8	8.9

Edelweiss Research is also available on www.edelresearch.com, Bloomberg EDEL <GO>, Thomson First Call, Reuters and Factset.

EDELWEISS 4D RATINGS	
Absolute Rating	BUY
Rating Relative to Sector	Outperform
Risk Rating Relative to Sector	Medium
Sector Relative to Market	Overweight

MARKET DATA (R: MUTT.BO, B: MUTH IN)

CMP	: INR 650
Target Price	: INR 747
52-week range (INR)	: 719 / 389
Share in issue (mn)	: 400.9
M cap (INR bn/USD mn)	: 261 / 3,617
Avg. Daily Vol.BSE/NSE('000)	: 1,141.2

SHARE HOLDING PATTERN (%)

	Current	Q1FY20	Q4FY19
Promoters *	73.5	73.5	73.5
MF's, FI's & BK's	7.5	8.4	9.8
FII's	15.0	13.9	12.4
Others	4.0	4.3	4.3
* Promoters pledged shares (% of share in issue)	:	NIL	

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Banks and Financial Services Index
1 month	0.7	7.0	11.0
3 months	6.2	7.9	9.5
12 months	50.8	12.4	20.0

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Performance of subsidiaries

- **Muthoot Homefin:** Growth momentum sustained during the quarter—loan book expanded about 5.5% QoQ to ~INR21bn. After a soft performance (systemic issues and business revamp), management is confident of sustaining the improvement. Revenue came at INR908mn (INR616mn in Q1FY20 and ~INR2.2bn in FY19); however, higher-than-expected expenses (including credit cost) curtailed overall profitability to INR139mn (INR62mn in Q1FY20). Focus within this vertical continues to be on extending affordable housing finance, particularly to EWS and LIG customers.
- **Belstar Investment and Finance's** loan portfolio stood at INR21bn (up >8% QoQ) with 498 branches spread across Tamil Nadu, Karnataka, Madhya Pradesh, Maharashtra, Kerala, Chattisgarh, Odisha, Gujarat, Rajasthan, Bihar, Uttar Pradesh, and one Union Territory (Puducherry). Revenue for the quarter stood at INR1.27bn (INR1.08bn in Q1FY20), which translated into PAT of INR281mn (INR229mn in Q1FY20).
- **Muthoot Insurance Brokers** clocked softer growth with premium collection of INR709mn (up mere 6% YoY). That said, the number of policies insured improved >32% YoY/64% QoQ to 7,25,805, which is encouraging.
- **Asia Asset Finance's** loan portfolio stood at LKR13.1bn (up ~17% YoY) with 25 branches across Sri Lanka. Revenue came in at LKR857mn (up >23% YoY) with PAT of LKR29mn.

Table 1: Key takeaways from Q2FY20 earnings

(INR mn)	Q2FY20	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	Comments
Interest income	21,057	16,316	29.1	18,274	15.2	Normalised yields sustained at 21%; however income Includes INR2bn of one-off penal interest on better recoveries
Interest expense	6,699	5,354	25.1	6,416	4.4	
Net interest income	14,358	10,962	31.0	11,858	21.1	
Non-interest income	348	185	87.9	313	11.4	
Net revenues	14,707	11,148	31.9	12,171	20.8	Revenues spurted as NIMs spiked >250bps QoQ on the back of better recoveries and penal interest
Operating expenses	3,969	3,695	7.4	3,972	(0.1)	
-Staff expense	2,327	2,086	11.6	2,295	1.4	
-Depreciation	103	100	2.6	96	7.2	
-Other opex	1,539	1,509	2.0	1,581	(2.6)	Cost containment efforts reflected in lower opex growth
Operating profit	10,738	7,453	44.1	8,199	31.0	
Provisions	265	25	943.1	33	702.5	Volatility in asset quality coupled with higher write-off led to rise in credit costs
Profit before tax	10,473	7,427	41.0	8,166	28.3	
Tax expense	1,894	2,615	(27.6)	2,866	(33.9)	Benefit of lower tax rate kicked in
Profit after tax	8,579	4,813	78.3	5,300	61.9	
EPS (INR)	21.4	12.1	77.1	13.2	61.9	

Source: Company, Edelweiss research

Table 2: Key takeaways from Q2FY20 earnings (Contd...)

(INR mn)	Q1FY20	Q1FY19	YoY (%)	Q4FY19	QoQ (%)	Comments
Key Metrics						
Gross retail loan AUM	3,57,305	3,23,185	10.6	3,58,159	(0.2)	
Gold loans	3,49,419	3,20,373	9.1	3,51,708	(0.7)	AUM growth was restricted due to tight liquidity, focus on collections, and run-down in Kerala book
Other loans	7,886	2,812	180.4	6,451	22.2	
Gold holding (tonnes)	171	168	1.8	176	(2.8)	
Subsidiaries						
Asia Asset Finance						
Loan portfolio (LKR)	13,143	11,237	17.0	12,904	1.9	Steady loan book growth, on expanding reach
PAT (LKR)	29	22	31.8	25	16.0	
Muthoot Homefin						
Loan portfolio	20,975	17,754	18.1	19,875	5.5	
PAT	139	105	32.4	62	124.2	
Muthoot Insurance Brokers						
Premium collection	709	670	5.8	606	17.0	Steady growth in premium collections
PAT	39	37	5.4	27	44.4	
Belstar Investment & Finance						
Loan portfolio	21,074	13,806	52.6	19,385	8.7	Growth momentum building up significantly
PAT	281	161	74.5	229	22.7	

Source: Company, Edelweiss research

Table 3: Trades at 1.8x FY21E P/BV for RoE (consol) at 25% plus

	Standalone			Consolidated		
	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
Net profit (INR mn)	19,721	26,445	29,369	21,178	27,980	31,565
Networth (INR mn)	91,709	1,12,071	1,34,888	93,166	1,13,606	1,37,085
RoAUM (%)	6.3	7.4	7.2	5.2	5.2	5.8
RoE (%)	23.3	26.0	23.8	24.7	27.1	25.2
EPS (INR)	49.3	66.1	73.4	52.9	70.0	78.9
Book value (INR)	229.6	280.5	337.6	232.9	284.0	342.7
Diluted P/E	12.2	9.1	8.2	11.3	8.6	7.6
P/BV	2.6	2.1	1.8	2.6	2.1	1.8

Source: Company, Edelweiss research

Table 4: Asset quality volatile, improvement key

(INR mn)	Q2FY19	Q4FY19	Q1FY20	Q2FY20
Stage 3 loan asset	6,169	9,326	11,474	12,267
% Stage 3 asset on gross loan asset	1.9	2.7	3.2	3.4
ECL provision	5,795	6,359	6,896	7,014
ECL provision as % of gross loan assets	1.8	1.9	1.9	2.0
Excess provision outstanding in books	2,300	1,737	1,199	1,201

Source: Company

Chart 1: Gold price tailwind and adequate liquidity buffer improves growth visibility

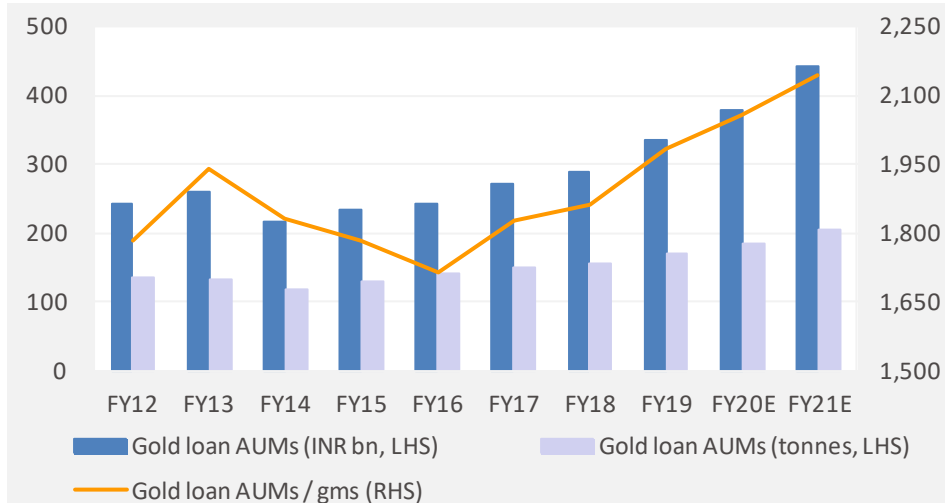


Chart 2: Flattish AUM due to better recoveries and tight liquidity

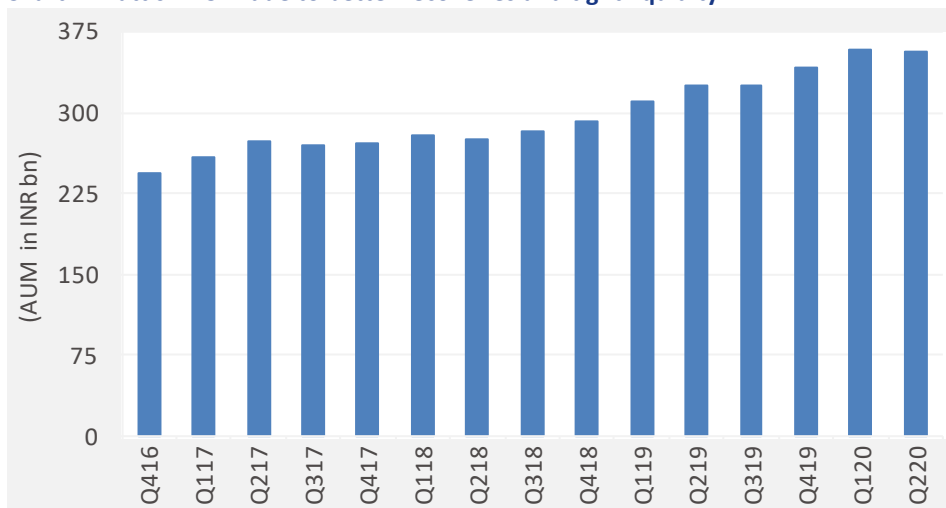
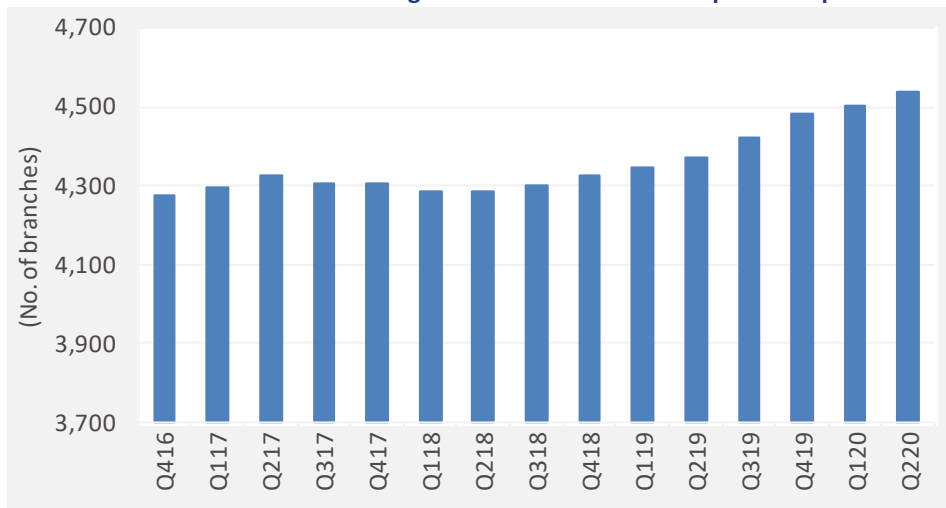
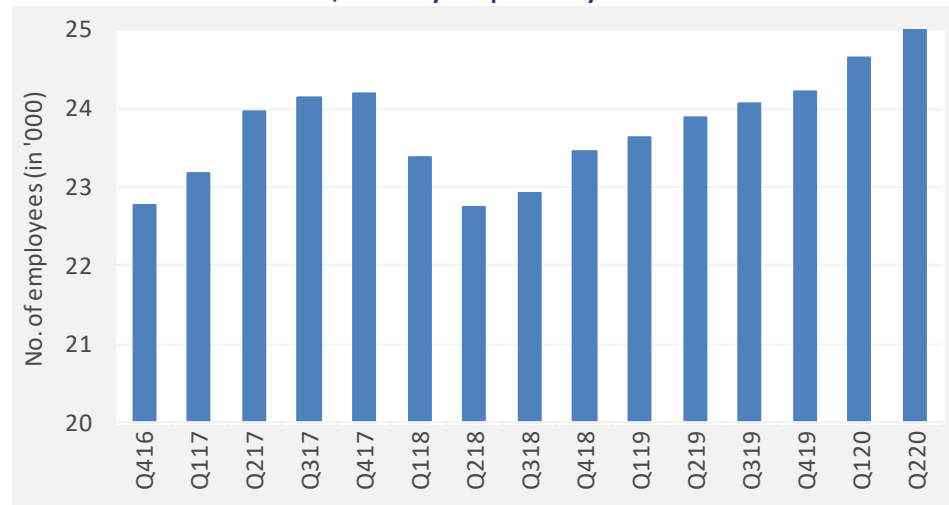
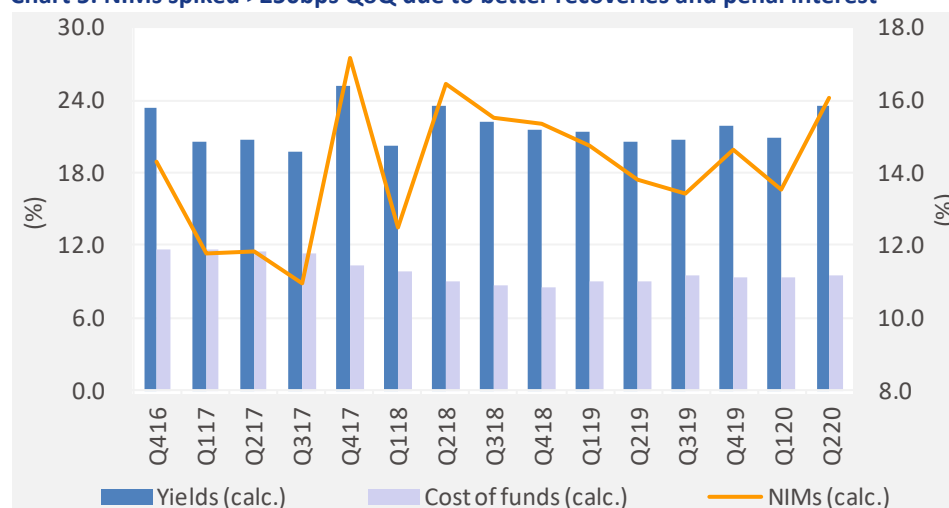
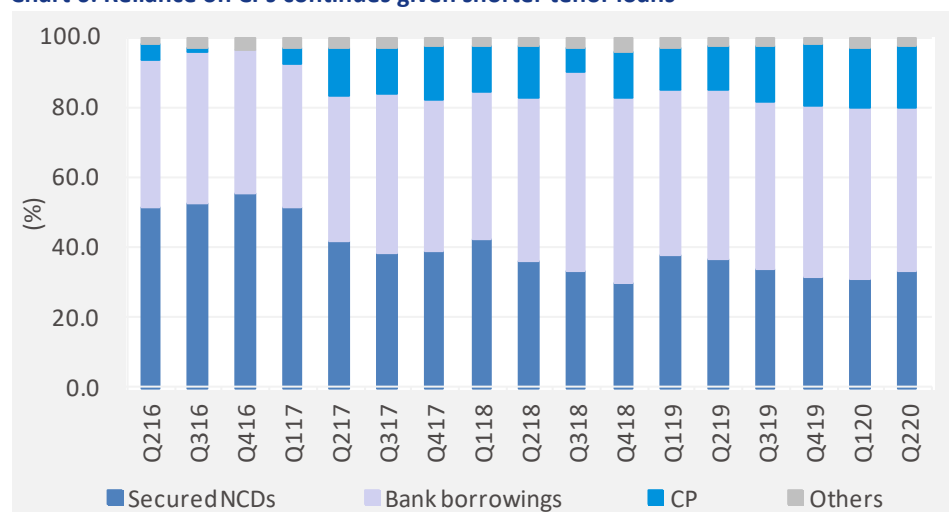


Chart 3: Investment in branches has gathered momentum since past few quarters



Source: Company, Edelweiss research

Chart 4: Headcount increases, volatility in opex is key monitorable**Chart 5: NIMs spiked >250bps QoQ due to better recoveries and penal interest****Chart 6: Reliance on CPs continues given shorter tenor loans**

Source: Company, Edelweiss research

Financial snapshot

(INR mn)

Year to March	Q2FY20	Q2FY19	% change	Q1FY20	% change	YTD20	FY20E	FY21E
Operating income	21,057	16,316	29.1	18,274	15.2	39,331	77,878	86,965
Interest expanded	6,699	5,354	25.1	6,416	4.4	13,115	26,037	29,616
Other income	348	185	87.9	313	11.4	661	1,020	1,090
Net revenues	14,707	11,148	31.9	12,171	20.8	26,878	52,861	58,438
Operating expenses	3,866	3,569	8.3	3,876	(0.3)	7,742	15,982	17,454
Pre-provision profit	10,841	7,578	43.1	8,295	30.7	19,136	36,879	40,985
Provisions & write-offs	265	25	943.1	33	702.5	298	1,144	1,315
Operating profit	10,576	7,553	40.0	8,262	28.0	18,838	35,735	39,670
Depreciation	103	100	2.6	96	7.2	199	474	511
Profit before tax	10,474	7,453	40.5	8,166	28.3	18,640	35,261	39,159
Tax	1,894	2,615	(27.6)	2,866	(33.9)	4,760	8,815	9,790
PAT	8,579	4,838	77.3	5,300	61.9	13,880	26,445	29,369
Diluted EPS (INR)	21.4	12.1	77.1	13.2	61.9	34.6	66.1	73.4
Other information								
AUM (gold)	349,419	3,20,373	9.1	351,708	(0.7)	349,419	379,040	441,873
Valuation metrics								
B/V per share							280.5	337.6
Adj book value / share							264.6	322.9
Price/ Book (x)							2.3	1.9
Price/ Adj. book (x)							2.5	2.0
Price/ Earnings (x)							9.8	8.9

Q2FY20 Earnings Call Takeaway

With respect to growth and outlook

- The performance in quarter has been satisfying with contribution of Muthoot Finance in consolidated AUM/PAT at ~93% /~97%.
- Loan growth has been flat largely due to tight liquidity. However, having raised sufficient funds since beginning of Q3FY20, the growth would be much better in Q3/Q4FY20 (INR13bn growth till now in Q3FY20).
 - The growth guidance holds at 15% for gold AUM with growth expected from all geographies.
 - The non-availability of funds from NBFCs in general is helping the gold loan demand.
- Kerala contributes ~3.4% of overall AUM (~INR12bn now). The portfolio will run-down gradually and would be compensated by growth in other states.
- The company has an investment of INR240mn in a Nepalese company (United Finance Limited). It wants to get into gold loan with the help of Muthoot's expertise. The stake can be increased further if comfort increases. It will take 2-3 years to stabilize the gold loan portfolio.
- Muthoot Money – The operations are now centered in Hyderabad. Recently, Company has started extending loans for commercial vehicles and equipment (INR4.3bn book).
- Muthoot Homefin – The company does not lend to developers (cautious stance) and focus only on affordable housing (ticket size ~INR1mn).
- Belstar (MFI) – The PAR is much better than industry and peers and credit quality holding up.
- During the quarter, the advertisement expense was lower to due lower growth. In Q3/Q4FY20, with higher growth in sight, this expense will increase (higher than last year).
- The entire gold loan portfolio is with one-year bullet repayment with an option for monthly EMI payments.

With respect to liquidity, borrowings, and margins

- The company is rated by 3 international credit rating agencies - Fitch BB+(Stable), S&P BB(Stable), Moody's Ba2/(Stable).
- In October, the company raised USD450mn 6.12% secured notes – first private NBFC to raise funds via 144A/RegS mode.
 - While this is expensive (fully hedged), this provides diversification in borrowings.
- Also, in October, it completed 21st public issue of debt by raising INR4.6bn.
- Yields are higher in quarter due to higher recovery (on back of one-time settlement offered) and collection of older loans which carried higher yields. The impact, which is one-off in nature, is to the tune of INR2bn in Q2FY20.
 - 21% average yield going forward can be expected.

- Overall cost of borrowings is expected to remain elevated due to overall systemic risk aversion – 9.17% in Q1FY20, 9.3% in Q2FY20. The rates can move to ~9.5% going forward.
- Given the uncertainty in the sector, the company would maintain higher liquidity on balance sheet (compared to than last year).

With respect to asset quality and operational metrics

- Auctions during the quarter were to the tune of INR580mn (normal run-rate of INR3.5-5bn).
- The NPLs does not is not a concern for any gold financier – it is due to some extra given to customers and does not possess any risk.
- The company has decided to not use the excess provisions under IGAAP for ECL provisions (was done till Q1FY20).
- There was one instance of burglary in the quarter (covered by insurance), however, made provisions prudently.
- Credit cost during the quarter – INR140mn due to write-off and INR110mn due to increase in stage 3 assets.

Q1FY20 Earnings Call Takeaway

Growth & strategy

- The company is quite pleased on its achievement of all time high gold loans of INR35bn+ and consolidated AUM of INR40bn+ given the tough operating environment.
 - *It aims to achieve an AUM growth of at least 15% for gold loans as well as subsidiaries (can go up to 20% if liquidity situation eases further).*
 - The high gold prices are favourable, however, the volatility in prices does not impact the business as the company considers 30 day moving average for lending.
- The overall demand for gold loans remain strong as other avenues of funding are blocked (most of the NBFCs not lending) - hence, customers are availing gold loans to meet the requirements.
 - Given this strong demand, both organised and unorganised gold lenders are benefitting.
- *The recent floods in various states would not impact the business much as the affected areas are mostly rural and hilly areas. Less than 5% of the portfolio is from Kerala.*
- The company has had some discussions with RBI regarding separate classification for gold lenders as their ALM and NPA profile is quite distinct from other NBFCs.

Liquidity/borrowings/margins:

- The company does not face liquidity issues given the short duration of its loans, however, bank lending is quite restricted limiting the availability of growth capital for the company.
 - *The bank lending is absorbed by PSU NBFCs like REC/PFC and HDFC etc. with almost negligible funds flowing to other NBFCs.*
 - The existing limits are available, however, new sanctions are not happening (for almost all NBFCs).
- *The company would tap the retail NCD route given the large depositor base (raised INR8bn NCDs for Muthoot Finance and INR3bn for home finance) – will look to raised ~INR9bn via couple of issues in coming month.*
- The borrowing cost has gone up by almost 100 bps in last 8-9 months (from 8%-8.75% range to 9.25%-10% now) – banks currently lending at ~9.5% (have passed on the increased cost to customers).
- CP rates have come down considerably but will restrict the proportion at current levels.
- The NIMs experienced some pressure as the business was not even over the quarter (resumed post elections) and company conducted a low-rate scheme (to increase product offering and keep customers engaged). *The company maintained spread guidance – 12% +/- 50bps.*
- The ALM remains comfortable as ~60%/10% advances are repaid by customers in 6 months/1 month respectively.
- The USD2bn MTN program is an enabling resolution – will avail it as and when required.

Operational metrics:

- The LTV is capped at INR2300/gram – different geographies would have different allocations
- Opex – would like to maintain at 4% to 4.5% levels.
- INR4.1bn worth of advances categorised as “other loans” consists of lending to subsidiaries.
- *ECL provision composition- Stage 1& 2 are INR2.31bn and Stage 3 is INR1.58bn and the company carries an extra provision of INR1.19bn.*
- Auctions during Q1FY20 were INR3.4bn compared to INR2.04bn in Q4FY19.

Company Description

Muthoot is the largest gold-financing NBFC with an operating history of more than 70 years when M George Muthoot (father of promoters) founded a gold loan business in 1939. At present, it is a closely held family-owned business with promoters (sons of M. George Muthoot and their family) continuing to hold a substantial stake. Headquartered in Kerala, the gold loan NBFC has a network of 5,190 branches, with majority located in southern India. Muthoot has created a leadership position in lending against gold jewellery with AUMs of ~INR350bn.

The Muthoot group has interests in diversified businesses in areas of hospitality, media, education, healthcare, information technology, etc. However, gold loans continue to be the mainstay; hence Muthoot Finance continues to be the flagship company.

Investment Theme

Improvement in Muthoot's medium-term outlook has been marginally clouded by funding challenges and issues in its home state (Kerala). However, business fundamentals remain strong with steady growth, limited LGD and stable funding cost enabling it to generate superior returns (consolidated RoAuM/RoE of >5%/25%). We maintain 'BUY/SO'.

Key Risks

Gold loan dynamics in regions beyond South India are different.

Growth might come under pressure in case of slower ramp-up of branches or decline in gold price.

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
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				
Operating metric assumptions (%)				
Yield on advances	22.0	21.7	21.8	21.2
Cost of funds	9.2	9.5	9.7	9.9
Net interest margins	15.1	14.3	14.1	13.6
- employee cost	3.3	9.4	8.0	8.0
- advertisement	35.4	5.0	5.0	5.0
- rent	5.2	1.2	4.0	4.0
Tax rate (%)	37.6	35.9	25.0	25.0
Balance sheet assumption (%)				
Number of branches	4,325	4,480	4,555	4,630
Gold loan tenure	2.6	2.6	2.6	2.6
AUMs (in tonnes)/branch	35.8	37.8	40.4	44.5
Average INR per gm	1,861	1,983	2,057	2,145
Average LTV	70.6	70.8	71.0	71.0
Gross NPLs	7.0	2.7	3.0	2.5
Prov Cov	11.7	20.0	20.0	24.0

Income statement

(INR mn)

Year to March	FY18	FY19	FY20E	FY21E
Interest income	61,763	67,857	77,878	86,965
Interest expended	19,399	22,368	26,037	29,616
Net interest income	42,364	45,489	51,841	57,348
- Fee & forex income	660	950	1,020	1,090
Net revenues	43,024	46,439	52,861	58,438
Operating expense	13,057	15,396	16,456	17,965
- Employee exp	7,288	8,414	9,240	10,143
- Depn /amortisation	439	421	474	511
- Other opex	5,330	6,560	6,742	7,311
Preprovision profit	29,967	31,043	36,405	40,473
Provisions	2,397	275	1,144	1,315
Profit Before Tax	27,571	30,768	35,261	39,159
Less: Provision for Tax	10,368	11,047	8,815	9,790
Profit After Tax	17,203	19,721	26,445	29,369
Reported Profit	17,203	19,721	26,445	29,369
Shares o /s (mn)	400	400	400	400
Basic EPS (INR)	43.0	49.3	66.1	73.4
Diluted shares o/s (mn)	400	400	400	400
Adj. Diluted EPS (INR)	43.0	49.3	66.1	73.4
Dividend per share (DPS)	10.0	12.0	13.0	14.0
Dividend Payout Ratio (%)	23.3	24.3	19.7	19.1

Growth ratios (%)

Year to March	FY18	FY19	FY20E	FY21E
Revenues	24.6	7.9	13.8	10.6
NII growth	23.4	7.4	14.0	10.6
Opex growth	4.4	17.9	6.9	9.2
PPP growth	36.1	3.6	17.3	11.2
Provisions growth	(14.9)	(88.5)	316.1	14.9
Adjusted Profit	45.8	14.6	34.1	11.1

Operating ratios

Year to March	FY18	FY19	FY20E	FY21E
Yield on advances	22.0	21.7	21.8	21.2
Cost of funds	9.2	9.5	9.7	9.9
Net interest margins	15.1	14.3	14.1	13.6
Spread	12.8	11.9	11.4	10.8
Cost-income	30.3	33.2	31.1	30.7
Tax rate	37.6	35.9	25.0	25.0

Balance sheet		(INR mn)			
As on 31st March	FY18	FY19	FY20E	FY21E	
Share capital	4,000	4,000	4,000	4,000	
Reserves & Surplus	73,604	87,709	108,071	130,889	
Shareholders' funds	77,604	91,709	112,071	134,888	
Long term borrowings	63,804	77,610	83,932	95,813	
Short term borrowings	148,876	181,090	195,842	223,564	
Total Borrowings	212,680	258,700	279,774	319,377	
Long Term Liabilities	14,187	15,114	16,186	17,023	
Def. Tax Liability (net)	(340)	(340)	(340)	(340)	
Sources of funds	304,130	365,183	407,691	470,949	
Gross Block	6,216	6,757	7,024	7,292	
Net Block	1,962	2,082	1,875	1,631	
Capital work in progress	57	-	-	-	
Intangible Assets	43	44	40	34	
Total Fixed Assets	2,062	2,126	1,915	1,666	
Non current investments	3,838	4,138	4,438	4,738	
Cash and Equivalents	4,868	16,919	15,977	16,500	
Loans & Advances	288,480	335,853	379,040	441,873	
Current assets (ex cash)	9,611	11,184	11,717	11,846	
Trade payable	757	806	863	908	
Other Current Liab	3,972	4,232	4,532	4,767	
Total Current Liab	4,729	5,038	5,395	5,674	
Net Curr Assets-ex cash	4,882	6,146	6,321	6,172	
Uses of funds	304,130	365,183	407,691	470,949	
BVPS (INR)	194.3	229.6	280.5	337.6	

RoE decomposition (%)		FY18	FY19	FY20E	FY21E
Year to March					
Net int. income/assets	15.1	14.3	14.1	13.6	
Non int. income/assets	0.2	0.3	0.3	0.3	
Net revenues/assets	15.3	14.6	14.3	13.9	
Operating expense/assets	(4.7)	(4.8)	(4.5)	(4.3)	
Provisions/assets	(0.9)	(0.1)	(0.3)	(0.3)	
Taxes/assets	(3.7)	(3.5)	(2.4)	(2.3)	
Total costs/assets	(9.2)	(8.4)	(7.2)	(6.9)	
ROA	6.1	6.2	7.2	7.0	
Equity/assets	25.4	26.6	27.6	29.3	
ROAE (%)	24.1	23.3	26.0	23.8	

Valuation parameters		FY18	FY19	FY20E	FY21E
Year to March					
Adj. Diluted EPS (INR)	43.0	49.3	66.1	73.4	
Y-o-Y growth (%)	45.6	14.6	34.1	11.1	
BV per share (INR)	194.3	229.6	280.5	337.6	
Diluted P/E (x)	15.1	13.2	9.8	8.9	
P/B (x)	3.3	2.8	2.3	1.9	

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		P/B (X)		ROAE (%)	
		FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Muthoot Finance	3,617	9.8	8.9	2.3	1.9	26.0	23.8
Aavas Financiers	1,658	45.5	35.1	5.7	4.9	13.3	15.0
HDFC	52,911	23.7	18.2	2.7	2.5	16.6	15.8
Indiabulls Housing Finance	1,295	3.9	4.0	0.6	0.6	15.9	14.8
LIC Housing Finance	2,941	8.2	6.3	1.2	1.0	15.0	17.2
Mahindra & Mahindra Financial Services	2,796	16.2	11.2	1.8	1.6	11.2	15.2
Manappuram Finance	1,911	13.7	10.8	2.8	2.2	21.4	22.7
Repco Home Finance	251	5.7	5.2	1.0	0.8	19.0	17.5
Shriram City Union Finance	1,222	7.2	6.3	1.2	1.0	17.7	17.4
Shriram Transport Finance	3,563	8.5	7.3	1.5	1.3	18.7	18.6
Median	-	9.2	8.1	1.6	1.4	17.1	17.3
AVERAGE	-	14.7	12.2	2.2	2.0	17.5	17.8

Source: Edelweiss research

Additional Data

Directors Data

M. G. George Muthoot	Chairman	George Alexander Muthoot	Managing Director
George Thomas Muthoot	Joint Managing Director	George Jacob Muthoot	Joint Managing Director
George Joseph	Independent Director	John K. Paul	Independent Director
K John Mathew	Independent Director	Pamela Anna Mathew	Independent Director
Alexander Muthoot George	Deputy Managing Director	K George John	Independent Director

Auditors - M/s. Varma & Varma

**as per last annual report*

Holding - Top 10

	Perc. Holding		Perc. Holding
Tata Asset Management	1.20	Dimensional Fund Advisors	1.16
UTI Asset Management	0.99	Reliance Nippon Life Asset Management	0.95
ICICI Prudential Asset Management	0.88	Vanguard Group	0.86
AllianceBernstein	0.80	Mirae Asset Global Investments	0.73
Government Pension Fund - Global	0.61	L&T Mutual Fund	0.58

**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
15 Feb 2019	George Alexander Muthoot	Sell	19500.00
30 Jan 2019	George Alexander Muthoot	Sell	20900.00
24 Dec 2018	George Alexander Muthoot	Sell	31700.00

**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	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

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Coverage group(s) of stocks by primary analyst(s): Banking and Financial Services

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, HDFC Life Insurance Company Ltd, ICICI Bank, ICICI Lombard General Insurance Company Ltd, IDFC FIRST BANK, Indiabulls Housing Finance, IndusInd Bank, ICICI Prudential Life Insurance Company Ltd, 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, SBI Life Insurance Company Ltd, 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
13-Nov-19	Repco Home Finance	Modest core performance; valuation comfortable; <i>Result Update</i>	296	Buy
08-Nov-19	Bank of Baroda	Long road ahead; <i>Result Update</i>	94	Reduce
08-Nov-19	Magma Fincorp	Tough quarter; valuation comfort; <i>Result Update</i>	47	Buy

1 Distribution of Ratings / Market Cap

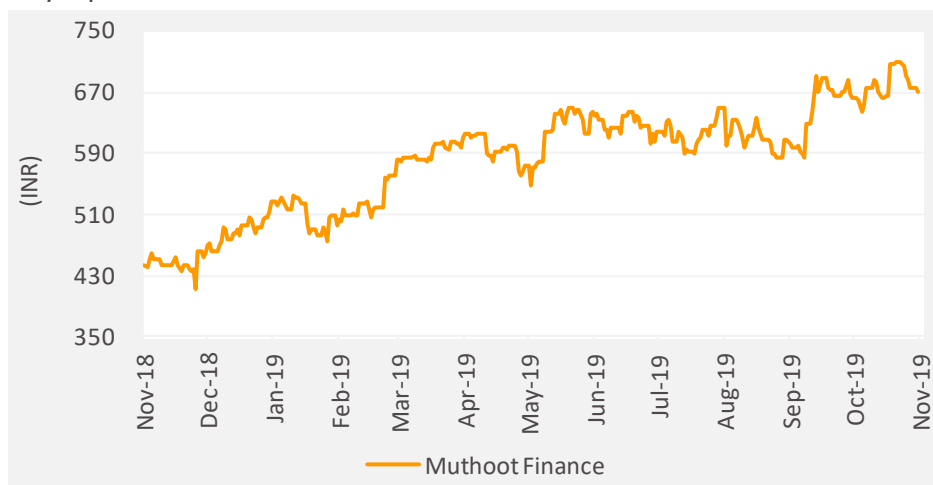
Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	229
* 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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